

A pre-upfronts check-in: Netflix has its work cut out

Article

Netflix will host its first upfronts presentation on May 17. Before the streaming platform takes the stage, let's dive into where Netflix is struggling and where bright spots lie ahead.

An ad-adjustment: After a rocky start last year, Netflix's ad-supported tier is **beginning to gain momentum**, though it still has a long way to go before it catches up to other platforms.

“To be fair, it is relatively new,” our analyst Jeremy Goldman said during a recent “**Behind the Numbers: The Daily**” episode. But that isn’t the only reason it’s having trouble attracting advertisers and viewers.

Netflix needs to build out its ad targeting capabilities to secure advertiser buy-in, which could mean severing ties with current ad partner Microsoft and building out its own ad platform, Goldman said.

In the meantime, Netflix is working to build out its platform. At upfronts, the streamer is expected to announce new ad capabilities, including the ability to target ads to users based on content they’re watching and allowing advertisers to buy inventory based on its Top 10 list.

To gain more ad-supported subscribers, Netflix may want to recalibrate how many ads it's serving to viewers.

Nearly half (49%) of Netflix’s Basic with Ads subscribers said the platform’s ad load was “heavy” and 17% said it was “excessive,” **according to Aluma Research,**

Sharing isn’t caring: Netflix may also take a hit because of its crackdown on password sharing.

We expect the platform to lose about 1 million viewers (not subscribers) this year, possibly due to consumers balking at shared account pricing.

“Ultimately, you can have a shared account, but you’re going to pay more for that,” said Goldman. “If you’re a casual viewer, you’re going to say, ‘No thanks, I’m good. I’ve got enough content to binge on every other service.’ It’s going to cause a number of people to downgrade or cancel their plans.”

A whole new world: Netflix’s global subscriber numbers are relatively healthy.

Netflix added 1.75 million new subscribers in the first quarter of 2023, the third consecutive quarter of positive subscriber growth.

The platform is facing a little trouble in North America: Subscriber numbers in the US and Canada are stagnating, hovering around 74 million since the end of 2020.

But global growth is booming, and Goldman predicted that there will be a lot of global signups over the next few years, which may offset North America’s weakness.

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