The Economy of Netflix

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Netflix, world's most popular leading subscription service for watching TV episodes and movies with 130 million memberships in over 190 countries enjoying TV series, documentaries and featured web series. Have you ever guessed how Netflix has a market cap of $4 billion? You have been enjoying Netflix for many years and being a Netflix subscriber you can watch streaming videos, web series and other online content on any device that is connected to the internet such laptops, Mac, smartphones, and tablets. Netflix has been generating huge revenue through monthly membership fee for its content.

**The incredible economy of Netflix:**

In the year 2009 Netflix’s annual income was $116 million which makes about $325 per subscriber which in turn generate approximately $145 in revenue. In the year 2017 and 2018, Netflix has been the top online player of web series and movies with 11.7 billion annual revenues and 125 million subscribers paying monthly for its content. Netflix had been using a unique and old-fashioned business model but they have been re-inventing and continuously evolving their business model into a service based and non-linear model.

**2014 Revenue - Netflix**

There are basically 3 main operating segments through which Netflix operates:

1. Domestic streaming: The content streaming business in the US is referred to as Domestic streaming
2. International streaming: The content streaming business from all other countries except the US is referred to as International streaming.
3. Domestic DVD: In this service, Netflix provides DVD-by-mail to its customers in the US.

In the year 2014, Netflix remarkably generated $5.5 billion of total revenues. The breakup of this total revenue was analyzed deeply and certain observations were made:

* It was calculated that the 62.3% of the total revenue was from the Domestic streaming segment or business which was about $3.4 billion revenues
* The second segmentation was of 23.8% of the total generated revenue and it was from the International Streaming Business. This 23.8% was around $1.3 billion revenue of the total revenue generated in the year 2014. This year also saw exponential growth in the share of international streaming revenue increased from 8% in 2012 to 23.8%.
* The third segment of Netflix - Domestic DVD-by-mail business managed to grab $765 million revenue of the total revenue which was about 13.9% of the total. But this year the share of domestic DVD business saw a decline from 31.5% in 2012 to 13.9% in 2014.

**Ten Year’s Growth Chart and Data Points**

Netflix’s ten-year growth chart has seen a lot of ups and downs but it has managed to remain at the top in the year 2017 and 2018. You can find a lot of data points to study from these observations made from the annual reports of economies of Netflix:

* In the year 2000, Netflix was rejected by Blockbuster for $50m.
* In the year 2013, Netflix was able to generate $4.4 billion in revenue, which proved to be a remarkable change in the revenue growth chart of Netflix.
* Within the time period of three months, Netflix invested $1.2 billion for acquiring new content for streaming services.
* Netflix invested $470m in the marketing segment for promoting its streaming service and just $0.2m promoting its DVD service in 2013.
* Netflix was successful in obtaining around 10% of Netflix’s non-US streaming subscribers.
* It has been reported that around 6 million people in the US, still pay for the DVD-only service.

**Conclusion**

What so ever, Netflix Inc. has greatly expanded its production and distribution of both film and television series since 2012, and still offers a variety of "Netflix Original" content through its online library. Netflix growth chart till now shows that the streaming business will flourish more and more in the years to come as the interest of the new generation is focussed on web series, online documentary, and movies rather than TV.