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Amazon's Prime Video ad launch proves streaming CPMs continue to converge

Article

When Netflix first rolled out its ad-supported tier in late 2022, its CPMs (the cost to reach 1,000 users) were nearly $60, per our data. Disney+ CPMs were slightly lower at $50, but still

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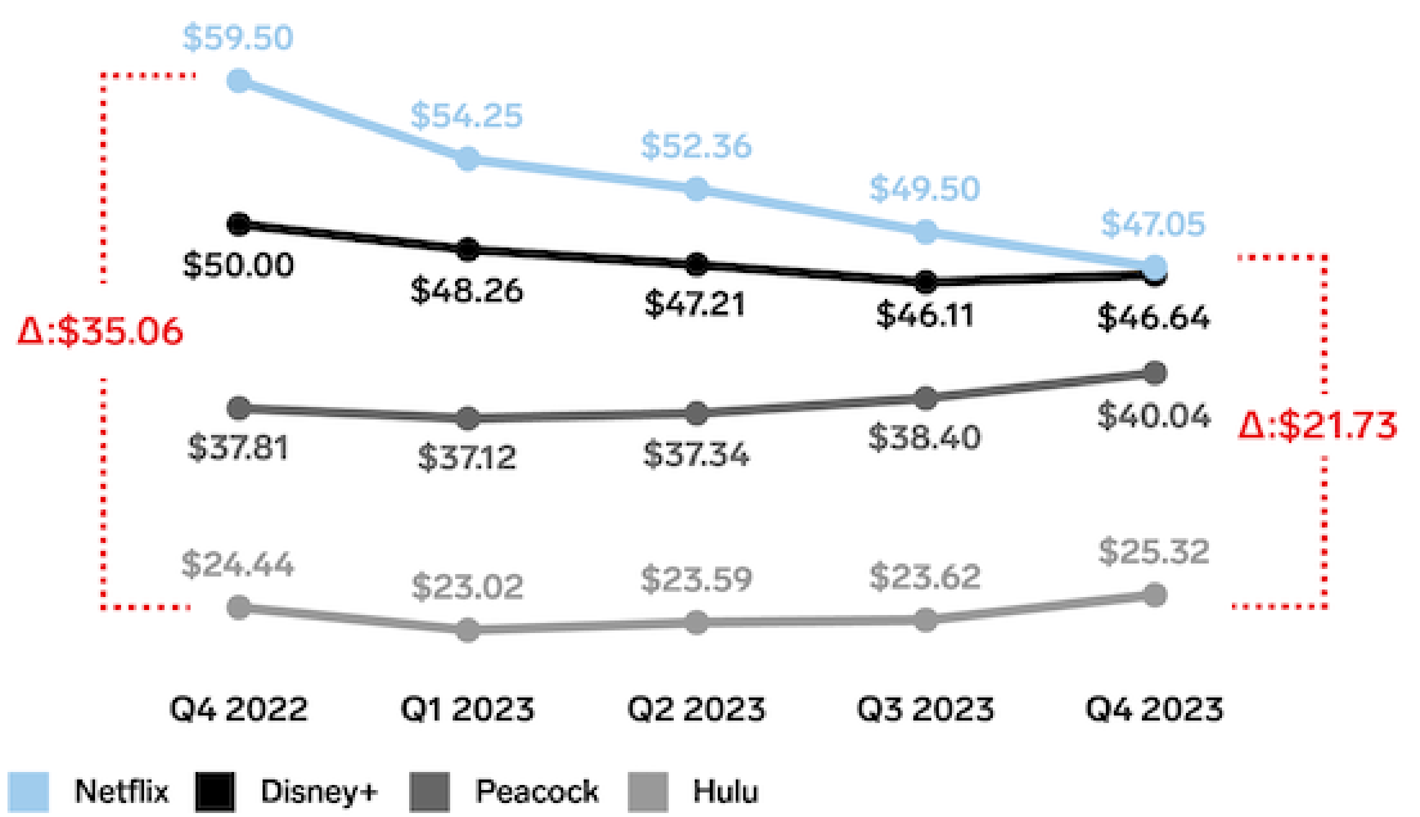
much higher than Hulu's at $24.44.

- Fast-forward to Q4 2023 and Netflix CPMs had dropped by over $10 to reach $47.05, possibly due to lower-than-expected initial results for its ad business and an increasingly crowded streaming landscape.
- Though Netflix CPMs remained the most expensive, it put the streaming service much more in line with its competitors.

The Gap in CPMs Among Major US Streaming Services Will Narrow in the Year Leading Up to Q4 2023
ad cost per thousand



Note: average platform ad cost per thousand (CPM) is the amount advertisers pay for every thousand impressions of their ads delivered through each platform's ad-supported tier; includes in-stream ads such as those appearing before, during, or after digital video content (pre-roll, mid-roll, or post-roll video ads) and video overlays; appears on desktop and laptop computers as well as mobile phones, tablets, connected TVs, and other internet-connected devices; Hulu data excludes Hulu + Live TV
Source: Insider Intelligence | eMarketer, Sep 2023

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“The coalescing of streaming service CPMs reflects a historical pattern of subscription video on demand platforms (SVODs) aiming high when they launch ad tiers, only to lower prices after buyers balk at the sticker shock,” said our analyst Paul Verna. “Other services including Warner Bros. Discovery’s HBO Max followed similar patterns.”

Now that Amazon Prime Video has joined the fray, introducing CPMs in the low- to mid-$30 range, it could put pressure on other streamers to keep their CPMs low or risk losing their share of ad dollars.

“Amazon’s decision to price Prime Video ads in the mid-$30s is partly a strategic move to undercut competitors, but also an indication of the retail titan’s scale, its wealth of first-party data, and its luxurious position of being able to run its streaming business as a loss leader,” said Verna.

The bottom line: Competition among streamers is heating up, which has forced some platforms to rein in their CPMs. This is good news for advertisers and could lead to additional investment in connected TV advertising.

“Regardless of each company’s motivation, the convergence of SVOD CPMs around a down-to-earth mean should spur growth in ad monetization,” according to Verna.

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