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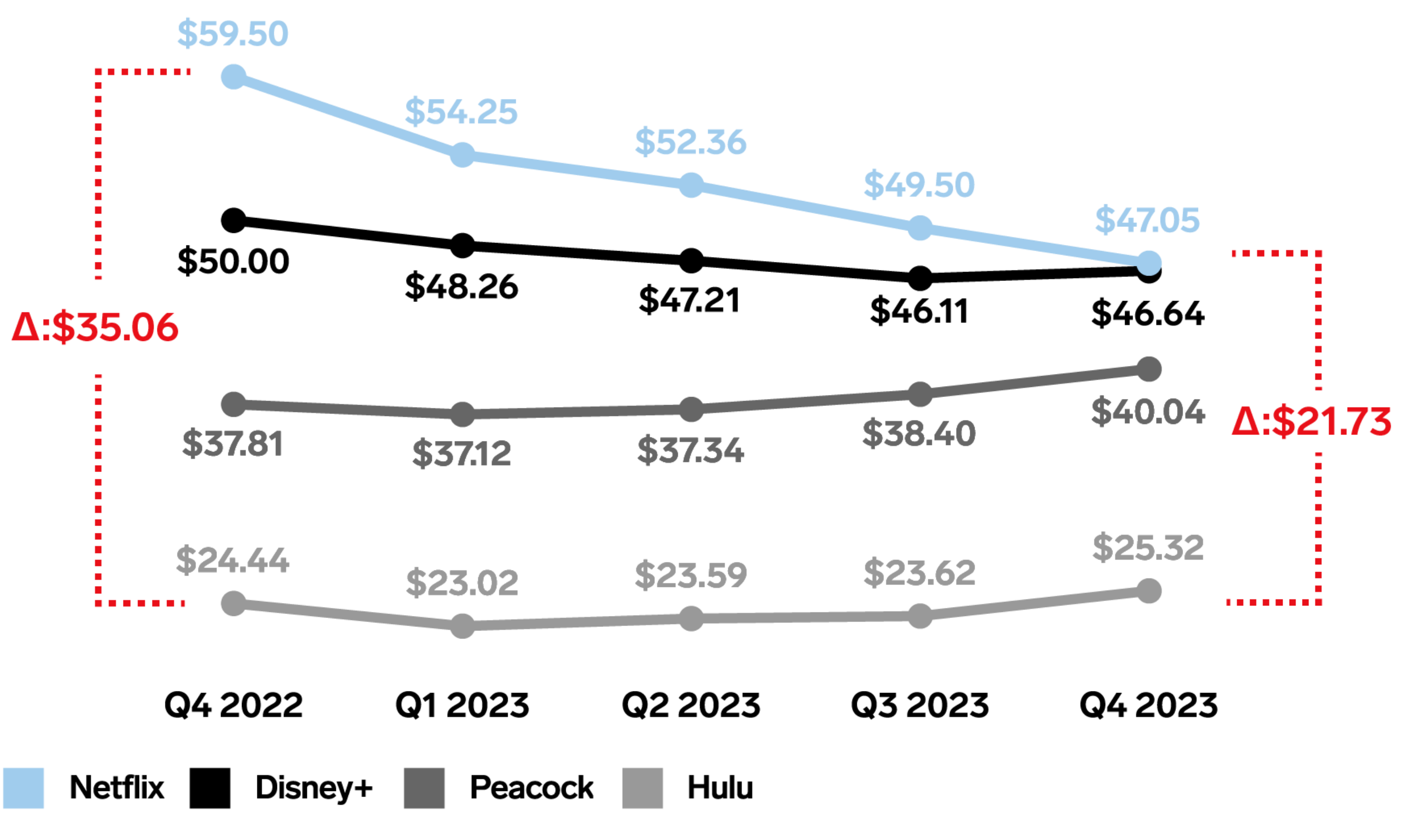
What does the narrowing range of streaming service CPMs mean for advertisers?

Article

Cost-per-thousand (CPM) impressions rates are trending downward and narrowing across top streaming services. This is the product of a soft upfront market in early 2023 and rate moderation by Netflix, which launched its ad tier in late 2022 with unrealistically high CPMs. Disney has also lowered CPMs since its late 2022 launch but by a smaller margin. The rate shifts follow historical patterns of services launching with wish-list pricing, only to backtrack in response to buyer resistance.

The Gap in CPMs Among Major US Streaming Services Will Narrow in the Year Leading Up to Q4 2023

ad cost per thousand



Note: average platform ad cost per thousand (CPM) is the amount advertisers pay for every thousand impressions of their ads delivered through each platform's ad-supported tier; includes in-stream ads such as those appearing before, during, or after digital video content (pre-roll, mid-roll, or post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, connected TVs, and other internet-connected devices; Hulu data excludes Hulu + Live TV
Source: Insider Intelligence | eMarketer, Sep 2023

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- **The playing field among major streaming services is more even than it was in late 2022.** This should free advertisers to allocate budgets based on factors like specific shows and audience demographics, rather than price comparison. For example, marketers who were eager to advertise on Netflix and Disney+ but were scared off by the initial sticker shock may want to take another look now that those services are closer in line with competitors.

- **More flux is likely as new competitors consider joining the fray of ad-supported services.** The CTV ad market is still adjusting to having Netflix and Disney+ in the space, but if other major providers like Amazon Prime Video and Apple TV+ launch ad tiers, buyers may get another dose of whiplash—especially if those major players come to market with inflated rates. On the flip side, incumbents including Warner Bros. Discovery and Paramount Global are coming off an upfront season in which average CPMs across linear and digital were essentially flat with 2022. It will be an unsettled market for some time.
- **Combining CTV with linear TV is still a winning formula.** CTV platforms have come a long way in building scale, amassing libraries of original premium content, and launching ad tiers—meaning that they now offer almost everything linear offers, plus refined targeting and measurement. But at a generally lower CPM (averaging between $10 and $15), linear TV offers significant value for marketers interested in reaching older viewers without the extra capabilities of CTV. The right mix depends on campaign objectives, but in most cases, buying across both linear and CTV can deliver incremental results compared with limiting the buy to one or the other.

Report by Paul Verna Oct 06, 2023

Streaming Service CPMs 2023