JUN 12

Meaghan Yuen

How Amazon Prime Video and Netflix are balancing subscription and ad revenue

Article

Most major streaming services, with the exception of Apple TV+, are offering a hybrid of ad-supported and ad-free plans. But the degree to which they really seek out and rely on ads as a main revenue driver varies widely, our analyst Ross Benes said on the "Behind the Numbers" podcast.

Subscription-forward: "Netflix advertising isn't material to them yet," Benes said.

- Netflix will see $14.52 billion in US subscription revenues this year, accounting for 21.9% of all OTT subscription revenues, per our December 2023 forecast.
- Netflix will see $0.95 billion in ad revenue this year.
- Its ad revenue is expected to grow 36.1% next year—much greater than other providers with more established ad tiers.
- The less expensive ad-supported plan is a good entry point for new customers. In markets where it sells ads, 4 in 10 new Netflix subscribers opted for the ad-supported tier in Q4 2023, according to the company.

Ad-forward: On the other end is Amazon, "a very ad-dependent company," Benes said.

- Amazon defaulted its Prime Video members to its advertising plan in January 2024, helping it garner the largest number of subscription OTT ad-supported viewers of all major US streaming providers.
- 8 in 10 US Prime Video members will be on Amazon's ad-supported tier this year, amounting to 130.4 million viewers, per our February 2024 forecast.
- Amazon will garner $4.72 billion from OTT ads this year, claiming 11.2% of the company's total ad revenue.

What do marketers need to know?

1. Notable growth will be in time spent.

Subscription OTT video viewers will make up 75.8% of US internet users and 84.6% of digital video viewers this year, according to our February 2024 forecast. Because the market is already so saturated, "there aren't a whole lot of new people coming into streaming," Benes said. That's why growth in time spent is more important.

Connected TV viewers will spend one hour and 49 minutes (1:49) per day with subscription OTT video. Next year, that will grow 4.8%, accounting for nearly half (47.5%) of all time spent with digital video.

2. Streamers will grow ad inventory through live events.

Netflix is expanding its lineup of live events, from reality show reunions to sports championships, to attract more ad dollars. This November, Netflix will stream the boxing match between Mike Tyson and Jake Paul and starting in 2025, Netflix will be the home of the WWE's weekly wrestling show "Raw." "For those who got priced out or missed out on NFL or NBA inventory, there are emerging options for using sports," said Benes.

3. Non-endemic advertisers are welcome.

Amazon is making a bid for non-endemic advertisers, both big and small, through sports programming. Its streaming deals, including ones for the Nascar Cup Series in 2025 and an NFL playoff game in the next season, will give national brands a reason to advertise on Amazon, even if they don't sell products on its ecommerce platform.

Meanwhile, Amazon's investment in Diamond Sports will allow streams of regional sports events, encouraging local advertisers.

Listen to the full episode.

This was originally featured in the EMARKETER Daily newsletter. For more retail insights, statistics, and trends, subscribe here.