

Netflix viewers will dip in 2023 thanks to paid sharing—which could cause a long-term Gen Z problem

Article

The news: Netflix will lose viewers for the second consecutive year in 2023, according to our [new forecast update](#). The number of viewers is expected to **decrease by 0.5% to 170.6 million**.

- Our estimate of the number of viewers is **higher** than the company-reported figure because it includes people sharing an account, such as members of the same household who use only one account.

Why the decline? Netflix's viewership atrophy may be due to [implementing paid sharing](#), leading casual viewers to drop off and account holders to downgrade their plans or cancel their subscriptions altogether.

- This decline will come despite offering a lower-priced ad-supported option.
- Young adult viewership is expected to decline the fastest, with an estimated **4.1% drop for viewers ages 18 to 24** and a **2.1% decrease for those ages 25 to 34** in the US due to account sharing, which is particularly common among these demographics.

Zoom in: Upcoming password-sharing guidelines in the US are causing concern among college students who may not have the means or desire to pay for their own subscriptions.

- The streamer introduced additional fees for "sub accounts" in [Canada, New Zealand, Portugal, and Spain](#). Users in those countries can create two sub accounts for additional users for a monthly fee per user.
- Sub accounts can transfer their profiles to new individual accounts to keep their personalized recommendations and viewing history.
- The number of accounts affected isn't insignificant: **Chengyi Long**, the company's director of product innovation, said in February that **more than 100 million households** were sharing accounts, which equates to about 43% of the company's 231 million paid global memberships as of that month.

Netflix hasn't specified what the US guidelines will look like, but they likely won't be too different from where it has rolled out internationally.

Past its peak? Despite a rebound next year, Netflix's penetration will remain below its peak. It's expected to reach **173.7 million viewers in 2024** and **182.5 million by 2027**, making up 57.7% of internet users, according to our forecast. That's below the peak of 58.2% in 2021.

- Weaker penetration could be why the company is **now optimizing for revenues rather than customer satisfaction**. Co-CEO **Ted Sarandos** has compared the new model to a price increase, arguing that it will be “really revenue positive” and “market expanding.”

The bottom line: Gen Zers—anyone born between 1997 and 2012—make up a large share of college students. As Netflix focuses on generating revenues, it’s crucial to keep in mind the loyalty of these consumers who will be increasingly vital to the success of streaming services in the coming years.

- If more of those Gen Z users become accustomed to going to **YouTube** and **TikTok** for their entertainment needs, that could have long-term implications for time spent with media going forward.