

The image shows the Netflix logo, which consists of the word "NETFLIX" in a bold, red, sans-serif font. The letters are slightly tilted to the right. The logo is centered on a solid black background.

As a product manager, you will occasionally have to do market research on another business. This could be a competitors market analysis, or it could be for a potential business acquisition. Here is my case study for Netflix.

## **NETFLIX:**

### **About The Product:**

Netflix streaming software allows you to instantly watch content from Netflix through any Internet-connected device that offers the Netflix app, including smart TVs, game consoles, streaming media players, smartphones, or tablets.

## How Do They Make Money:

- **Subscriptions:** Netflix's main source of revenue is subscriptions. The company offers 3 different plans for users based on the streaming quality of the content provided. The plans are –
  1. Basic – content can be streamed in Standard Definition.  
Price : \$7.99/month.
  2. Standard – content can be streamed in High Definition.  
Price : \$10.99/month
  3. Premium – content can be streamed in Ultra High Definition.  
Price : \$13.99/month
- **DVD Renting :** Similar operating model is adopted for the DVD renting service where the monthly membership fees which depends on the number of Disc out-at-a time and Discs per month. The plans are –
  1. Starter – You can rent 2 discs in a month but the number of Disc-out-at-a-time is one.  
Price : \$4.99/month
  2. Standard – You can rent unlimited discs in a month but the number of Disc-out-at-a-time is one.  
Price : \$7.99/month
  3. Premium – You can rent unlimited discs in a month and the number of Disc-out-at-a-time is two.  
Price : \$11.99/month

## Target Market:

- Netflix is one of the largest internet subscription services for television and movies worldwide carrying 48 million members in more than 40 countries and with 10% of the United States population as subscribers.
- The company's primary target market includes American men and women aging 25-34 years old who have access to internet, have household incomes starting at starting at \$50,000, have at least a bachelor's degree, and have children. This market can be divided among married, single-parent, and single individuals because all sectors generate domestic streaming subscriptions. These individuals work 40+ hours/ week.
- Netflix's secondary target market includes men and women aging 35-54 years of age who have access to internet, have household incomes starting at \$75,000, have at least a bachelor's degree. This market includes individuals who work 40+ hours/week and are more established than the primary target.
- If the individuals in the above two groups have children, then they seek Netflix as a source of entertainment for the children, as well.
- Netflix's tertiary target market and most recently acquired market includes international streaming subscribers. This market includes individuals aging 25-55 years old who have access to internet, are middle class, graduated from college, and have children. This market includes parents of children interested in American movies and television and the individual likely enjoys this product, too. This international consumer enjoys entertainment especially that can be streamed online and the option to add subtitles or to watch the streaming media in his/her native language.

## Key Use Cases :

- Gives a free month trial for first time users.
- Allows you to pick your own plan and price according to your requirements.
- Allows you to login and watch videos on multiple devices like TV, phones, tablets and computers, anytime and anywhere.
- Allows you to create multiple profiles for a single account.
- Allows you to customize your profile. You can create your own custom, hand-picked episodes playlists.
- Lets you download any video on the mobile application. You can watch the downloaded videos anytime without any internet connections on your phone or tablet.
- Allows you to cancel the subscription anytime you want.

## Key Success Metrics :

- **Growth**
  1. How many accounts do they have?
  2. How many people have subscribed to their premium membership?
  3. How many people have subscribed to their standard membership?
  4. How many people have subscribed to their basic membership?
- **Engagement:**
  1. How many new customers are they acquiring every month?
  2. How many existing users are renewing their subscriptions every month?
  3. How long are users spending on their accounts watching videos?
- **Revenue**
  1. Number of subscriptions times the number of dollars per subscriptions
  2. How much are they earning from video streaming business per month?
  3. How much are they earning from DVD renting business per month?
  4. How does the revenue trend over time?

## Competitors :

- **Amazon** : Amazon Video is available for \$8.99/month. Alternatively, you can subscribe to Amazon Prime for \$99/year (\$8.25/month). Like Netflix, Amazon also withholds the exact amount of streaming content that comes with a subscription because "offerings change too frequently." However, it's speculated that Amazon has even more content than Netflix. Amazon also allows up to three simultaneous streams, live NFL streaming, an "x-ray" feature that includes behind-the-scenes tidbits, and downloadable select programming. If you're not ready to fully commit, buy content à la carte.

- **Hulu** : Hulu is running a \$5.99/month for a year deal– after your first year, the price slides back up to \$7.99/month. Hulu provides a library of over 3,500 series and movies in addition to access to Hulu original series (no original movies yet) such as "The Handmaid's Tale" and "The Mindy Project." Hulu also provides next day content from FOX, ABC, and NBC. Subscribers also have the ability to create up to six individual profiles.
- **YouTube TV** : The price for using YouTube TV is a flat \$35/month. Subscribers get Live TV from 40+ networks and cloud DVR with no storage limits. Subscribers can also create up to six individual profiles with separate viewing preferences and saved programming. Three of those six are able to simultaneously stream.

## **Total Revenue :**

- The total revenue of Netflix in 2017 was \$11.69 billion.
- Netflix earns around \$950 million per month from video subscriptions.
- Netflix earns around \$30 million per month from DVD rentals.
- On an average Netflix earns \$1.4 million per day.

## **Key Personnel:**

- **Reed Hastings**: Founder and CEO of Netflix. He co-founded Netflix in 1997.
- **Jessica Neal** : She is the chief talent officer and has been involved in improving the Netflix culture as the company grew.
- **Jonathan Friedland** : He is the chief communications officer. He joined Netflix in 2011 from The Walt Disney Company
- **Kelly Bennett** : Kelly Bennett became Netflix chief marketing officer in 2012 after nearly a decade at Warner Bros.
- **Greg Peters** : Greg Peters assumed the role of chief product officer in July 2017 and leads the product team, which designs, builds and optimizes the Netflix experience.
- **Ted Sarandos** : Ted Sarandos is chief content officer at Netflix. One of Time magazine's 100 most influential people of 2013, Ted has led content acquisition for Netflix since 2000.