# Netflix will earn $1.7bn from advertising in the US by 2027

Ad tier will earn $5.5bn in global annual advertising income in five years

London, 25th August 2022: Netflix will earn $1.7bn from advertising in the US market, according to a new study from Ampere Analysis. The US will be largest single contributor to a global advertising income of $5.5bn by 2027, boosted to $8.5bn a year by ad tier subscription fees. Specifically, the ad tier is expected to increase the group's revenue by 4.9% in 2023 and 7.1% by 2027 compared to the current business model.

Netflix: Annual revenue before and after ad tier launch ($bn)
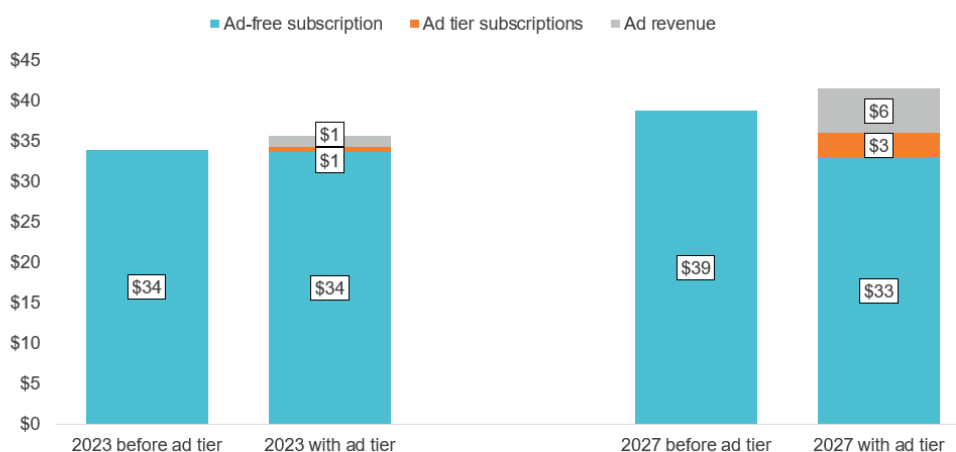
Ad tier will add $2.2bn additional revenue by 2027

According to a new report by the analysis firm, the launch of an ad tier will see Netflix earn $2.2bn more by 2027 than it would by continuing with a subscription-only model, driven by an average revenue per user (ARPU) uplift combined with a modest increase in the overall subscriber base.

Assuming that the ad tier launches at $5.99 in the US, with pricing adjusted on a relative basis globally, and based on price elasticity analysis, Ampere calculates that the ad tier will see a 3.2% subscriber uplift, with the remainder of ad tier customer migrating from the existing customer base.

The price elasticity analysis in the US shows that if the ad tier launched at $2.99, the uplift would increase to 4.8% but at the expense of subscription revenue. If the ad tier cost $7.99, the uplift would drop to 2.2% and provide a smaller increase in revenue.

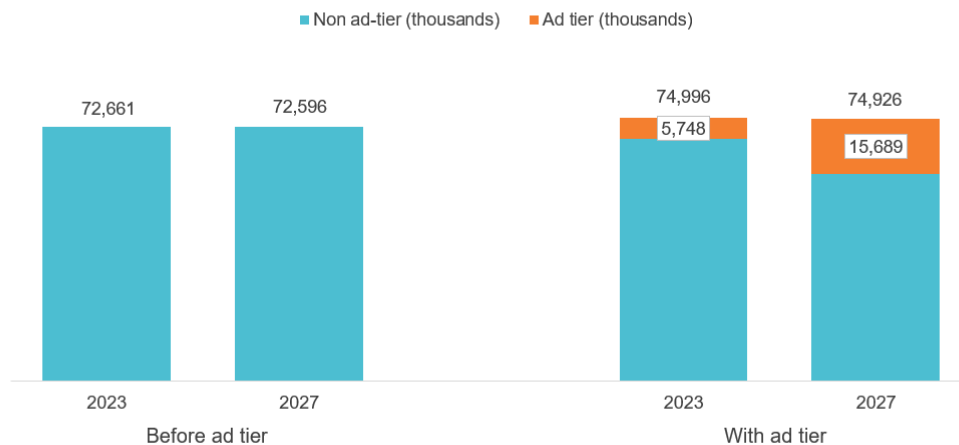### The ad tier will stabilise North America and Western Europe

Using ad tolerance and price sensitivity data from Ampere's consumer survey, the firm estimates that one in five Netflix users will be on the ad tier by 2027. In addition, most of the ad tier customers will come from the existing customer base. Therefore, the report concludes that the ad tier will serve to stabilise the more saturated markets of North America and Western Europe.

The US will account for one third of total revenue

The US market will account for $1.7bn of ad revenue by 2027 (31% of global total), and $2.6bn including subscription income, according to the study. Here advertising will serve as primarily a hedge against lower engagement and flat subscriber growth.

Netflix: North American subscriber mix after ad-tier launch

■ Non ad-tier (thousands) ■ Ad tier (thousands)

Before ad tier: 2023 — 72,661; 2027 — 72,596

With ad tier: 2023 — 74,996 (5,748); 2027 — 74,926 (15,689)

Source: Ampere Markets

Analyst at Ampere Analysis Ben French says: "The ad tier is primarily a customer retention tool in the US, with sign-ups coming largely from Netflix's existing subscriber base. The US ad tier will be an effective measure against a shrinking and less engaged audience rather than a new customer acquisition tool. Increasing advertising rates will grow total ad income over time, offsetting the negative impact of a fall in viewing."

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About Ampere Analysis

Founded in January 2015, Ampere Analysis is a new breed of media analyst firm. The company's experienced team of sector-leading industry analysts specialises in sport, games, pay and multiscreen TV and next-generation content distribution. Our founders have more than 60 years combined experience of providing data, forecasts and consulting to the major film studios, telecoms and pay TV operators, technology companies, TV channel groups and investment banks. www.ampereanalysis.com

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