NETFLIX

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How many of you use Netflix?

01

Business & Industry Overview

Executive Summary

- Netflix is an online streaming service & production company.
    - 221.64 million subscribers
    - Provides millions with worldwide, convenient access to a multitude of shows, movies, documentaries, etc.
    - Can be accessed via desktop, laptop, tablet, television, and mobile phone.
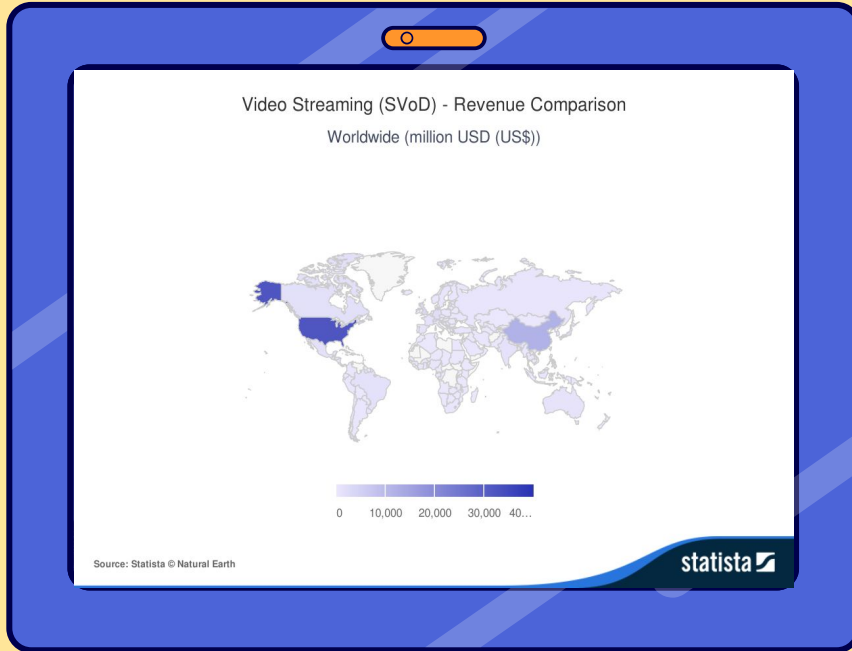
Executive Summary II

- <u>Company History</u>:
    - Founded in 1977 by Reed Hastings and Marc Randolph.
    - Began as an online subscription service allowing users to rent and receive mailed DVDs of movie or tv titles.
    - In 2007, Netflix began offering users the option to stream select movies and shows to their homes.
    - In 2010, an unlimited streaming-only plan was offered w/o DVDs.
    - In 2013, Netflix began producing original content.
    - By the end of 2021, Netflix offered more than 2,400 original titles and is now available in over 190 countries.

Industry Overview

Video Streaming (SVoD) - Revenue Comparison
Worldwide (million USD (US$))

0   10,000   20,000   30,000   40...

Source: Statista © Natural Earth

statista

Worldwide revenue: $70.84 billion

Top 5 (2021) in million USD($)

1.   United States - 32,080.00
2.   China - 11,810.00
3.   United Kingdom - 3,121.00
4.   Japan - 2,324.00
5.   Germany 2,299.00

Industry Overview II

- Netflix: 221.64 million subscribers
- Disney:
  - Disney +: 129 million subscribers
    - Reported gaining 11.7 million subscribers in 1st quarter of 2022
  - Hulu: 45.3 million subscribers
  - ESPN+: 21.3 million subscribers
  - Total: 196.4 million subscribers
- HBO & HBO MAX: 73.8 million subscribers (end of 2021)
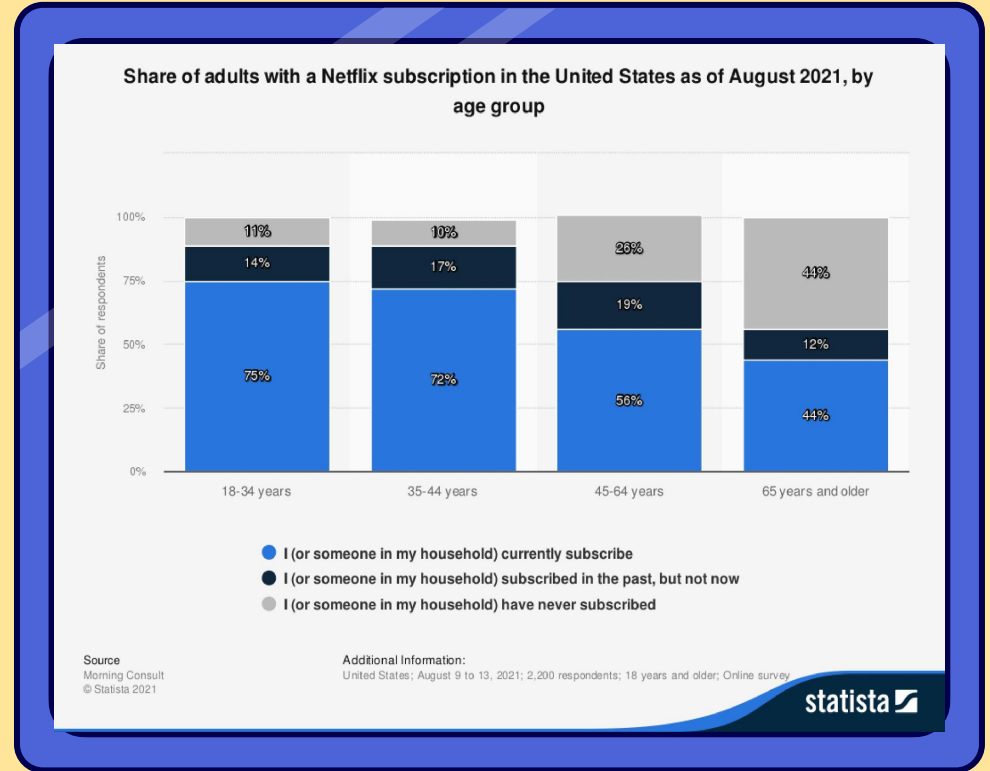- Amazon Prime: More than 200 million Prime members.

Company Overview

- **<u>Product</u>**: An online, subscription-based streaming service that provides a wide range of television shows, movies, and documentaries. Netflix also produces original content as Netflix Originals (media exclusive to Netflix's service).

- **<u>Business Philosophy</u>**: "At Netflix, we want to entertain the world. Whatever your taste, and no matter where you live, we give you access to best-in-class TV shows, movies and documentaries."

- **<u>Business Slogan</u>**: "To Entertain the World"

- **<u>Website</u>**: Is accessible on a majority of electrical devices as a website on netflix.com. Is also available as an app on IOS and Android devices.
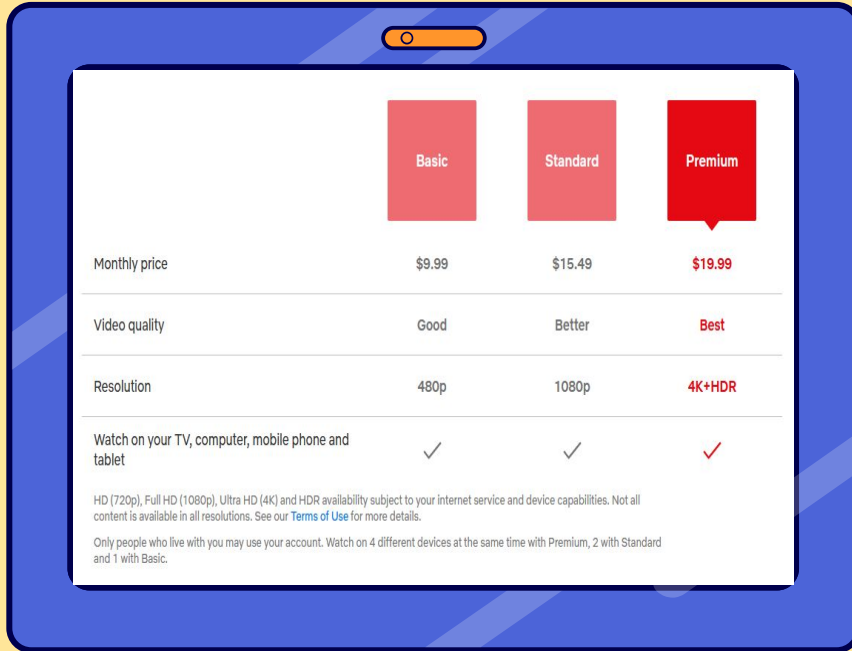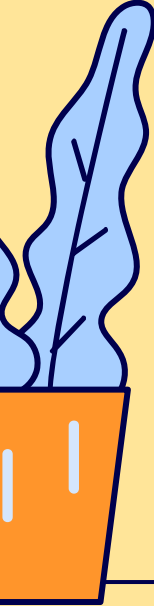
User Demographic

Netflix shows greater popularity amongst younger consumers.

Share of adults with a Netflix subscription in the United States as of August 2021, by age group

- I (or someone in my household) currently subscribe
- I (or someone in my household) subscribed in the past, but not now
- I (or someone in my household) have never subscribed

Source
Morning Consult
© Statista 2021

Additional Information:
United States; August 9 to 13, 2021; 2,200 respondents; 18 years and older; Online survey

statista

Business Strategy

	Basic	Standard	Premium
Monthly price	$9.99	$15.49	$19.99
Video quality	Good	Better	Best
Resolution	480p	1080p	4K+HDR
Watch on your TV, computer, mobile phone and tablet	✓	✓	✓

HD (720p), Full HD (1080p), Ultra HD (4K) and HDR availability subject to your internet service and device capabilities. Not all content is available in all resolutions. See our Terms of Use for more details.

Only people who live with you may use your account. Watch on 4 different devices at the same time with Premium, 2 with Standard and 1 with Basic.

Netflix generates revenue through its subscriptions.

Netflix relies on acquiring distributing licenses of already-made content and producing their own original content.
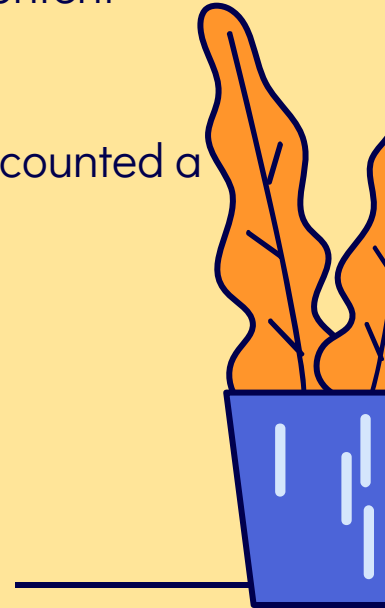
02

KPI'S ,
Competitor Analysis,
Financial Projections

Key Performance Indicators

1)   Ratio of new paying users
2)   Average hours watched per user
3)   Percentage of users watching Netflix content or Non Netflix Content
4)   Streaming minutes

Fom 2019-2021, Netflix altered its content measurement KPI, it counted a mere two minutes as a view.

Other Important KPI'S

Video Start Up Time

The time it takes a video to start playing

Resolution

video quality offered in different pixels

Error Rate

Rate at which playback failures occurs

Ended Plays

Video paused during a specific period

Competitor Analysis

Netflix faces increased dominance in video streaming market .

Market crowded with many media companies such Disney, HBO, Apple TV , Hulu , Amazon Prime

Other Netflix Competitors

Television Channels

CNN, Fox News
MSNBC, TLC ,
Food Network,
Discovery Channel

Cinemas

Cinemas are more
appealing

Digitization of cinema

Pirated Content

Illegal and
unconventional
competitor

Competitor Analysis

- Who is the biggest competitor of netflix?
- What makes Netflix stand apart?
- Is netflix expensive that other video streaming companies?
- Is Netflix original content better than the others?

Financial Projections

- Since the last four years, the average growth rate has been declining, due to new entrants into the video streaming industry
- Increase in buyers due to availability of new streaming platforms
- Netflix has high cost percentage in regards to revenue
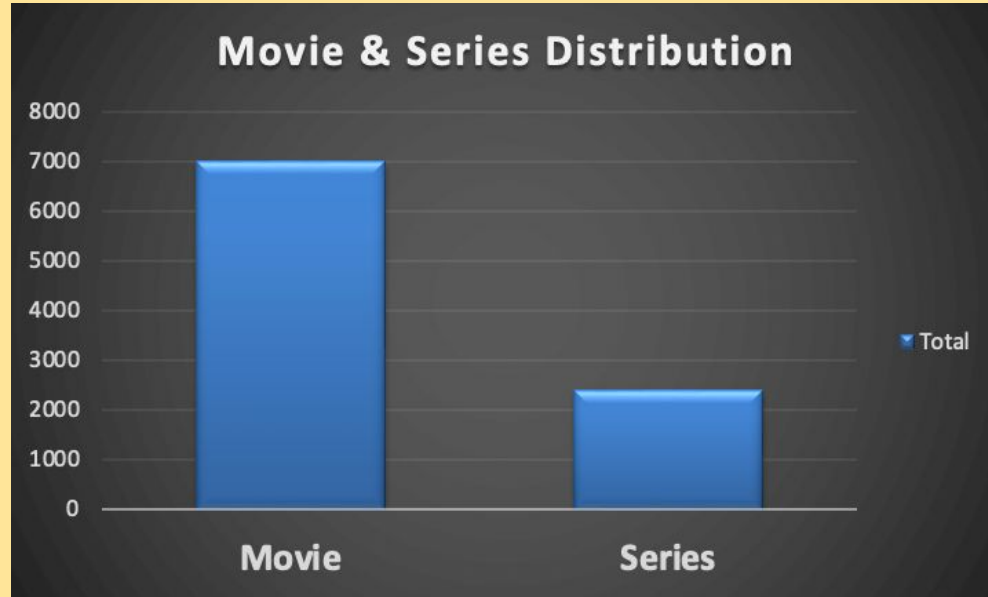- Netflix pays high cost to lease and stream content

03

Data Analysis

Movie & Series Distribution

Netflix Daily Top 10: Exclusive & Non-Exclusive

Row Labels	Average of Rank	Average of Viewership Score
⊟ Concert/Performance	3.5	12
Exclusive	3.5	12
⊟ Movie	5.635005745	38.94867867
Exclusive	4.928522805	48.66575902
Non-Exclusive	6.543782837	26.44921191
⊟ Stand-Up Comedy	5.43902439	38.58536585
Exclusive	5.43902439	38.58536585
⊟ TV Show	5.422177238	172.8540261
Exclusive	5.054421769	108.4133463
Non-Exclusive	6.257542311	319.2325239
Grand Total	5.5	122.7901408

- Daily Top 10 Movie/ TV Show in the U.S. from Apr. 2020 to Mar. 2022
- Viewership Score: A score assigned to each show based on its historical daily ranking, assigning 10 points for each no. 1 ranking, 9 points for each no. 2 ranking etc.
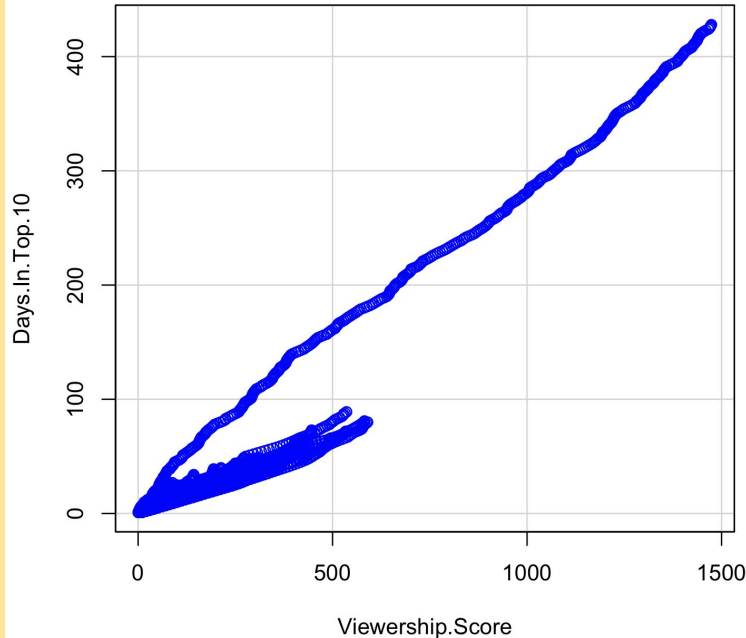
Viewership Score and Rank
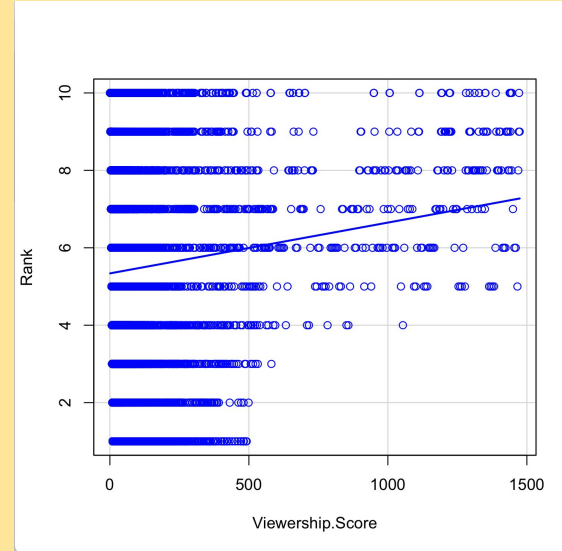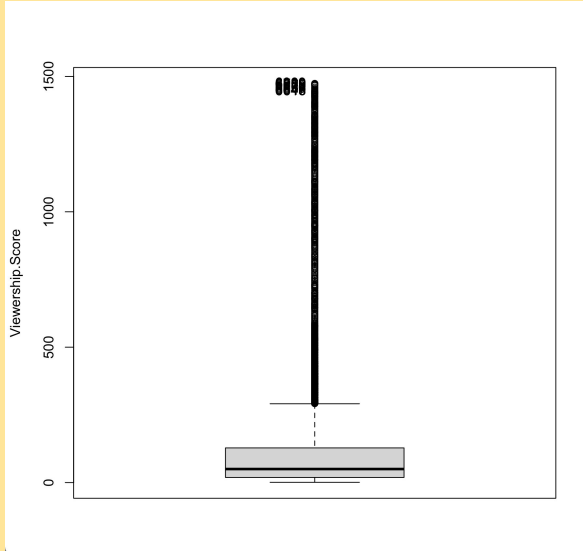
- Viewership score data distributed toward the lower quantiles.
- Distribution is highly positively skewed.
- Potential positive relationship between "viewership score" and "rank."

Viewership Score and Days in Top 10

- The correlation matrix shows that the correlation between "viewership score" and "days in top 10", which indicates that they're strongly positively correlated.

- Higher viewership score is strongly related to longer days in top 10.

- However, higher viewership score doesn't guarantee that the average or the highest rank is higher.

Correlation Matrix

```
                   Days.In.Top.10 Last.Week.Rank Netflix.Exclusive       Rank       Type
Days.In.Top.10          1.0000000      0.4639554        -0.2791789  0.15617877 -0.23973544
Last.Week.Rank          0.4639554      1.0000000        -0.1970661  0.31561866 -0.23578008
Netflix.Exclusive      -0.2791789     -0.1970661         1.0000000 -0.22805038 -0.12622776
Rank                    0.1561788      0.3156187        -0.2280504  1.00000000  0.03506824
Type                   -0.2397354     -0.2357801        -0.1262278  0.03506824  1.00000000
Viewership.Score        0.9624136      0.4789839        -0.2163981  0.09776897 -0.30300968
                   Viewership.Score
Days.In.Top.10           0.96241359
Last.Week.Rank           0.47898388
Netflix.Exclusive       -0.21639811
Rank                     0.09776897
Type                    -0.30300968
Viewership.Score         1.00000000
```

The correlation matrix shows that the correlation between "viewership score" and "days in top 10", which indicates that they're strongly positively correlated. Higher viewership score is strongly related to longer days in top 10.

Linear Regression Model

```
Coefficients:
                 Estimate  Std. Error t value  Pr(>|t|)
(Intercept)     -10.8503137  0.5658740 -19.174  < 2e-16 ***
Last.Week.Rank   -0.3737098  0.0815361  -4.583 0.00000465 ***
Netflix.Exclusive -6.9253959  0.3956259 -17.505  < 2e-16 ***
Rank              1.0750936  0.0661526  16.252  < 2e-16 ***
Type              4.8037197  0.3951544  12.157  < 2e-16 ***
Viewership.Score  0.2638687  0.0009835 268.300  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 14.85 on 7094 degrees of freedom
Multiple R-squared:  0.9355, Adjusted R-squared:  0.9355
F-statistic: 2.059e+04 on 5 and 7094 DF,  p-value: < 2.2e-16
```

Type = 0 : TV Show ,

Type = 1 : Movie

Netflix Exclusive = 0 : No,

Netflix Exclusive = 1 : Yes

- Movie > TV Show / Netflix non-exclusive > Netflix exclusive

  -> the days in top 10 increase.

- The p-values are significantly low that indicate overall model is significant.

- The adjusted R-squared is 0.93, which means our model is fitting the data well.
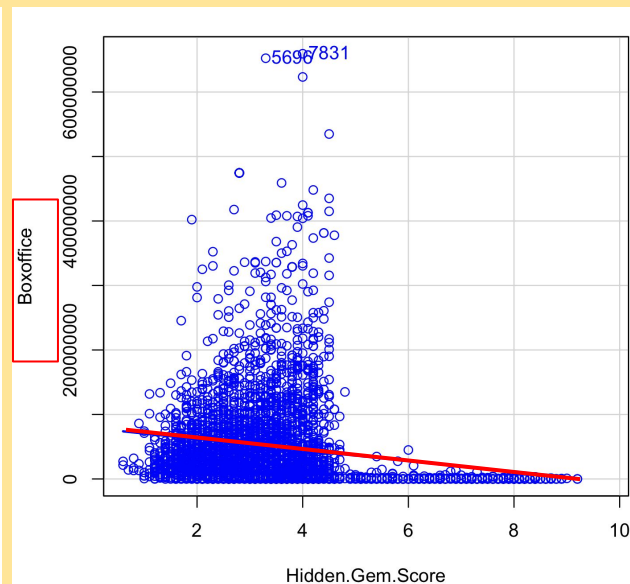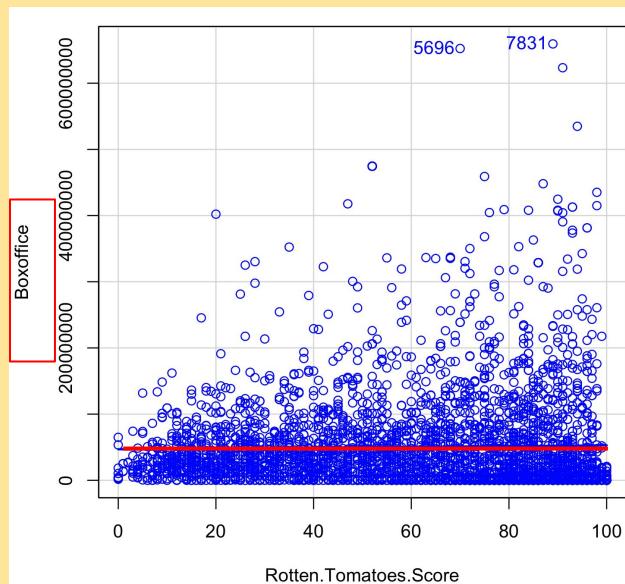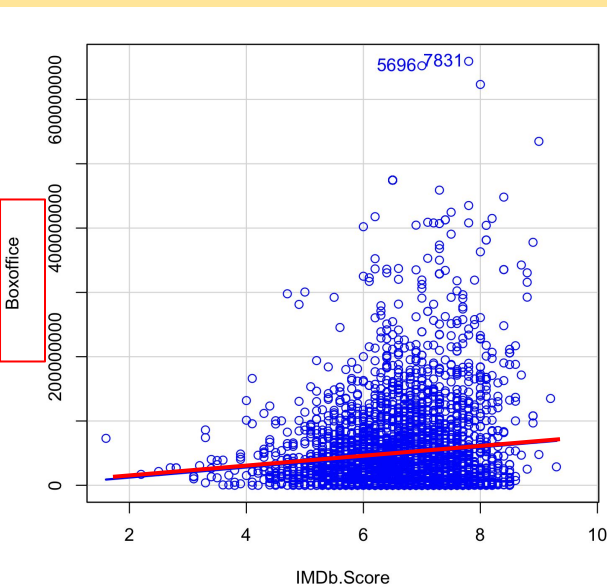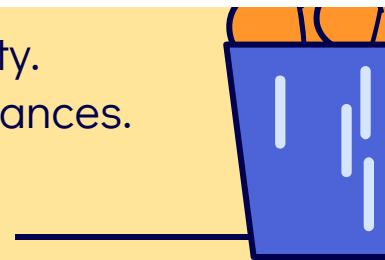
Scoring Systems on Netflix

- Hidden Gem Score: a new method of highlight content that is less popular but well-rated
- Metacritic Score: it converts each review into a percentage, either mathematically from the mark given, or what the site decides subjectively from a qualitative review
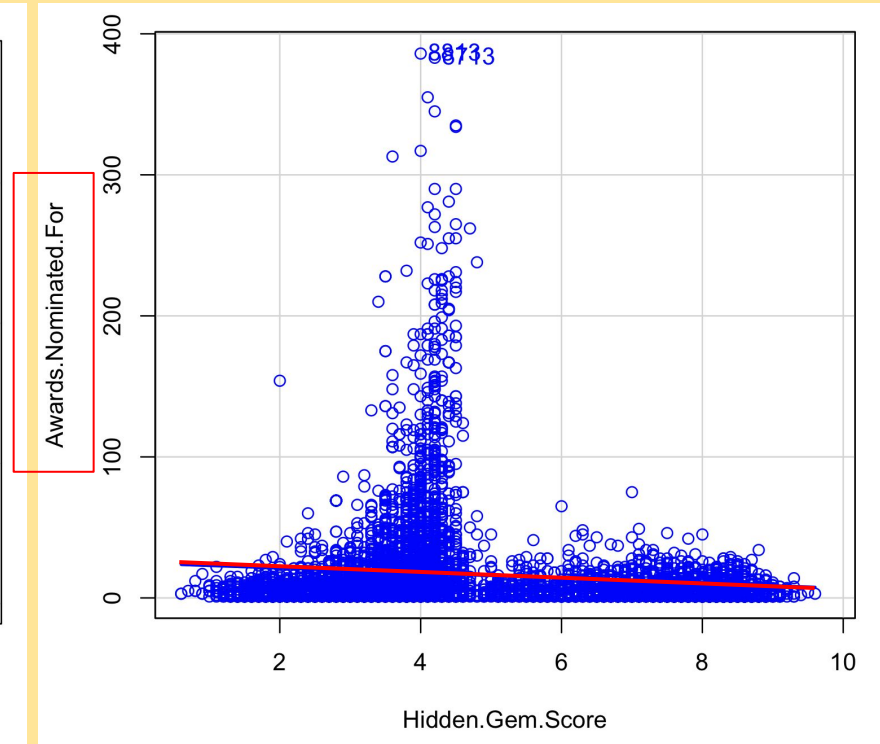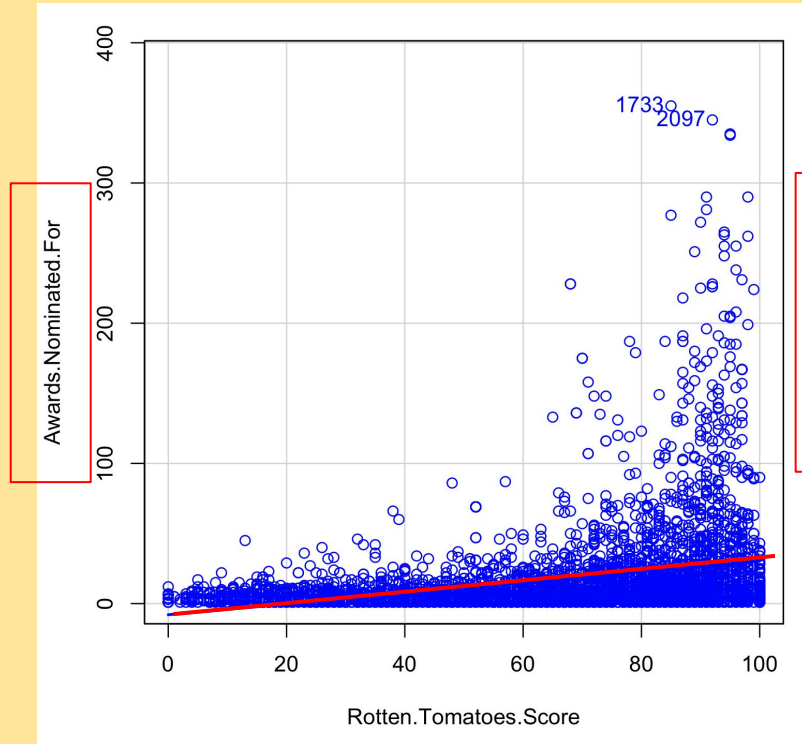- Rotten Tomatoes
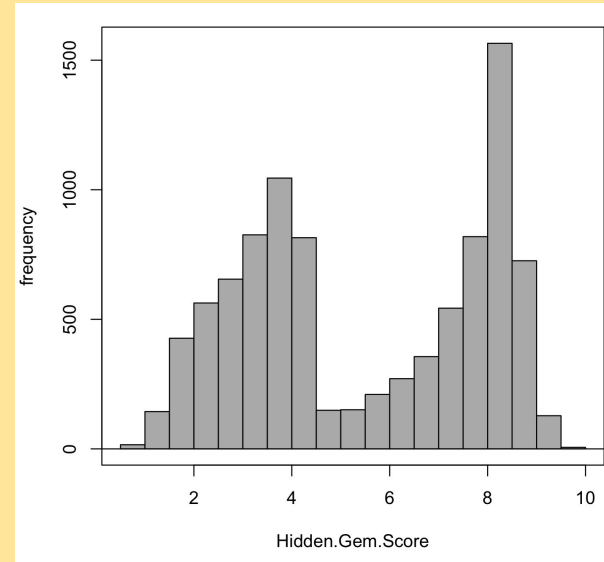- IMDb
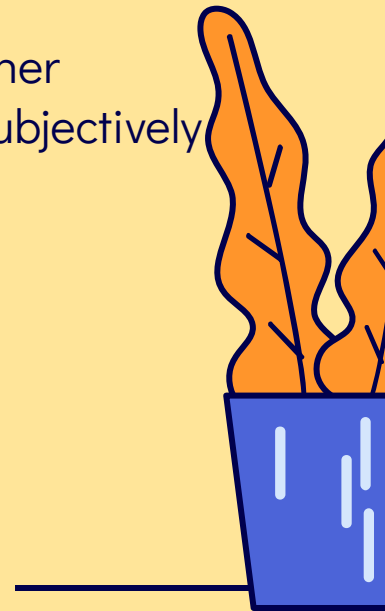
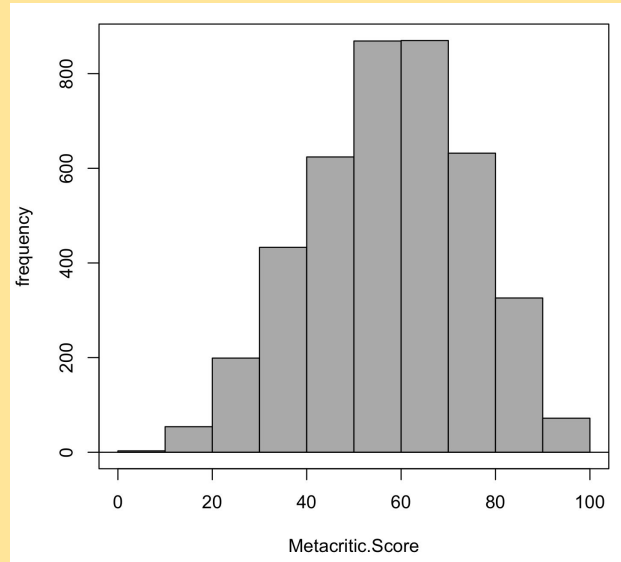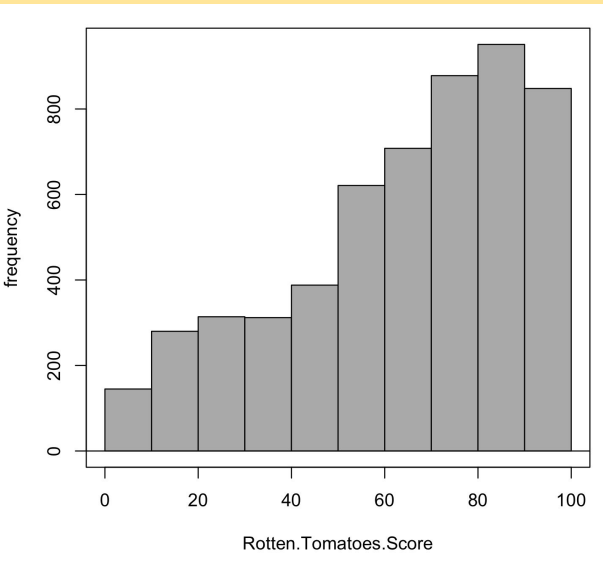# IMDb vs. Rotten Tomatoes vs. Hidden Gem

Rotten Tomatoes reflects more on critics reviews rather than popularity.
They're not essential for big streaming numbers or box office performances.
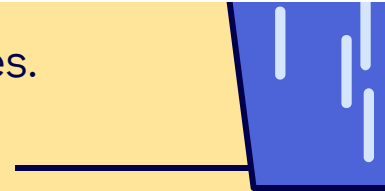Hidden gem score shows a negative correlation with boxoffice.
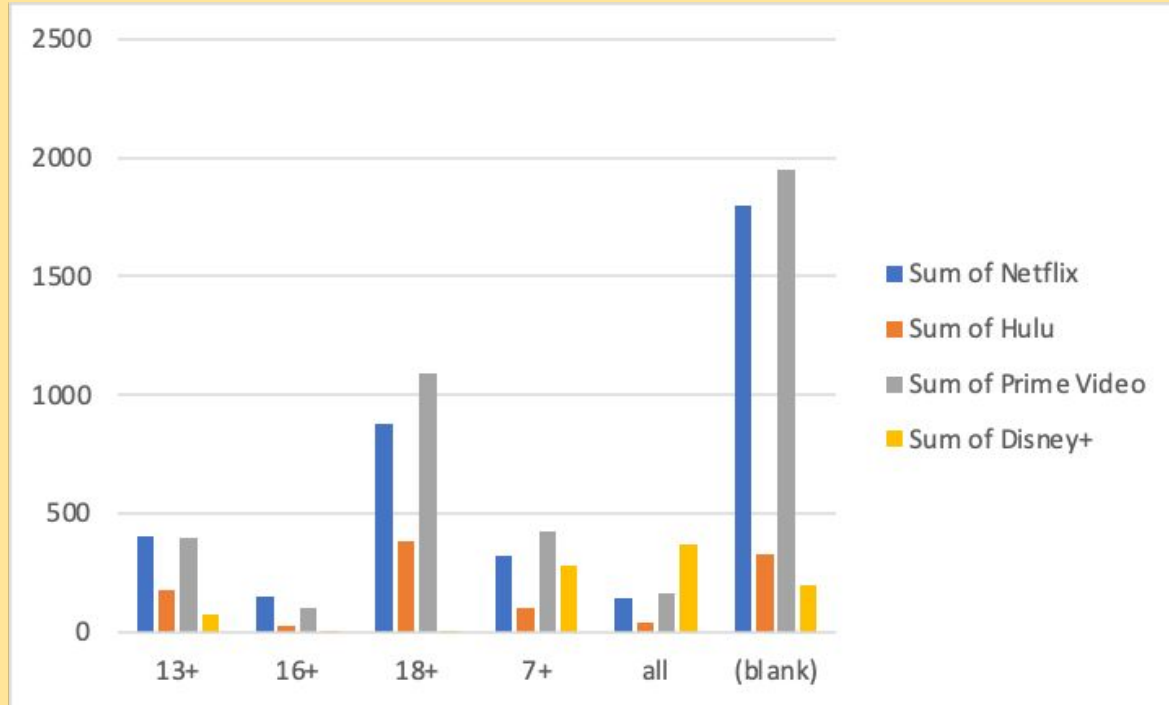
Rotten Tomatoes VS. Hidden Gem

Rotten Tomatoes vs. Metacritic vs. Hidden Gem

Each scoring system has significantly different distributions of scores.

Target Age Groups of Streaming Applications

- Age 18+ is the main target of Netflix, Hulu, and Prime Video except Disney+
- Disney+ has the most movies for all generation

04

Recommendations

Current Advertisement Revenue Strategy

... There is None!

Love, Victor
S1 E1 – Welcome to Creekwood

IS IT TIME TO MOVE?
STAY DRY WITH DEGREE.
MADE TO MOVE SO YOU CAN TOO

Degree

ADVERTISEMENT

16:20 — - 13:40

5.1 HD

Start Over   Play   Play Next   Settings   Options

More to Watch
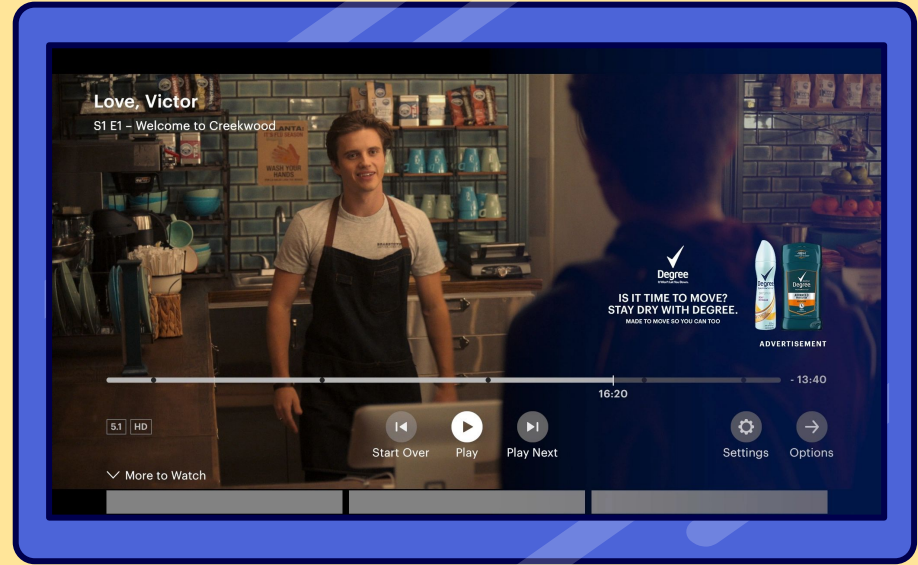
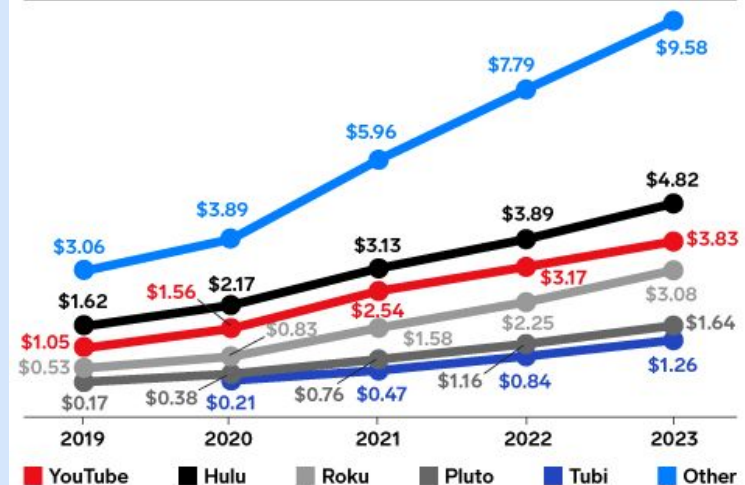Netflix differs from its competitors, like Hulu (above)

Recommended Advertisement Revenue Strategy

Use ads!

- Competitors use ads

- Lower price (to get more subscribers) but advertising tolerant consumer base

"Lower prices with advertising"

US Connected TV (CTV) Net Ad Revenues, by Company, 2019-2023

billions

	2019	2020	2021	2022	2023
Other	$3.06	$3.89	$5.96	$7.79	$9.58
Hulu	$1.62	$2.17	$3.13	$3.89	$4.82
YouTube	$1.05	$1.56	$2.54	$3.17	$3.83
Roku	$0.53	$0.83	$1.58	$2.25	$3.08
Pluto	$0.17	$0.38	$0.76	$1.16	$1.64
Tubi		$0.21	$0.47	$0.84	$1.26

Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: eMarketer, Oct 2021

270281

eMarketer | InsiderIntelligence.com

Breaking News!

Subscriber Loss! Solution? Ads!

Lower-Tier Subscription Service

Making up for Subscriber Loss (first in 10 years)

- Brand known for no ads
- Simplicity, password sharing problematic

Youtube up 63% ($2.54 billion in US ad revenue, 2021)

**Roku** up 92% ($1.58 billion in US ad revenue, 2021)

Netflix share price

Source: Sentieo • By The New York Times
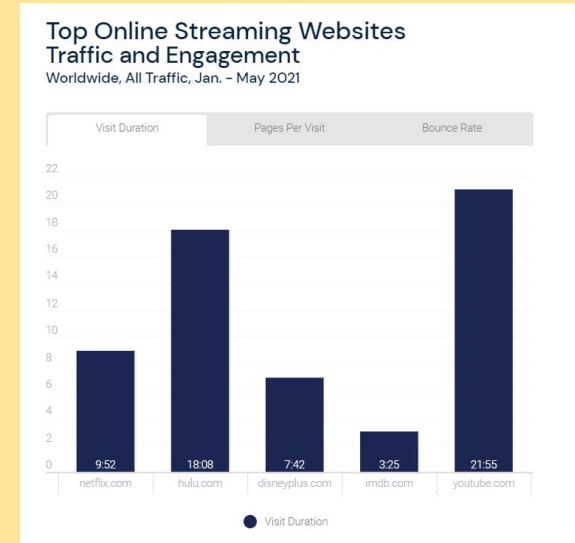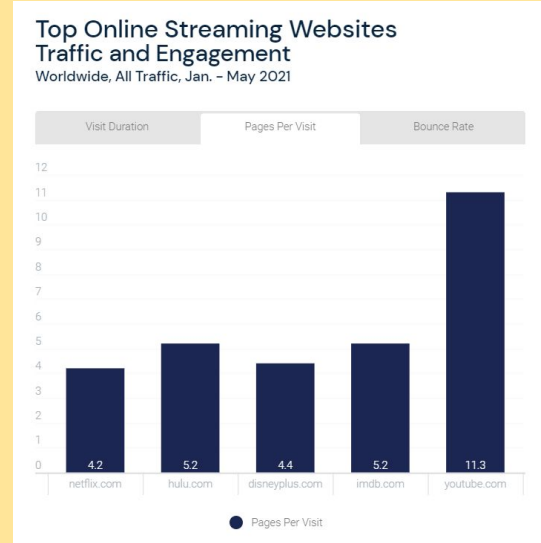
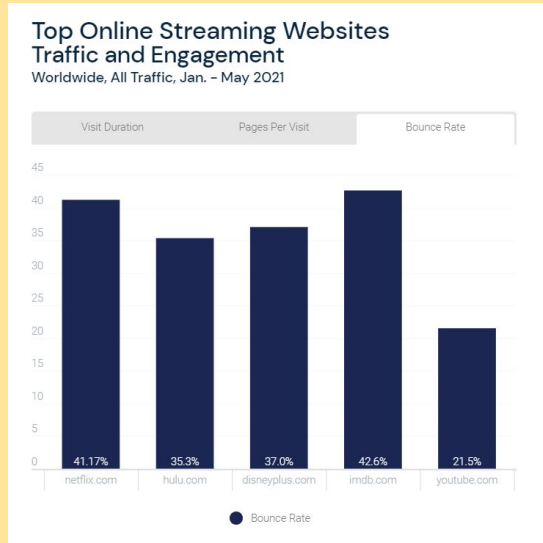# Advertisement Revenue Strategy Testing

"It's unclear if ads would be a hit on Netflix, though, or how many subscribers would sign up for a cheaper ad-supported model" (Adage)

- Netflix loves A/B testing!
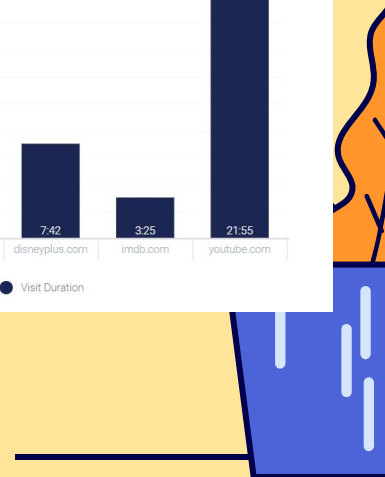- Control & experimental groups (cells)
- Previous ad tests were very unliked!
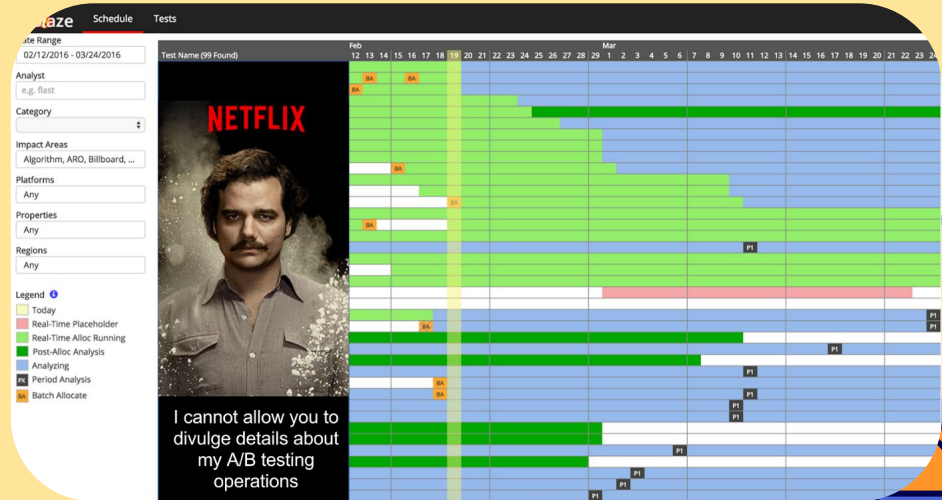
Additional Recommendations

Lower bounce rate, raise pages per visit & visit duration

Top Online Streaming Websites
Traffic and Engagement
Worldwide, All Traffic, Jan. – May 2021

| Visit Duration | Pages Per Visit | Bounce Rate |

netflix.com	hulu.com	disneyplus.com	imdb.com	youtube.com
41.17%	35.3%	37.0%	42.6%	21.5%

● Bounce Rate

Top Online Streaming Websites
Traffic and Engagement
Worldwide, All Traffic, Jan. – May 2021

| Visit Duration | Pages Per Visit | Bounce Rate |

netflix.com	hulu.com	disneyplus.com	imdb.com	youtube.com
4.2	5.2	4.4	5.2	11.3

● Pages Per Visit

Top Online Streaming Websites
Traffic and Engagement
Worldwide, All Traffic, Jan. – May 2021

| Visit Duration | Pages Per Visit | Bounce Rate |

netflix.com	hulu.com	disneyplus.com	imdb.com	youtube.com
9:52	18:08	7:42	3:25	21:55

● Visit Duration

To the CEO: details on how in our research report!

CONCLUSION & SUMMARY

1977

Netflix is founded

ONLINE STREAMING SERVICE

Provider to millions

INDUSTRY

An industry leader

SUBSCRIBER-FOCUSED

Most subscribers are young

DATA ANALYSIS & KPIs

Using streaming minutes, viewership score, & more
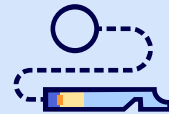
FUTURE

Growth is declining → test & use ads

THANKS!

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https://www.kaggle.com/datasets/ruchi798/movies-on-netflix-prime-video-hulu-and-disney