

Amazon Prime Video ad launch forced Netflix to lower CPMs

Article

The news: Amazon Prime Video's entry into the streaming ad market has forced **Netflix** to cut its CPMs to approximately \$29 to \$35, down from \$39 to \$45 last summer, per a Wall Street Journal report.

Amazon's shakeup: Prime Video disrupted the streaming market earlier this year when it made ad-supported viewing the default for its **97.2 million US Prime households**. The

streaming service has enjoyed strong revenue growth thanks to the launch of ads, and its competitively priced CPMs are forcing rivals to adapt.

- Amazon broke into the market with CPMs of approximately \$30, according to Adweek reporting from January. Netflix and **Disney+** had spent 2023 lowering CPMs after entering the market with highs of \$50 or \$60, but Amazon's pricing increased pressure to offer more affordable ad space.
- Amazon's Q1 ad revenues grew by 24% to \$11.82 billion thanks in part to Prime Video's launch. Though Amazon offers ad-free viewing for an extra \$2.99 monthly, we estimate that 80% of Prime Video viewers use the ad-supported version.
- Almost overnight, Amazon became one of the biggest competitors in the streaming ad market. Prime Video has said that it reaches 115 million US viewers every month; Netflix said at its Upfront presentation that it reaches 40 million viewers globally every month.

Netflix adapts: Prime eked out an advantage over competitors by making ad-supported viewing the default rather than following Disney and Netflix's strategy of trying to get users to transition to cheaper, ad-supported tiers. While Netflix has had to shift CPMs below where it may want them to be, it has other initiatives that will help it compete with Amazon.

- Prime may have a larger ad-viewing audience than Netflix, but the latter's reach is still significant and frequently lands in the No. 2 viewership spot behind **YouTube**. Netflix's large audience of nearly 270 million global subscribers and strong brand recognition make it a desirable partner for brands.
- Netflix is also attempting to launch its own marquee sports events like tennis tournaments and boxing matches that open up the possibility for lucrative brand partnerships.
- It also recently secured the streaming rights to **World Wrestling Entertainment** and could win rights to two high-profile holiday season **NFL** matches, which could help draw more ad spending.

Our take: Competition in the streaming space has forced CPMs down, which is good news for budget-conscious advertisers. But Amazon and Netflix each have unique benefits. Amazon's wealth of retail data and dense Prime ecosystem gives advertisers more flexibility, while Netflix commands strong viewing time and engagement.

Netflix vs. Amazon Prime Video Viewers in Select Countries, 2024

millions

	Netflix viewers	Amazon Prime Video viewers
US	173.7	163.6
India	48.1	65.9
UK	35.0	26.9
Germany	29.4	32.3
France	27.1	13.6
Canada	18.9	14.6
Australia	10.5	4.9
Japan	10.4	16.2

Note: Individuals of any age who watch Netflix or Amazon Prime Video via app or website at least once per month

Source: Insider Intelligence | eMarketer Forecast, Sep 2023

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