

Netflix Basic With Ads turns 1 this month. Here are all the new ad formats and a look at the tier's health

Article

It's been a year since **Netflix launched its "Basic With Ads" tier**, joining an increasingly **cluttered landscape of ad-supported streaming platforms**. Netflix leveraged a year of solid connected TV (CTV) ad spend growth, cost-conscious consumers, and Hollywood strikes that emphasized the value of a deep existing catalog to grow its ad-supported plan to **15 million global monthly active users**, according to a company post. Here's a look at what's new, what's working, and what needs more attention at Netflix.

What's new?

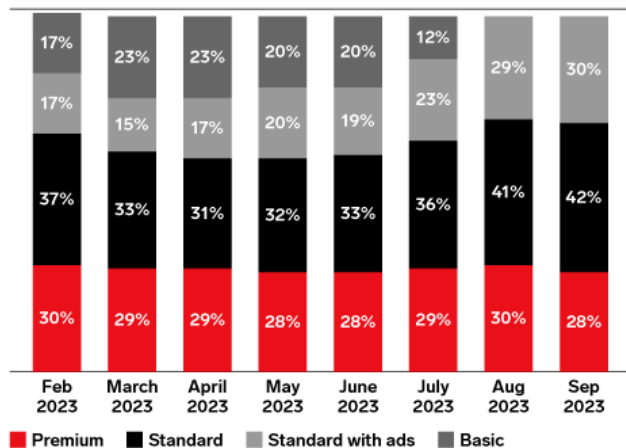
- Netflix expanded beyond 15- and 30-second ads to 10-, 20-, and 60-second spots.
- The platform boasts "elevated" measurement capabilities, partnering with Integral Ad Science, DoubleVerify, and Nielsen One, according to Netflix's president of advertising Amy Reinhard.
- Netflix is introducing a binge format, which rewards viewers who watch three consecutive episodes with an ad-free fourth one.
- QR codes are coming to Netflix advertising creative, which will help drive shopability in ads.
- Brands can now be featured as a title sponsor on content.
- Live sports are coming to Netflix in the form of **The Netflix Cup**, a combined Formula 1 and golf tournament.
- **Netflix plans on opening new brick-and-mortar locations** that combine retail, dining, and live experiences in 2025.

Basic With Ads is the new Basic as **the platform slashed its Basic ad-free plan** in July 2023 for US and UK viewers.

- Following that move, the share of Basic With Ads sign-ups increased on Netflix in August and September, according to Antenna.
- A boost in Netflix ad-supported tier sign-ups also followed its **password-sharing crackdown** in May.

Share of US Netflix Sign-Ups, by Plan Type, Feb 2023-Sep 2023

% of total



Note: excludes free tiers, MVPD + telco distribution, and select bundles; numbers may not add up to 100% due to rounding

Source: Antenna as cited in company blog, Oct 16, 2023

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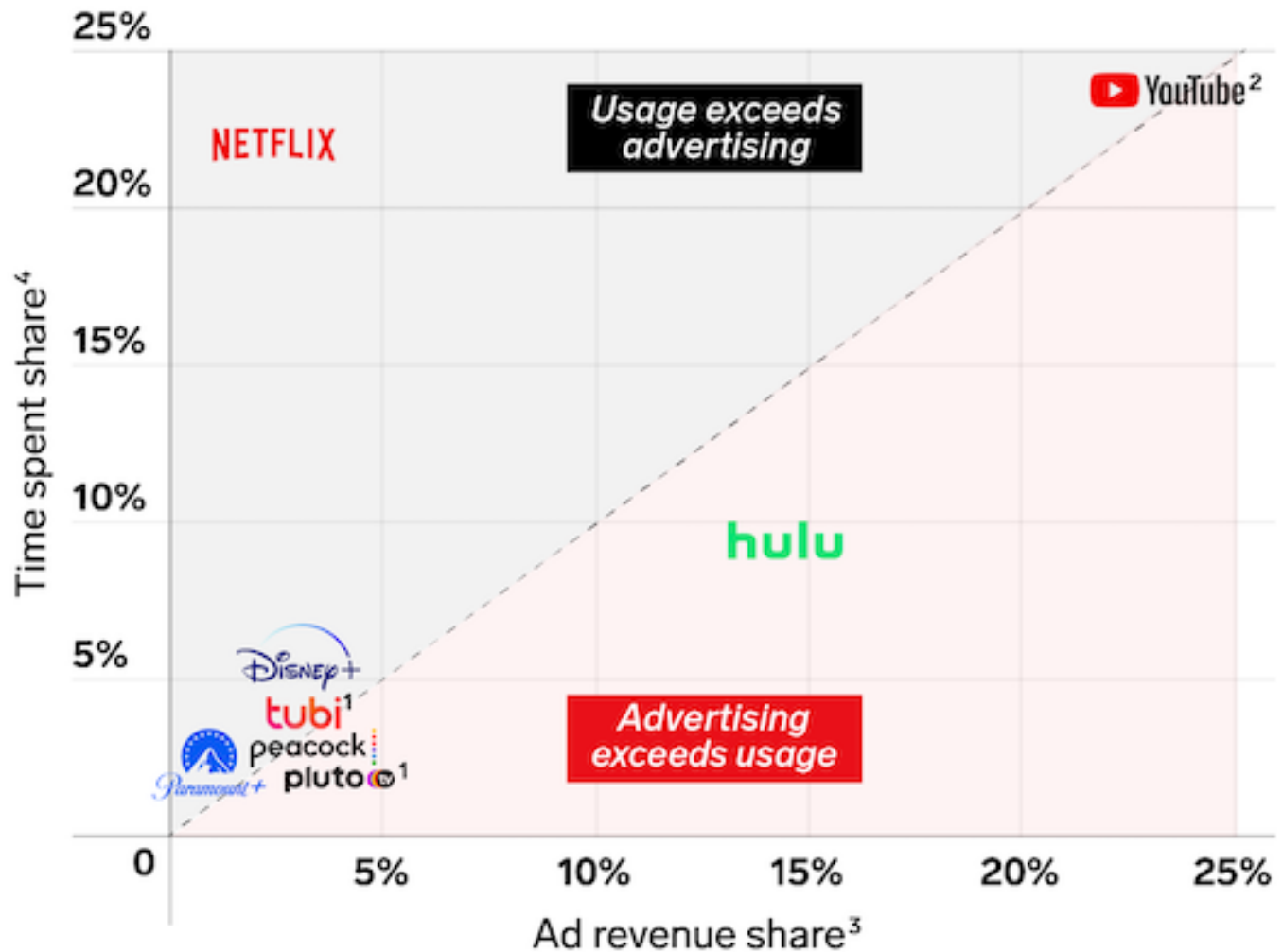
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What's working for Netflix?

- Netflix is successfully getting people to sign up for Basic With Ads. The platform has not disclosed the percentage of users subscribing to the tier, but based on its **247.2 million reported members** in Q3 and reported figure of 15 million global monthly active Basic With Ads users worldwide, the figure could be around 6% globally.
- CTV advertising is healthy compared with other formats, with US ad spend projected to grow 22.4% to \$30.10 billion next year. **Netflix accounts for a greater share of time spent** than of ad spend, according to our forecasts. There's potential for growth as advertisers move to where users spend their time.
- Netflix has a fairly attractive catalog and a lot of international content, which allowed it to stay relevant and fresh during the recent Hollywood strikes.
- Netflix announced a price hike** in October, which could push people toward the less-expensive, ad-supported tier.

US Connected TV Time Spent vs. Ad Revenues, 2023

% of total connected TV time spent and ad revenues



Note: (1) free services without ad-free tiers; (2) gross ad revenues; (3) digital advertising that appears on connected TV (CTV) devices; examples include display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising; (4) ages 2+; streaming category excludes "linear streaming" such as YouTube TV

Source: ad revenues from Insider Intelligence | eMarketer Forecast, March 2023; time spent from Nielsen as cited in company blog, Aug 2023

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Where could Netflix struggle?

- While Netflix has the potential to expand ad revenues to meet its time spent share, the platform still faces the challenge of convincing advertisers to take a risk on a younger ad platform. Netflix's US ad revenues will reach \$1.03 billion in 2024, according to our forecast. That puts it ahead of the Disney+ ad tier, which launched around the same time and will see \$0.91 billion in ad revenues next year, despite accounting for a smaller share of time spent.
- Netflix is delving into sports and other live events, but livestreaming presented a blunder in April during **the airing of the "Love Is Blind" season four reunion episode**. To win over advertisers' trust, the platform can't afford another debacle.
- YouTube surpassed Netflix in terms of average time spent this year, according to our forecasts. YouTube has already proven itself with live events and sports, plus it has creator content to stay fresh even with external factors like strikes. **YouTube also surpassed Netflix in popularity among US teens** this year, according to Piper Sandler.

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