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[Gideon Spanier](https://www.campaignlive.co.uk/author/4613/Gideon-Spanier)

 January 29, 2021

How long?

 2-3 minutes

**Netflix slashes annual global adspend by 23% despite record year**

Revenue soared by 24% in 2020 as platform cut ad expense.

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The Queen's Gambit: original Netflix show

Netflix cut advertising expenses by 23% last year, despite its annual revenue rising by 24% and new rivals such as Disney+ emerging.

The decision to reduce advertising expense showed the strength of Netflix’s brand as streaming boomed during the pandemic, investment in original shows such as *Bridgerton*, *The Crown* and *The Queen's Gambit* paid off and the company added a record 37m subscribers last year to pass 200 million.

Netflix said in its annual report that it reduced ad expense, which includes “digital and television advertising”, by $432m to $1.45bn in 2020.

Its outlay had risen in previous years, albeit by just 4% in 2019 to $1.88bn after a huge hike in 2018 by 66% to $1.81bn.

Netflix's total marketing costs, which include advertising, have dropped as a percentage of total revenue from 15% in 2018 to 13% in 2019 and 9% in 2020.

The company declined to comment further to *Campaign*. It previously told investors at its second-quarter results that some of its reduction in marketing spend was temporary because of the disruption caused by Covid-19.

The annual report said: “We utilize a broad mix of marketing and public relations programs, including social media sites, to promote our service and content to existing and potential new members.

“We may limit or discontinue use or support of certain marketing sources or activities if advertising rates increase or if we become concerned that members or potential members deem certain marketing platforms or practices intrusive or damaging to our brand.”

The report also noted “word-of-mouth advertising from existing members” can help attract subscribers.

Bozoma St John joined Netflix as chief marketing officer in August 2020 and Ted Sarandos, co-chief executive and chief content officer, explained on recent earnings calls the company's changing view of marketing.

A traditional Hollywood studio might typically spend “50%, 70%, sometimes 100% of the production budget of a film” on “marketing to get people out to the box office and opening weekend”, Sarandos pointed out at the third-quarter results.

However, Netflix is able to invest “a fraction” of that amount “in terms of paid advertising of our films” and still get 80 million-plus people watching.

“When I look at that, I think that’s the enormous promise of the scale and the recommendation engine, the value of the recommendation on Netflix, to make sure you have a great experience and come back looking for the next one,” Sarandos said.

In addition, “what we can do is do really creative marketing, really clever events to activate the fan base”, so that Netflix movies and TV shows are being talked about, Sarandos added.

“Primarily, what we’re trying to do in our marketing is to get people to talk about those things they’re watching [on Netflix] and get it into the conversation [in everyday culture].”

At the second-quarter results, Sarandos pointed out that Netflix has found that talking to subscribers on its own platform is increasingly effective.

“Our members spend a lot of time on Netflix every day. So it turns out the best place to talk to them about Netflix is on Netflix” – rather than through “traditional media channels”, he said.

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