

Netflix subscriber count in the US and Canada dropped by 1.3 million over the last three months

After Netflix reported losing subscribers for the first time in over a decade last quarter, the company's Q2 earnings report revealed the number of worldwide subscribers dipped by 1 million, including a drop of 1.28 million in the US and Canada alone between the end of March and the end of June. That's better than its projection of losing 2 million worldwide, but the subscriber shortfall in the US and Canada is double the 600,000 drop it reported for Q1. Netflix now reports it has 73.28 million paid subscribers in the US and Canada and 220.67 million worldwide.

This comes nearly a week after Netflix announced a partnership with Microsoft on its cheaper ad-supported tier that it expects to launch by early next year. In the letter, Netflix emphasizes that its current plans will remain ad-free. Netflix execs remain optimistic about the prospect of an ad-supported tier, noting that "over the long run, we think advertising can enable substantial incremental membership (through lower prices) and profit growth (through ad revenues)."

The plan is to roll it out in the markets where advertisers spend the most money first. The Netflix executives write, "Our hope is to create a better-than-linear-TV advertisement model that's more seamless and relevant for consumers, and more effective for our advertising partners." However, not all of its content will be available on its ad-supported plans due to

content licensing agreements. During an earnings call, Ted Sarandos, Netflix's co-CEO and chief content officer stated that the company "will clear some content, but certainly not all of it" by the time the new tier launches.

Netflix adds that viewing time has increased as well. It points to a study done by research firm Nielsen that found Netflix's share of US TV viewing rose to an all-time high of 7.7 percent in June 2022 when compared to 6.6 percent last June.

Revenue increased 9 percent year over year from \$7.3 billion in 2021 to \$7.97 billion this quarter. Although the streamer ran into a couple of hiccups in recent months, including two separate layoffs affecting hundreds of workers, there was some good news. The season 4 release of *Stranger Things* boosted the series to the second most-watched show on the service, trailing behind the Korean-language hit *Squid Game*, which Netflix announced in June will be returning for a second season. Netflix's earnings report also revealed the company's plans to acquire Animal Logic, the animation studio behind *The Lego Movie*.

Netflix is working toward finding an "easy-to-use paid sharing offering" that it aims to launch in 2023

An ad-supported tier is just one of the avenues Netflix is exploring to counteract a dip in subscribers; it's also part of the company's efforts to hang onto the ones it already has. But Netflix wants to lock in unpaying subscribers as well, and it partially blamed password sharing for its initial decline in subscribers last quarter.

Netflix execs state that they're working toward finding an "easy-to-use paid sharing offering" that it aims to launch in 2023. In March, Netflix rolled out tests in Chile, Costa Rica, and Peru that are supposed to let users add subaccounts for users located outside of the primary account holder's household. Netflix expanded its efforts to crack down on

password sharing this week and began letting users in Argentina, El Salvador, Guatemala, Honduras, and the Dominican Republic buy an additional “home” located outside the primary household where they can use Netflix on all devices.

Perhaps one of the biggest threats Netflix faces is increasing competition from newer players in the streaming industry, like Disney Plus, Paramount Plus, and HBO Max. Last quarter, Paramount Plus’ subscriber count grew to almost 40 million, HBO and HBO Max added an additional 13 million subscribers, and Disney Plus also gained 8 million new users. Disney Plus already has plans in place to launch an ad-supported tier later this year and will also utilize livestreaming for certain series like *Dancing With the Stars* – something Netflix is currently in the middle of testing.

Update July 19th, 6:24PM ET: Updated to include more information about ads from Netflix’s earnings call.

Disclosure: The Verge recently produced a series with Netflix.

<https://www.theverge.com/2022/7/19/23268626/netflix-q2-2022-earnings-subscribers-ads-stranger-things>