

Netflix ad chill – exploring the potential of advertising in streaming

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The topic of advertising on streaming platforms is not a new one but in recent months, it's become a louder conversation.

During a panel at the IAB's Digital Content NewFronts, execs from the likes of YouTube and JPMorgan Chase were asked whether Netflix will remain ad-free. The consensus was that, if Netflix is going to continue growing, it may well have no choice but to change its approach to advertising. The same can be said of other streaming leaders.

But there are obvious challenges ahead. Ad-free viewing, as much as it pains me to say it, is often seen as a selling point for those platforms: instant, uninterrupted access to great content. If you ask people whether they want to see advertising on their streaming services, [the majority do not](#).

For us in the advertising industry, this is an image problem and we need to fix it. Because there is huge opportunity for advertising in streaming and, from the perspective of the streaming companies, there is a need for it. Done right, it should open the door to growth for the likes of NowTV and Netflix now, and [Disney](#) and [NBCUniversal](#) in future, without negatively impacting audiences.

Acceptance of ads

While viewers would prefer ad-free streaming services, they are not completely closed to the idea. The caveat is that they would ideally want there to be a, quite literal, pay-off. According to a recent IAB survey, 56% of adults who regularly watch streaming OTT video said they don't mind watching ads if they're paying less.

In light of the [response to Netflix's impending price hike](#), one way to open the doors for advertising could be to vary subscriptions the way Spotify, and indeed Hulu, does. It's easy to imagine streaming services with 'basic' and 'premium' offerings – basic with a lower fee but supported by advertising, premium with the higher fees which allow for a still profitable ad-free service.

In a streaming world where competition is increasing (Disney+, BritBox and NBCUniversal's offering are looming large), growth is fundamental. Advertising is one way to achieve that.

How advertising could work in streaming

The most important part of any streaming service is the content. This is what makes or breaks a platform and it's why so much money is poured into originals and securing the rights to the best content around. And that demand for "quality content" isn't going to change – [our Connected Kids study](#) confirms that, amongst teens, "range of content" is the priority when choosing a service.

With that in mind, I believe the future of advertising on streaming platforms is likely to focus

on programmatic-led, highly targeted ads which in no way delay access to the main programming or film and, in some forms, add to it.

Be part of the show

Brand placement is common but it's a tricky subject. Done badly, it takes people out of the action and prompts eye rolls from audiences – clearly not the desired result. But done well, it can create appetite and affinity for a product, service or a brand.

Netflix has experimented with this already. The Black Mirror Bandersnatch episode was the first to ask viewers to “play along”, making decisions for the character which had a direct impact on the storyline. It prompted a level of interaction and content gamification not commonly seen in TV and I expect it to become more common across all platforms.

What was interesting from a brand perspective is that one of the earliest choices the made was whether the main character would eat Frosties or Sugar Puffs for breakfast. But what really caught my eye was the debate within social, and traditional, media about that choice.

Much of the audience was talking about craving a bowl of whichever cereal they chose, many claimed to have gone out and bought it. Moreover, the programme prompted a childhood nostalgia that saw Frosties and Sugar Puffs talked about more than they have been in some time.

For advertisers, this is a great example of how ads on streaming platforms can be done. It's a form of product placement, but it's much smarter than that. It wasn't about splashing a logo all over the screen or having a branded food item sat on a desk in front of someone. It was about actual interaction, where the brands were a small part of the story and the audience responded to them. That is hugely powerful and could well be one way forward for advertising on OTT services.

Hyper-personalised video advertising

Just as important as the quality of ad delivery is the quality of the advertising content itself.

If we're going to encourage audiences to accept advertising, we need to deliver creative, engaging work that people want to watch. It must be the best work, consistently – whether we're advertising movies or TV programming, or products.

Personalised video advertising may well be the way forward and is something [the industry has already been experimenting with in recent years](#). This is the next level of personalisation where advertising content, sometimes quite literally, speaks to the viewer directly – asking them a question or prompting an action of some sort. It is attention-grabbing and if it's used creatively, response from audiences is positive.

It works well with OTT because viewers log-in to use the services and there is a large amount of audience data available. That can be used to tell us what kind of content each subscriber prefers – based on viewing but also ratings. It means advertising could be targeted – so that the viewer only sees content that interests them.

Going one step further, you may also be able to gauge what kind of genre, style of humour and tone they respond well to – meaning advertising content can be delivered to them which matches that.

While the idea of data being used to better understand someone's sense of humour might worry some, it's just one way of better understanding how to engage with rather than irritate audiences. Streaming providers adhere to data privacy laws and this would fit within that.

Advertising can be a major source of growth for the streaming industry. But it must be seamless and match the audience expectation – instant access to content with no delays.

Content and campaigns that don't meet those expectations will never be accepted – which means the opportunity for both advertisers and streaming platforms will be missed. We need to work closely with platforms and advertisers and be smart, non-intrusive and creative in how we deliver. If we do that – I would expect advertising to become part of the OTT viewing experience in the future.

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