Columbia Business School
AT THE VERY CENTER OF BUSINESS™

Columbia CaseWorks

ID#160403

PUBLISHED ON
AUGUST 23, 2023

Netflix: Continuous Innovation or Self Destruction?

BY JERRY KIM* AND DAN J. WANG†

Introduction

> *Over the coming decades and across the world, Internet TV will replace linear TV. Apps will replace channels, remote controls will disappear, and screens will proliferate. As Internet TV grows from millions to billions, Netflix, HBO, and ESPN are leading the way.*
>
> — Reed Hastings, *Netflix Long Term View*, April 25, 2013

After 10 years of continuous subscriber growth, Netflix reported for the first time in April 2022 that it had lost subscribers – about 200,000 to be precise. This was followed by another quarter, in which the company lost nearly a million subscribers, sending the company's valuation into a downward spiral.[1] After launching an ad-supported subscription plan and implementing its long awaited crackdown on password sharing, however, user growth bounced back in 2023 along with revenues, cementing its position as the leader the streaming video on demand (SVOD) sector.[2]

Netflix was far ahead of its competition for over a decade, being a first-mover in investing not only in streaming technology, but also in the development of original content. Just 10 years earlier, Netflix earned 14 Emmy nominations for its original series and documentaries,[3] winning three for its first original series, *House of Cards*, presaging a wave of critical success that the company once known for renting DVDs by mail could not have imagined at its inception. Building on its success in TV-style original dramas, Netflix sought to produce new forms of original content to attract and retain subscribers. In June 2014 Netflix announced that it was partnering with Chelsea Handler to produce the streaming service's first original talk show. Four months later, Netflix announced that it was working with The Weinstein Company to produce a sequel to the critically acclaimed *Crouching Tiger, Hidden Dragon* film. The sequel would mark the first time that an original feature-length film would debut on Netflix and in select Imax theatres simultaneously.

Author affiliations
*Assistant Professor, Rutgers Business School
†Lambert Family Associate Professor of Social Enterprise, Faculty Co-Director of Tamer Center for Social Enterprise, Columbia Business School

Acknowledgements
The author wishes to thank CaseWorks Student Fellow Evan *Vittor '15 for his thoughtful research and writing support.*

These moves represented Netflix's first attempts at disrupting the traditional in-theatre window for feature-length films. The company's announcements were met with almost immediate backlash from traditional movie theatre operators; AMC and Cinemark, among others, announced that they would refuse to screen the *Crouching Tiger* sequel if it debuted on Netflix.[4]

These efforts bore fruit. In 2021, Netflix had earned a total of 44 Emmy wins, tying the record for most wins by a single network or platform, set originally by CBS in 1974. Netflix's decade of victories were headlined by hits such as *Orange is the New Black*, *The Crown*, *Stranger Things*, *Bridgerton*, *Squid Game*, and *Emily in Paris*.[5] Netflix also made history as the first streaming platform to be nominated for an Academy Award for Best Picture for *Roma*. The movie, which had a $15 million budget, earned 10 wins in total at the 2019 Academy Awards, including Best Director, Best Actress, and Best Original Screenplay.[6]

Netflix achieved tremendous success over the prior decade through this type of continuous innovation and disruption—even if it meant the cannibalization of its existing businesses. But questions remained as to whether Netflix's monthly subscription model could continue to sustain the high costs of developing original content in multiple countries. To what degree would original content continue to help Netflix attract and retain subscribers, especially as other streaming services, such as Apple TV+, have arguably had greater recent awards success with their original content? How should the company balance its investment in original content with the continuation of licenses for popular third-party content, such as *Friends*and *The Office*, which once anchored Netflix's user retention strategy found new homes elsewhere? Would users tolerate Netflix's addition of an ad-supported tier and the rising prices of its other subscription tiers to justify access to its original content? How should Netflix position itself amid competition from media incumbents and HBO and threats from technology giants like Amazon and Apple? For example, should Netflix continue to innovate and promote novel formats such as 2023's *Kaleidoscope*, which allows viewers to choose how they watch a season, and interactive games, such as *Minecraft: Story Mode*?

History and Background

Netflix was founded in 1997 by two software engineers, Reed Hastings and Marc Randolph, as a DVD-by-mail company. They originally rejected the idea of a mail-order video rental service because of the high cost of shipping VHS tapes to consumers, but the introduction of DVD technology in 1996 drastically changed the economics of such a service.[7] Hastings and Randolph sought to use the Internet to displace the traditional home video rental market that required consumers to shop at physical retail locations.[8] Customers could browse Netflix's website to select titles, and Netflix would then mail them the DVDs and a red return envelope. Notably, the founders named the company Netflix in anticipation of the eventual distribution of videos over the Internet.[9] In September 1999 the company introduced its subscription model, enabling consumers to pay a fixed monthly fee rather than a per-title charge. Netflix originally charged subscribers $15.95 per month and capped the number of monthly rentals at four.

However, the company quickly modified its subscription plan to enable customers to rent an unlimited number of titles each month, while capping the number of DVDs they could rent at a given time. The company also increased its monthly rate to $19.95, though it would later reduce it.[10]

At the time that Netflix introduced its subscription plan, the US video rental and sales market was estimated to be greater than $17 billion.[11] With 6,500 store locations worldwide and an estimated 27% market share in the United States, Blockbuster was the clear leader ahead of its IPO in 1999. The rest of the home video market was highly fragmented, with numerous local operators.[12] In addition to charging customers a rental fee, Blockbuster earned significant revenues from late-return penalties; as of 2000, it brought in $800 million—16% of its revenues—from late fees.[13] By contrast, Netflix had no return deadlines and did not charge its users late fees.

Home video providers had historically purchased their rental copies from Hollywood studios at wholesale prices ranging from $60 to $70 per tape for major domestic releases.[14] Video rental chains relied on heavy turnover of tapes in order to monetize their library. However, by the late 1990s many chains had begun to adopt a revenue-sharing model, with the studios providing DVDs and tapes at deeply discounted prices in exchange for a cut of revenues. This transition enabled Netflix to minimize its up-front content acquisition costs and inventory risk. As of 2002 the company reported that 60%–80% of its quarterly DVD acquisitions were made through revenue-sharing agreements.[15] The exclusive window for home video sales and rentals typically lasted 30 to 90 days and came in between the theatrical and VOD/PPV windows.

In 2000 Netflix introduced a key innovation to its website by providing users with movie recommendations based on viewer ratings. As it collected more user data and deployed increasingly sophisticated algorithms, Netflix was able to continuously improve its recommendation engine, which enhanced the value of the company's service to subscribers. In addition, the engine enabled Netflix to enjoy a very high title utilization rate. For example, in January 2002 the company rented out over 90% of its roughly 11,500 titles.[16] Netflix's recommendation engine would remain a critical part of the company's growth and of its subscriber retention strategy going forward.

However, by the spring of 2000 Netflix was achieving only modest subscriber growth and was still unprofitable. Moreover, the tech bubble began to burst that April. In order to ensure the long-term viability of Netflix, Hastings sought to make a deal with Blockbuster. He offered Blockbuster a 49% stake in his company and agreed to rename it Blockbuster.com. Blockbuster rejected the deal.[17] Despite this setback, the fledgling company was able to complete a partnership deal with retailing giant Best Buy. Under the terms of the agreement, Netflix would refer subscribers to Best Buy to purchase copies of DVDs, while Best Buy would market Netflix's service in its stores.[18]

Seeking funding for further expansion, Netflix filed for an IPO in March 2002. The company had finished the prior fiscal year with just 456,000 subscribers and $76 million in revenue; it reported an operating loss in 2001 of $37 million. However, Netflix benefited tremendously from the rapid adoption of DVR technology in the United States, which dramatically increased the company's potential customer base. Domestic DVD penetration grew from ~25 million households at the end of 2001 to ~90 million in 2006.[19, 20] (See Exhibit 1 for current and forecasted DVD penetration.) Meanwhile, Netflix's subscriber base grew from ~600,000 at the time of the company's IPO to over 6.3 million by the end of 2006. (See Exhibit 2 for subscriber growth over time.) Netflix also greatly expanded its DVD library, which included over 70,000 titles by the end of 2006. The company leveraged its technology platform to ensure the rapid and cost-efficient shipment of DVDs from distribution centers around the United States. Netflix finished 2006 with nearly one billion dollars in revenue and a net income of $49 million.[21]

Blockbuster, meanwhile, had begun to struggle. It launched its own online subscription service in 2004, but it had attracted only two million paying subscribers by the end of 2006. It also decided to abandon its late fees in order to protect its share of the home rental market. Despite these efforts, the company's revenue had declined from $5.9 billion in 2004 to $5.5 billion in 2006. Blockbuster also closed 358 of its company-owned stores in the United States in 2006 alone. In addition to increased competition with Netflix, the company faced declining consumer spending on DVD rentals; consumers had begun shifting toward the outright purchase of DVDs, taking advantage of deeply discounted titles at big box retailers such as Walmart.[22] Reflecting on Blockbuster's decision to wait until 2004 to begin its own online subscription service, Hastings commented, "If they had launched two years earlier, they would have killed us."[23] Blockbuster ultimately filed for bankruptcy in 2010 and was subsequently auctioned off to Dish Network for $234 million. In 2013 Dish announced all remaining Blockbuster retail locations would be closed, with the exception of a few stores scattered across the world where franchisees had purchased their individual store ownership rights.[24]

Streaming Video

Despite Netflix's impressive growth in the DVD-by-mail business, the company's management recognized the pending shift to the digital distribution of video content. In fact, Netflix had been steadily investing in web-based content delivery solutions for several years. It officially launched its instant-viewing digital streaming service in 2007, effectively disrupting and potentially cannibalizing its core DVD-by-mail business. Netflix initially offered just 1,000 titles through its instant-viewing service but sought to expand its library and improve the service's functionality over time. The instant-viewing feature was initially made available to all Netflix subscribers at no additional cost.[25] A key determining factor in the adoption and use of the feature was consumer access to high-speed broadband. By the end of 2007, broadband penetration in the United States had exceeded 50% for adults 18 and older[26]; by May 2013, it was 70%.[27] (See Exhibit 3 for US broadband subscriber growth over time.)

By the fall of 2010, the number of minutes of content streamed on Netflix exceeded the total number of DVD-minutes shipped to subscribers. As Hastings noted at the time, "By every measure, we are now primarily a streaming company that also offers DVD-by-mail."[28] As a result of this shift, in 2011 Hastings decided to split off the DVD-by-mail business into a separate website called Qwikster. The Qwikster announcement came roughly two months after Netflix had announced that it would effectively increase the price of its DVD-plus-streaming plan by 60%. Rather than offer a single hybrid plan for $9.99 per month, Netflix began forcing consumers to purchase separate streaming and DVD subscriptions for $7.99 per month each. The announcements outraged consumers, and Netflix's stock dropped from ~$300 per share to ~$110 per share. (See Exhibit 4 for Netflix's stock price over time.) Hastings was forced to quickly retreat and kill Qwikster just weeks after it was announced. However, the company maintained the price increase on DVD and streaming plans.[29]

In 2011, when Netflix first started breaking out DVD and streaming subscribers, the company reported 20.1 million paid domestic streaming subscriptions and 11 million paid domestic DVD subscribers. By the end of 2013, there were 31.7 million streaming subscribers and 6.7 million DVD subscriptions. (See Exhibit 5.) By this time Netflix's stock price had rebounded to its pre-Qwikster level.

PLATFORMS AND DEVICES

As part of its strategy to grow its streaming service, Netflix originally sought to develop its own set-top box that could stream Netflix content to television sets as well as to PCs. The device, dubbed the Netflix Player, was all set to hit the market in December 2007 when Hastings pulled the plug on the product launch at the last minute. Instead, he decided to spin off the 20-person product development team and let them continue their work on the streaming player as part of an independent company called Roku.[30] Rather than rely on a single proprietary media player, Hastings made the strategic decision to seek distribution agreements with multiple third-party hardware developers.

In 2008 Netflix partnered with Microsoft to make its service available on the Xbox 360. Netflix also reached distribution agreements with several DVD player and set-top box manufacturers. The following year, the company inked a deal to make its service available on Sony's PS3 and connected SONY television sets and reached a similar deal with Samsung. In 2010 Netflix expanded its service to Apple's iPhones and iPads as well as to the Nintendo Wii.[31] Amazon even highlighted the availability of Netflix in its marketing materials for its new Amazon Fire TV, despite the fact that Amazon Video service was a direct competitor.

THIRD-PARTY CONTENT THROUGH ACQUISITIONS AND WINDOWING: 2010-2019

A key challenge to Netflix's streaming service was content acquisition. In contrast to the relative simplicity of offering DVDs by mail, Netflix had to negotiate complex and expensive licensing deals with content providers for its instant-viewing service. Moreover, much of the best film and television content was locked up in exclusive multiyear arrangements with traditional distribution outlets. Netflix therefore did not have access to many movies and programs until years after they premiered in theatres. One such content window was occupied by premium television channels such as HBO, Showtime, and Starz. Since existing deals between premium networks and Hollywood studios restricted the company's ability to license much of the studios' content, Netflix sought to deal directly with those networks. It completed a licensing deal with Starz that gave the streaming service access to over 2,500 titles, significantly bolstering Netflix's content library. Included in the deal were the streaming rights to a number of movies produced by The Walt Disney Company. Commenting on the deal, Starz CEO Robert Clasen said, "We looked at our contract rights and saw that they were an aggregator of content just like the other distributors."[32] In 2010 Netflix completed a similar deal with Epix that reportedly cost Netflix about one billion dollars over five years.[33]

These deals initially angered movie studios who saw no incremental revenue from the licensing agreement. However, the deals ultimately paved the way for Netflix to compete against premium networks for access to studio content, which therefore effectively bid up its price. Netflix failed to renew its deal with Starz at the end of 2011 but inked an agreement directly with Disney the following year that gave Netflix the rights to the studio's film output beginning in 2016; the company gained exclusive streaming rights to Disney movies roughly eight months after they premiered in theatres—a window traditionally reserved for premium networks such as Starz. The deal reportedly cost Netflix ~$300 million per year. Netflix also inked licensing deals with smaller studios such as DreamWorks Animation SKG and The Weinstein Company.[34] By the time Disney launched its own streaming service, Disney+, in November 2019, it had ceased its licensing deal, losing an estimated $150 million in operating income for 2019.[35] Although some Disney content would remain on Netflix through 2020, Cowen & Co. estimated that 6% of Netflix subscribers who also began subscribing to Disney+ had canceled their Netflix subscriptions by the year's end, totaling about 1 million lost Netflix subscribers.[36]

Netflix's content acquisition strategy was not limited to feature-length films. Television series proved especially adaptable to the company's on-demand streaming because that service enabled viewers to catch up on prior seasons of complex dramas. For example, *Breaking Bad* roughly doubled its premiere audience for its final season, a spike largely attributed to viewers watching earlier episodes of the series through Netflix.[37]

Netflix reported over $1.2 billion in future content obligations at the end of fiscal year 2010. As its subscriber base continued to grow, the company rapidly increased its investment in content licensing and acquisition and announced that it would spend roughly $3 billion on it in 2014.[38] The majority of Netflix's content obligations ultimately came in the form of fixed license fees over a specified period of time. The company pegged its content acquisition and marketing expenditures to its projected subscription revenues in order to maintain and grow margins. The company sought to achieve a domestic contribution margin of 30% in 2015 and of 40% by 2020.[39] While Netflix aimed to rebalance its investment toward original content production, licensing and acquisition nonetheless remained an important part of Netflix's content strategy. When reports that Netflix's license for *Friends* would expire at the end of 2018, subscriber outcry compelled the company to spend $100 million to keep *Friends* available on Netflix through 2019.[40]

RECOMMENDATION ENGINE

As Netflix transitioned into becoming primarily a streaming service, the company's recommendation engine became increasingly robust. With the majority of content being accessed through streaming, Netflix was able to gather data on actual viewing patterns instantaneously rather than from ratings provided later by consumers. By 2013 the company had 800 engineers working on improving the recommendation algorithms and 40 freelancers and employees hand-tagging content with metadata such as genres, directors, and actors. Netflix was effectively able to predict consumer preferences by comparing viewing behaviors between users. The company tracked a number of different viewing metrics, including what users watched, when they watched it, and what device they used. According to company estimates, 75% of Netflix viewing was driven by the recommendation engine.[41]

Original Content

The goal is to become HBO faster than HBO can become us.

— Ted Sarandos, *GQ*, January 30, 2013

In the spring of 2011, Netflix shook up Hollywood with the announcement that it was licensing its first original series, the one-hour drama *House of Cards*, starring Kevin Spacey. The company reportedly agreed to pay $100 million to Media Rights Capital for the first-run rights to two 13-episode seasons of the series. This move marked a bold bet on original content. *House of Cards'* serialized format was similar to that of other TV dramas that had played so well on Netflix. Sarandos recognized that networks were reluctant to produce more of these serialized dramas because they were difficult to sell into syndication, so he decided to have Netflix supply its own.[42] The company departed from the traditional series premiere playbook by making the 13 episodes of the first season of *House of Cards* available for streaming all at once.

Netflix reportedly outbid HBO and several other traditional distribution outlets for the rights to *House of Cards*. The data that it had collected on its users' viewing habits enabled the company to justify the large price tag:

> Netflix, which has 27 million subscribers in the nation and 33 million worldwide, ran the numbers. It already knew that a healthy share had streamed the work of [David] Fincher, the director of "The Social Network," from beginning to end. And films featuring [Kevin] Spacey had always done well, as had the British version of "House of Cards." With those three circles of interest, Netflix was able to find a Venn diagram intersection that suggested that buying the series would be a very good bet on original programming.[43]

Thus, Netflix could leverage its data to improve its odds of success relative to traditional networks in licensing original series. Moreover, it was significantly less expensive for Netflix to market new series because the company already knew exactly which consumers to target.

Netflix followed up *House of Cards* with several other original dramas, including *Lillehammer, Hemlock Grove,* and *Orange Is the New Black*, which received 12 Primetime Emmy nominations in 2014. The company also ventured into the comedy space with a new season of *Arrested Development,* a cult comedy that had originally aired on the Fox television network. The chairman and CEO of Lionsgate Television, which produced *Orange Is the New Black*, commented on Netflix's strategy: "Netflix is banking on experienced creators, filmmakers, people that have a track record that actually dovetails into their entire algorithm. They're interested in things that already have some value to their customer base."[44]

Recognizing that its on-demand model was a good fit with children's viewing habits, Netflix also sought to make a big push into original children's programming. In July 2013 the company announced a deal with DreamWorks Animation that would bring 300 hours of such programming to Netflix's streaming service.[45] In October 2014 the company revealed that 75 of its children's shows had US audiences greater than two million.[46]

Critically though, Netflix did not own the full production rights to much of its original content, including *House of Cards* and *Orange Is the New Black*. Rather, the company licensed the original content on an exclusive basis from third-party studios, much as broadcast networks licensed some of their original programming. The production studios maintained the rights to further monetize their content through other distribution platforms at the conclusion of their deals with Netflix; the company could not generally fully participate in the revenues from these downstream opportunities, which might include traditional television syndication and/or electronic sell-through on services such as iTunes and Amazon. Netflix also granted series creators significant freedom in developing content, which contrasted with Amazon's strategy of managing the creative process behind its original content through its Amazon Studios.

According to Sarandos, however, Netflix would retain the full rights to the Sandler films that it was helping to develop. Sarandos asserted in an interview with the *Hollywood Reporter*, "For all practical purposes, we have them forever. I don't want to get into the technical nuances of the deal. These are movies that are developed and financed here, by us, and we own worldwide rights in all media."[47]

Despite the media attention surrounding Netflix's original series, such content accounted for less than 10% of the company's total programming costs in early 2014.[48] In 2018, Netflix invested $12 billion in original content; 51% of the content made available on Netflix that year was original.[49] In 2019, Netflix spent $15 billion on original content such as *The Irishman*, a feature length film directed by Martin Scorsese, and additional seasons of the hit series, *The Crown*, *13 Reasons Why*, and *Stranger Things*.[50] An even greater proliferation of new content, such as *The Witcher* and *The Queen's Gambit* pushed the company's content budget to over $17 billion in 2020, but the COVID-19 pandemic forced Netflix to cut its planned spending by 10% due to halted production schedules while spending on original content declined the year after to $13.6 billion.[51] [52] [53] In 2022, Netflix returned to its original content ambitions by spending $17 billion on 3,260 titles, over a thousand of which were newly launched in 2022, including the movie *Knives Out: Glass Onion*, and the hit series, *Wednesday*.[54] Today, original content accounts for nearly 50% of the company's programming costs.[55]

International Expansion

Around the same time that Netflix was beginning to develop and offer original content, the company announced plans to expand its streaming service beyond the United States; in late 2010, to launch that service in Canada, and several months later, to expand into Latin America. The company made its first inroads in Europe in 2012 in the United Kingdom and the Nordic countries and expanded into six more European countries in 2014, including France and Germany.[56] Netflix also hinted that it was seeking opportunities in Asia and Australia.[57] (See Exhibit 6 for a map of countries and territories where Netflix was available.)

While international expansion was central to Netflix's growth strategy, introducing the service to new markets posed a number of challenges. Extending its service into new regions required enormous up-front content expenditures because the company had to build up a sufficient library of local content to attract subscribers. For fiscal year 2013, Netflix reported net losses of $274 million in its international division, despite having now acquired 9.7 million paid subscribers.[58] The company also had to invest heavily in marketing its service in new territories. According to its financial filings, Netflix spent over $600 million in marketing in 2014, which jumped to $2.9 billion in 2019 due to increasing competition from other SVOD providers like Hulu and Amazon Video as well as media incumbents like Disney and HBO.[59]

The company also had to navigate local regulatory requirements and cultural norms when entering new territories. For example, Netflix had to invest in dubbing content for France and Germany because subtitles were less popular there. The company met particularly stiff resistance in France, where local officials feared that the company would undermine regulations concerning the production of local content. Netflix was also forced to compete with entrenched local players in some markets.[60] For example, Sky Deutschland and CanalPlus had already secured exclusive rights to *House of Cards* in Germany and France, respectively.[61] Despite these challenges, Netflix forged ahead with its strategy of scaling up in multiple countries.

Netflix also ramped up its investments in region-specific original content. Most notably, the German series *Dark,* the Spanish series *Money Heist*, and the Japanese reality show *Terrace House*, became instant hits in their respective regions.[62] Additional investments in original content in 2020 included a slew of Korean soap operas and drama series as well as international adaptations of Netflix's original cooking competition show, *Nailed It!*[63] These investments paid off initially, with most of Netflix's growth since 2018 being attributed to new subscribers from outside the United States. In 2021, Netflix witnessed continued success from the global resonance of *Squid Game*, a series from South Korea with dystopian premise and gratuitous violence, that became the at the time, the most watched show in Netflix history.[64]

Whereas total year-over-year subscriber growth in first quarter 2019 was 25%, non-US year-over-year growth for the same period reached 39%. 7.9 million of the 9.6 million total new additional subscribers in first quarter 2019 were from outside the United States.[65] As the coronavirus pandemic made at-home activities a more central part of consumers' lives in 2020, worldwide subscriber growth exceeded expectations, as Netflix had added 37 million new subscribers in 2020, about 10 million more than it added in 2019.[66] As 2021 unfolded, with the COVID-19 pandemic receding at some points and cresting at other points with the Beta, Delta, and Omicron variants, subscriber growth nevertheless slowed, on pace to add fewer than 17 million for the year.[67] Netflix's growth came to a screeching halt in 2022 as competition intensified. However, after losing over a million users through the first two quarters of 2022, the company announce adding 2.4 million new users in Q3 2022, attributing much of its growth to demand from outside the U.S. and the launch of a lower-priced ad-supported subscription tier.[68]

Netflix Culture

A key aspect of Netflix's success was the company's unique, progressive culture that encouraged innovation among its employees. Hastings and former Netflix Chief Talent Office Patty McCord outlined their vision of the company's culture in a 124-page PowerPoint presentation that emphasized the promotion and development of employees who exhibited the company's core values, such as good judgment and selflessness. The presentation also outlined several unique HR policies, including unlimited vacation days and a no "brilliant jerks" policy. Facebook COO Sheryl Sandberg reportedly said that the presentation "may well be the most important document ever to come out of the Valley."[69]

Competition

By 2014, Netflix also faced competition for subscribers and content both from traditional linear premium networks and from new digital services. (See Exhibit 7A for US Home entertainment Revenue by Type for 2014.) While many speculated that the growth in Netflix subscribers would translate into consumers no longer subscribing to cable networks, pay TV penetration in the United States remained close to 90% in 2014.[70] Many pay TV subscribers appeared to view Netflix as a complement to the traditional cable bundles, rather than as a substitute for them, though there were signs in 2014 that cord-cutting was on the rise. In response to that threat, many pay TV providers and traditional networks began offering TV Everywhere Internet services to complement their linear offerings. For example, Comcast offered subscribers access to streaming content through its Xfinity service, and ESPN provided live web streams of select sporting events through its ESPN 3 digital channel. However, most of these TV Everywhere options required consumers to authenticate their pay TV subscriptions. In 2014, both DIRECTV and Sony announced plans to launch entirely Internet-based pay TV packages.[71]

Netflix competed directly with many linear cable networks—in particular, with premium networks such as HBO, Showtime, and Starz—for access to Hollywood films and original series. By Netflix's own admission, HBO represented the company's biggest rival. Much like

Netflix, HBO started out primarily as an aggregator of downstream content, particularly of feature films that had already exhausted their in-theatre and home rental and sales windows. However, HBO was able to successfully pivot into becoming a destination for premium original series in the late 1990s, with hits such as *Sex and the City* and *The Sopranos*. Prior to October 2014, HBO and its companion web-based HBO Go service were available only to cable and satellite subscribers. Pay TV providers handled all sales and marketing for HBO in exchange for a cut of its subscriber fees, which were typically around $15 per month. HBO reportedly split its fees roughly 50-50 with cable and satellite providers. By contrast, less popular premium networks such as Showtime and Starz typically charged cable and satellite operators a fixed fee, which enabled the operators to realize any upside from signing up additional subscribers.[72] (See Exhibit 7B for US subscriber levels for premium networks.)

In October 2014 HBO announced plans to offer HBO Now as a stand-alone subscription option for those who did not have an HBO channel subscription. In its third quarter 2014 letter to shareholders, which was released the day after the HBO announcement, Netflix downplayed the significance of a stand-alone HBO service, stating that it had been anticipating such a move as inevitable. Netflix went on to assert that many consumers would choose to subscribe to both services. By 2019, HBO Now had 8 million subscribers, driven primarily by the success of its hit, *Game of Thrones*, which also concluded its series run on HBO that same year.[73] HBO's streaming ambitions intensified only further as the company announced the 2020 launch of a separate SVOD service called HBO Max, which would distribute mainly popular licensed content that is not available through its premium cable channel and HBO Now. HBO Max's initial slate of movies and TV series included *The Big Bang Theory*, *The West Wing*, *Casablanca*, and *The Shining*.[74] Popular HBO series like *Succession* in addition to Max Original shows like *The Flight Attendant* and the Emmy award-winning *Hacks*, could also be found on the platform. Finally, because of the COVID-19 pandemic, Warner Brothers partnered with HBO Max in 2020-21 to simultaneously release new movies in cinemas and the HBO Max streaming platform, bringing major blockbusters, such as *The Matrix: Resurrections*, to both HBO Max subscribers' homes and physical theaters on the same day.[75] Warner Brothers' strategy of consolidation further came into focus as HBO Max rebranded to Max, and along with the change, began incorporating more content from Warner Brothers and Discovery.[76]

Netflix competed not only with HBO but with other Internet streaming services for subscribers and content. Chief among these competitors were Amazon Prime Video and Hulu. Like Netflix, these services had broad device distribution and offered consumers a large library of content available for on-demand streaming. Amazon Prime Video was available to all Amazon Prime subscribers for no additional fee. (Amazon Prime provided subscribers with free two-day shipping on all Amazon purchases for $99 per year.) Unlike Netflix, Amazon Prime Video enabled consumers to purchase certain titles for download in addition to streaming them. Amazon was also heavily focused on expanding its library of children's content, having signed a deal with Viacom in 2013 for exclusive streaming rights to Nickelodeon's preschool programming.[77]

Hulu, which was jointly owned by Disney, Comcast-NBC, and 21st Century Fox, focused on streaming broadcast television shows from its owners. Unlike Netflix, Hulu was ad supported and made some of its content available for free in limited windows. The company also offered a Hulu Plus subscription service that cost $7.99 per month and included significantly more content as well as mobile access. By the end of 2021, Hulu had 43.8 million paid subscribers.[78]

Both Amazon and Hulu had also launched their own original series to help attract and retain subscribers. Amazon had even established its own production studios in Los Angeles to develop and produce original content for the streaming service, including award winning series, like *The Marvelous Mrs. Maisel*. Hulu, likewise, also experienced critical success with its hit series, *The Handmaid's Tale*.

Although Hulu, Amazon Prime Video, Apple TV+ and Max represented significant threats, the elephant in the room was Disney's formal foray into SVOD with its Disney+ service. While Disney estimated that the service would run at a $1 billion loss in its first year due to upfront investment costs in original content and technology, the company also expected significant growth. Initially priced at $6.99 per month, in its first two weeks, the Disney+ app was downloaded 15.5 million times and generated $5 million in revenue.[79] By Q3 in 2022, Disney+ had over 164 million subscribers, far surpassing initial projections.[80] Users also had the option to subscribe to a bundled package of Disney+ with Hulu and ESPN+ at $12.99 per month. By 2023, however, Disney+ faced an uncertain future, as newly re-installed CEO Bob Iger reversed former CEO Bob Chapek's decision to reorganize the company's entertainment verticals around streaming. Furthermore, Disney+ endured the same pain shared by Netflix, losing over six million subscribers from its peak in 2022.[81] To address ballooning marketing costs, Disney also announced that it would shed several new original content projects, including follow-on seasons of multiple Marvel shows that had disappointed in their debuts.[82]

Although the acclaim following *The Mandalorian* tantalized audiences with the promise of Disney+, the shadow of the coronavirus pandemic cast a shadow on Disney's capacity to produce new content. Netflix and other new streaming services, such as NBC's Peacock, seized on the opportunity by releasing a plethora of original and archived content. However, at Disney's annual investor day in December 2020, the company announced hundreds of new titles, over 80% of which would be direct to streaming, to be released in subsequent years, drawing mainly from its *Star Wars*, *Marvel*, and *Pixar* studios.[83] Disney further signaled its intention to go all in on Disney+, stating that it expected to spend $14 to $16 billion each year on developing original content through 2024. Disney expected total subscribers to reach 230-260 million worldwide by 2024.[84]

The Future

> *We don't and can't compete on breadth with Comcast, Sky, Amazon, Apple, Microsoft, Sony, or Google. For us to be hugely successful we have to be a focused passion brand. Starbucks, not 7-Eleven. Southwest, not United. HBO, not Dish.*
>
> — Reed Hastings, *Netflix Long Term View*, April 25, 2013

By 2023, Netflix's strategy of investing heavily in content to drive subscriber growth had matured. As movie theaters shuttered and cable TV subscriptions dipped, the global coronavirus pandemic only accelerated the market's turn toward streaming as a dominant platform for media consumption.[85] The company continued to reinvest the additional subscription revenues into buying more content. Netflix had long anticipated the costs that this strategy would incur. As early as May 2014, the company announced a price hike for new streaming subscribers, which it had continued implementing in subsequent years. The move marked somewhat of an about-face for Netflix; in a September 2012 interview with the *Wall Street Journal*, Hastings had expressed his opposition to price increases: "Our fundamental view is we grow revenue by expanding the number of members, rather than increasing the pricing. We want Netflix to be a very simple experience: one price, a clean proposition."[86]

Subscriber growth had long proved to drive Netflix's value in the eyes of investors. For a brief moment in 2019, Netflix surpassed Disney in market capitalization as the world's most valuable media company (See Exhibits 8 to 11 for Netflix financials 2020-2022.). Yet, since 2018, Netflix subscriber growth has slowed so much that the company has been forced to contemplate new means of generating revenue outside of adding new subscribers.

Finally, as the Screen Actors Guild and Writers Guild of America strikes persisted through 2023, streamers like Netflix were positioned immediately in the crosshairs of writers, actors, and other creative workers who were responsible for the original content that buoyed Netflix's success.[87] Their demands for stronger guarantees of wages came were attributed directly to the mode of content production favored by streamers. With shorter seasons and greater unpredictability of renewals, writers and actors claimed that they were increasingly working in precarious circumstances. Furthermore, protestors demanded assurances that with the development of AI, that actors would not be replaced by their likenesses and voices.

How does competition of Max and Disney+ cause Netflix to re-evaluate the balance of original content development and licensed content from existing franchises? What should be the role of platform technologies in sustaining Netflix's growth and competitive advantage? Will the ad-supported tier of subscription reignite the company's growth? Will Netflix be facing the innovator's dilemma imminently, as outside contenders, such as Snapchat's Snap Originals enter the market or as media content professionals and amateurs increasingly turn to platforms such as Tik Tok to produce and distribute mobile-first content?

Exhibits

Exhibit 1

Media Device Sales and Penetration in the United States, 2010–2017

		2010	2011	2012	2013	2014	2015	2016	2017	CAGR (10-13)	CAGR (14-17)
Blu-ray											
	Units Shipped (000s)	10,472	13,104	14,838	17,166	19,706	23,500	22,309	22,411	17.9%	4.4%
	Consumer Spend ($MM)	1,889	1,622	1,483	1,442	1,400	1,510	1,326	1,156	(8.6%)	(6.2%)
	ASP ($)	180.35	123.80	99.93	83.98	71.02	64.25	59.42	51.58	(22.5%)	(10.1%)
	Installed Base (000s)	13,540	26,043	39,585	54,858	70,758	88,468	102,038	113,312	59.4%	17.0%
	Number per household	1.05	1.21	1.38	1.70	2.04	2.21	2.35	2.44	17.5%	6.1%
	Number of households penetrated (000s)	12,895	21,567	28,756	32,193	34,603	40,075	43,503	46,409	35.7%	10.3%
Connected TVs											
	Units Shipped (000s)	8,827	17,999	21,161	27,138	31,563	32,666	36,098	37,323	45.4%	5.7%
	Consumer Spend ($MM)	7,366	14,154	14,991	17,738	19,970	20,656	23,151	23,002	34.0%	4.8%
	ASP ($)	834.55	786.36	708.43	653.61	632.70	632.32	641.35	616.31	(7.8%)	(0.9%)
	Installed Base (000s)	15,904	33,271	53,236	77,481	102,232	125,899	149,477	174,356	69.5%	19.5%
	Number per household	1.07	1.23	1.48	1.77	2.13	2.45	2.81	3.18	18.3%	14.3%
	Number of households penetrated (000s)	14,863	27,038	36,053	43,727	48,080	51,487	53,156	54,858	43.3%	4.5%
DVD Players											
	Units Shipped (000s)	21,287	9,982	6,364	3,716	2,497	1,280	870	582	(44.1%)	(38.5%)
	Consumer Spend ($MM)	1,277	482	274	147	89	43	28	19	(51.4%)	(39.8%)
	ASP ($)	60.00	48.31	43.12	39.49	35.74	33.92	32.30	33.48	(13.0%)	(2.2%)
	Installed Base (000s)	198,876	194,866	180,324	160,065	136,270	108,767	82,803	60,231	(7.0%)	(23.8%)
	Number per household	2.03	2.07	2.01	1.95	1.87	1.85	1.77	1.74	(1.3%)	(2.3%)
	Number of households penetrated (000s)	98,007	94,148	89,909	82,054	73,052	58,897	46,706	34,601	(5.8%)	(22.0%)
Smartphones											
	Units Shipped (000s)	69,754	105,074	120,064	136,576	148,748	162,136	169,165	173,755	25.1%	5.3%
	Consumer Spend ($MM)	34,052	52,669	61,063	70,913	78,726	86,572	90,002	91,508	27.7%	5.1%
	ASP ($)	488.17	501.26	508.59	519.22	529.26	533.95	532.04	526.65	2.1%	(0.2%)
	Installed Base (000s)	83,676	118,554	157,100	183,400	200,000	210,700	217,600	222,400	29.9%	3.6%
	Number per household	1.36	1.59	1.65	1.82	1.92	1.97	2.00	2.04	10.3%	2.1%
	Number of households penetrated (000s)	61,750	74,731	95,453	100,776	104,302	107,167	108,943	109,010	17.7%	1.5%

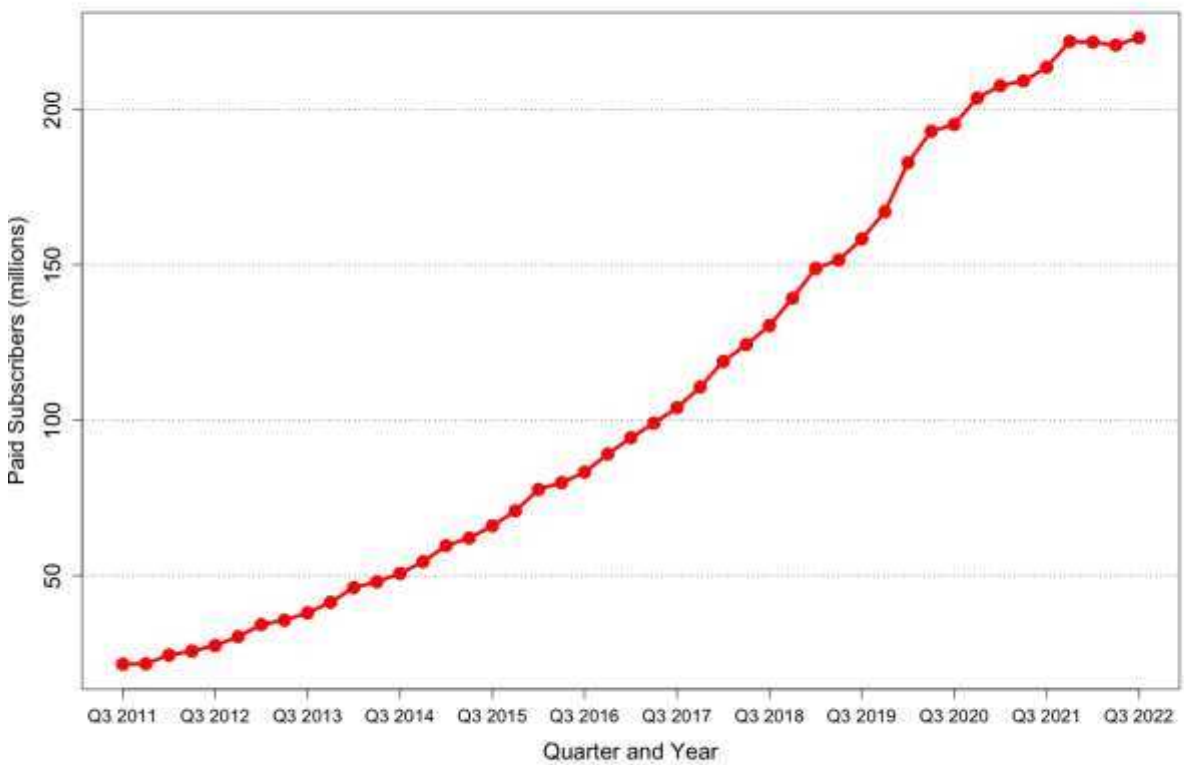
Exhibit 1 (cont.)

Tablets										
Units Shipped (000s)	9,690	31,737	43,149	45,451	46,768	47,976	48,717	49,153	67.4%	1.7%
Consumer Spend ($MM)	5,245	13,799	15,863	14,898	14,963	15,055	14,860	14,697	41.6%	(0.6%)
ASP ($)	541.24	434.78	367.64	327.78	319.94	313.80	305.03	299.00	(15.4%)	(2.2%)
Installed Base (000s)	10,105	40,526	76,381	107,206	128,026	143,327	151,816	152,915	119.7%	6.1%
Number per household	1.00	1.20	1.40	1.55	1.75	1.94	2.12	2.31	15.7%	9.6%
Number of households penetrated (000s)	10,105	33,772	54,558	69,165	73,158	74,071	71,611	66,341	89.9%	(3.2%)
Video Game Consoles										
Units Shipped (000s)	20,002	18,413	14,298	14,397	18,241	15,968	14,028	13,783	(10.4%)	(8.9%)
Consumer Spend ($MM)	4,678	4,280	3,582	3,558	4,991	4,428	3,807	3,225	(8.7%)	(13.5%)
ASP ($)	233.86	232.44	250.50	247.15	273.58	277.28	271.38	233.97	1.9%	(5.1%)
Installed Base (000s)	97,276	104,022	108,061	108,958	105,830	95,935	86,013	79,501	3.9%	(9.1%)
Number per household	1.61	1.63	1.63	1.66	1.72	1.70	1.68	1.65	1.0%	(1.4%)
Number of households penetrated (000s)	60,345	64,011	66,270	65,689	61,548	56,333	51,216	48,200	2.9%	(7.8%)

Source: IDC, 2014.

Exhibit 2

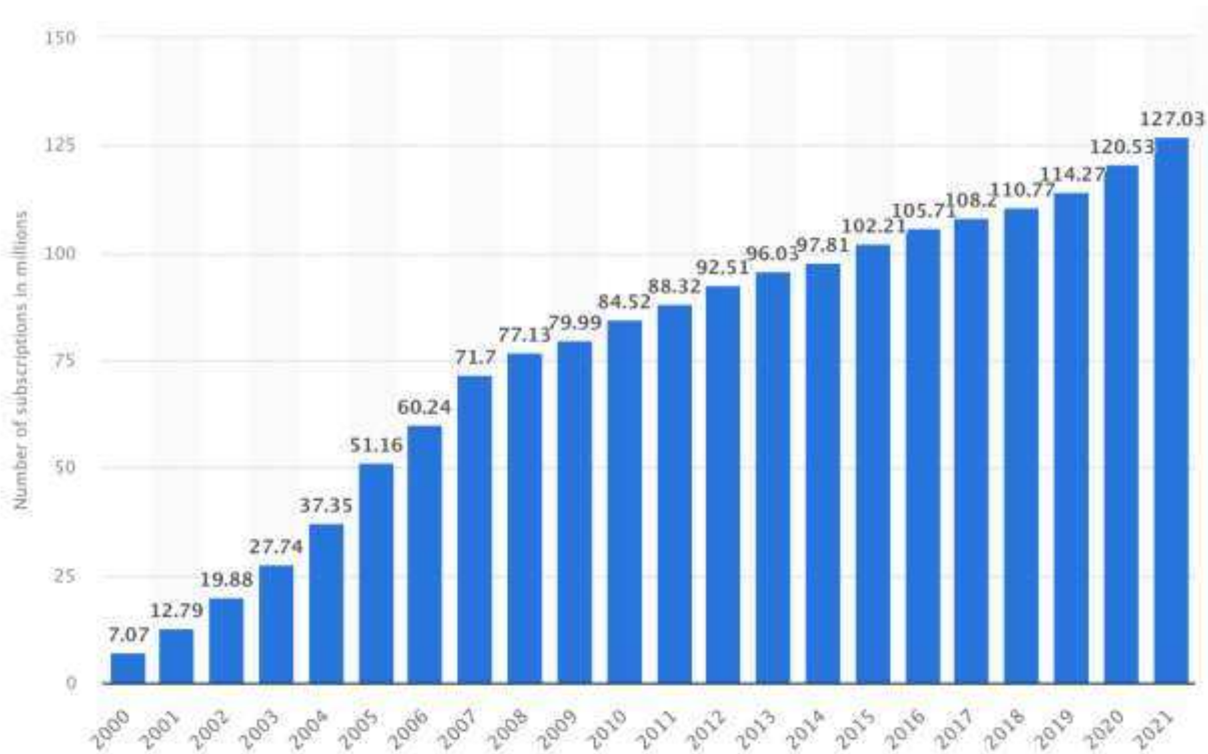
Netflix Total Paid Subscribers in Thousands, 2011–2022



Source: Netflix 10-K filings.

Exhibit 3

US Fixed Broadband Subscribers per 100 Inhabitants, 2000–2021



Source: International Telecommunication Union; produced via Statista.

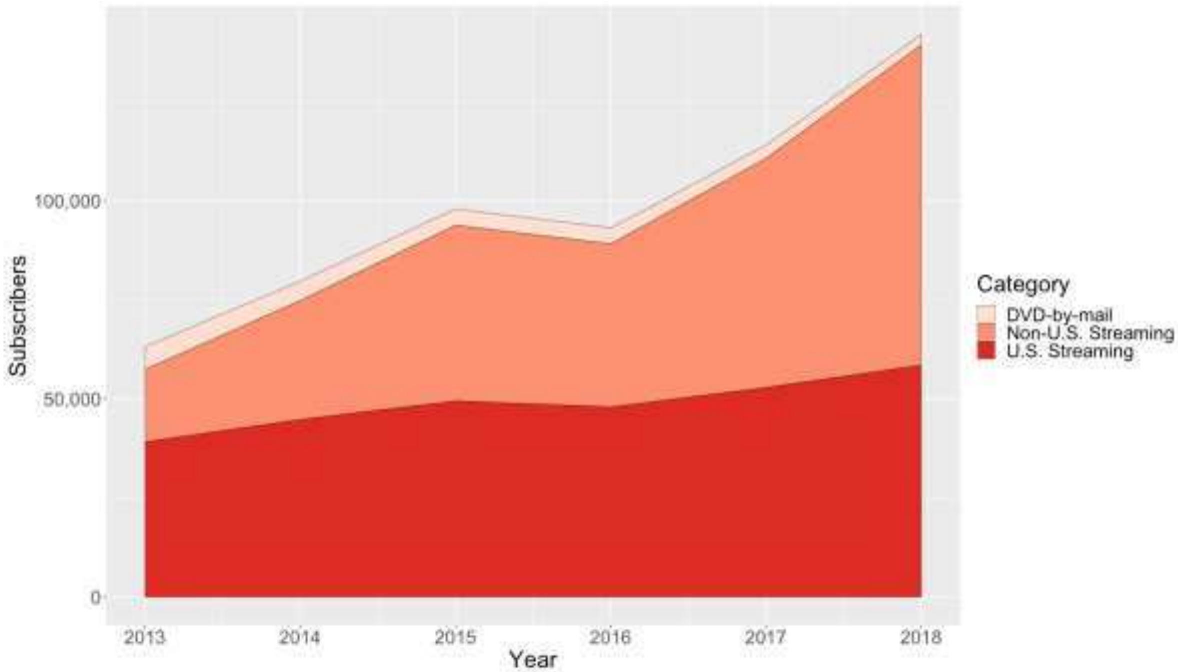
Exhibit 4

Netflix Stock Price Changes vs. S&P 500, 2002–2018

Source: Barchart.com

Exhibit 5

Netflix Streaming vs. DVD Subscriptions (Thousands), 2013–2018



Source: Netflix 10-K filings.

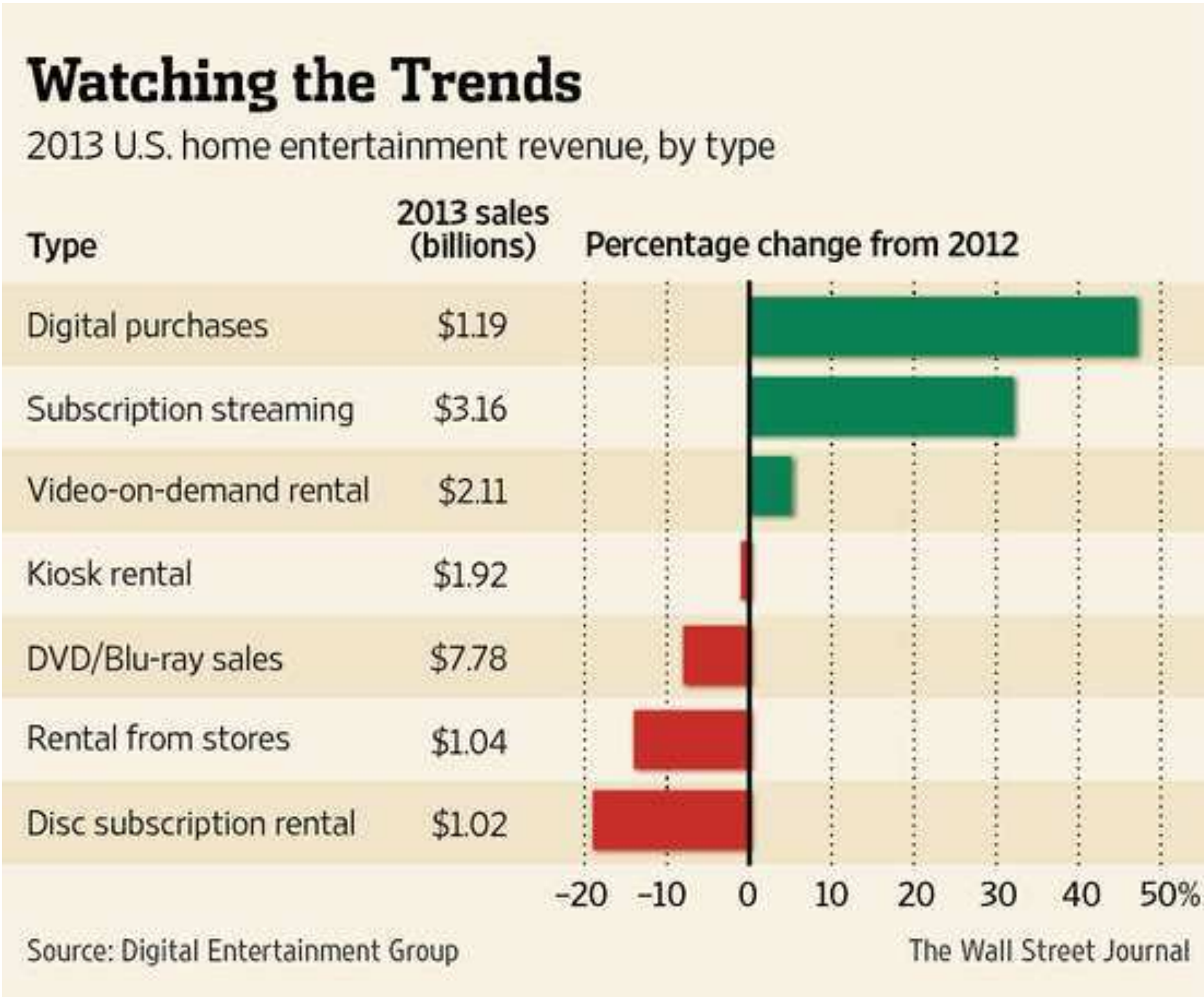
Exhibit 6

Countries Where Netflix Was Available, as of January 2020

Source: Netflix website (https://help.netflix.com/en/node/14164)

Exhibit 7A

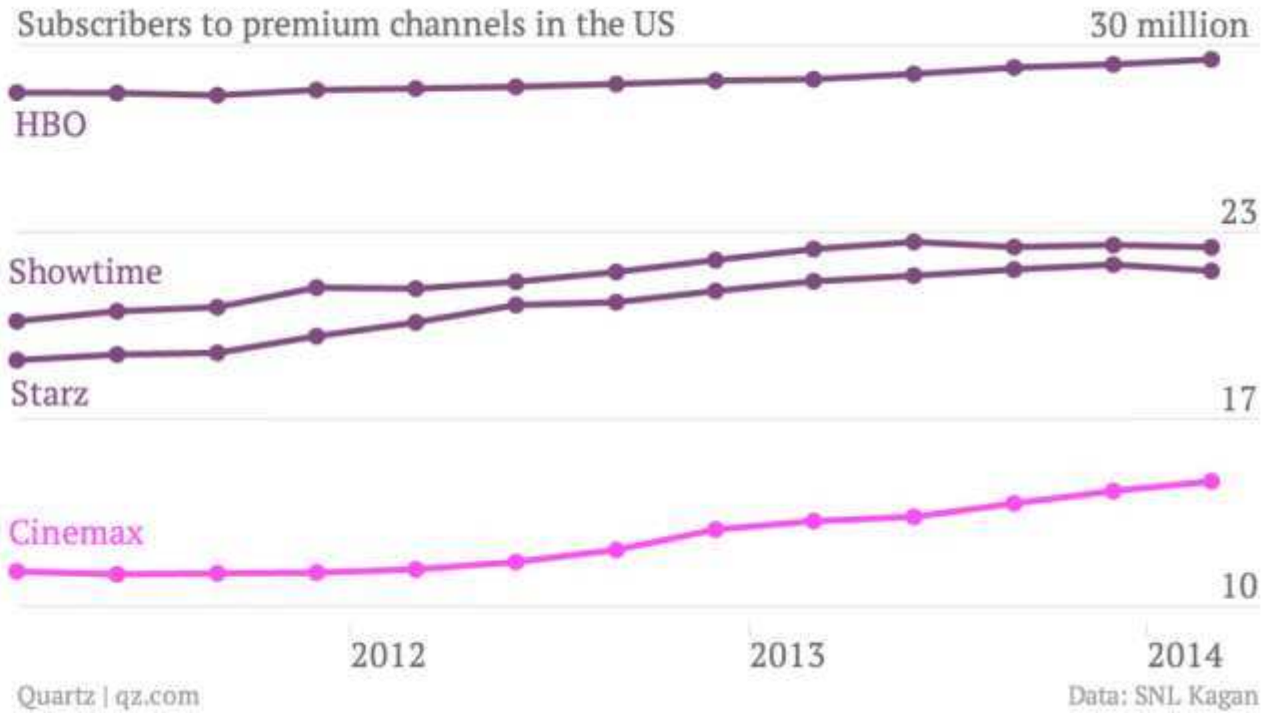
US Home Entertainment Revenue by Type



Source: Digital Entertainment Group, via The Wall Street Journal.

Exhibit 7B

US Premium Channel Subscribers, 2012–2014



Source: Quartz.

Exhibit 8

Netflix Income Statement, 2020–2022

(UNAUDITED, IN THOUSANDS, UNLESS OTHERWISE NOTED)

	2022	2021	2020
Revenue	31615.55	29697.84	24996.06
Cost of Goods Sold	19168.29	17332.68	15276.32
Gross Profit	12447.27	12365.16	9719.74
Gross Margin %	39.37	41.64	38.89
Selling, General, & Admin. Expense	4103.39	3896.77	3304.85
Research & Development	2711.04	2273.89	1829.60
Other Operating Expense	-	-	-
Total Operating Expense	6814.43	6170.65	5134.45
Operating Income	5632.83	6194.51	4585.29
Operating Margin %	17.82	20.86	18.34
Interest Income	337.31	411.21	-
Interest Expense	-706.21	-765.62	-1385.94
Net Interest Income	-368.90	-354.41	-1385.94
Other Income (Expense)	-	-	-
Pretax Income	5263.93	5840.10	3199.35
Tax Provision	-772.01	-723.88	-437.95
Tax Rate %	14.67	12.39	13.69
Other Net Income (Loss)	-	-	-
Net Income Including Noncontrolling Interests	4491.92	5116.23	2761.40
Net Income (Continuing Operations)	4491.92	5116.23	2761.40
Net Income (Discontinued Operations)	-	-	-
Other Income (Minority Interest)	-	-	-
Net Income	4491.92	5116.23	2761.40
Net Margin %	14.21	17.23	11.05
Preferred Dividends	-	-	-
EPS (Basic)	10.10	11.55	6.26
EPS (Diluted)	9.95	11.24	6.08
Shares Outstanding (Diluted Average)	451.29	455.37	454.21
EBIT	5970.14	6605.72	4585.29
Depreciation, Depletion and Amortization	14362.81	12438.78	10922.62
EBITDA	20332.96	19044.50	15507.91
EBITDA Margin %	64.31	64.13	62.04

Source: Netflix 2020 annual report.

Exhibit 9

Netflix Consolidated Statements of Cash Flows, 2020–2022

(UNAUDITED, IN THOUSANDS, UNLESS OTHERWISE NOTED)

	2022	2021	2020
Cash and Cash Equivalents	5147.18	6027.80	8205.55
Marketable Securities	911.28	-	-
Cash, Cash Equivalents, Marketable Securities	6058.45	6027.80	8205.55
Accounts Receivable	988.90	804.32	610.82
Notes Receivable	-	-	-
Loans Receivable	-	-	-
Other Current Receivables	598.00	-	-
Total Receivables	1586.90	804.32	610.82
Other Current Assets	1621.12	1237.70	945.21
Total Current Assets	9266.47	8069.83	9761.58
Investments And Advances	-	-	-
Land And Improvements	85.01	82.38	50.70
Buildings And Improvements	52.11	48.12	42.72
Machinery, Furniture, Equipment	738.76	663.67	255.45
Construction In Progress	235.56	282.25	298.56
Other Gross PPE	1040.57	863.34	807.55
Gross Property, Plant and Equipment	2152.00	1939.76	1454.97
Accumulated Depreciation	-753.74	-616.31	-494.79
Property, Plant and Equipment	1398.26	1323.45	960.18
Intangible Assets	32736.71	30919.54	25383.95
Goodwill	-	-	-
Other Long Term Assets	5193.33	4271.85	3174.65
Total Long-Term Assets	39328.30	36514.84	29518.78
Total Assets	48594.77	44584.66	39280.36
Total Liabilities	27817.37	28735.42	28215.12
Total Equity	20777.40	15849.25	11065.24
Equity-to-Asset	0.43	0.36	0.28

Source: Netflix 2020 annual report.

Exhibit 10

Netflix Consolidated Balance Sheets, 2020–2022

(unaudited, in thousands)

	2022	2021	2020
Net Income From Continuing Operations	4491.92	5116.23	2761.40
Cash Flow Depreciation, Depletion and Amortization	14362.81	12438.78	10922.62
Change In Receivables	-	-	-
Change In Inventory	-	-	-
Change In Prepaid Assets	-	-	-
Change In Payables And Accrued Expense	-214.06	325.45	156.58
Change In Other Working Capital	-544.03	-567.43	-188.45
Change In Working Capital	-758.09	-241.98	-31.87
Deferred Tax	-166.55	199.55	70.07
Stock Based Compensation	575.45	403.22	415.18
Asset Impairment Charge	-	-	-
Cash from Discontinued Operating Activities	-	-	-
Cash Flow from Others	-16479.29	-17523.19	-11710.31
Cash Flow from Operations	2026.26	392.61	2427.08
Purchase Of Property, Plant, Equipment	-407.73	-524.59	-497.92
Sale Of Property, Plant, Equipment	-	-	-
Purchase Of Business	-757.39	-788.35	-
Sale Of Business	-	-	-
Purchase Of Investment	-911.28	-	-
Sale Of Investment	-	-	-
Net Intangibles Purchase And Sale	-	-	-
Cash From Discontinued Investing Activities	-	-	-
Cash From Other Investing Activities	-	-26.92	-7.43
Cash Flow from Investing	-2076.39	-1339.85	-505.35
Issuance of Stock	35.75	174.41	235.41
Repurchase of Stock	-	-600.02	-
Net Issuance of Preferred Stock	-	-	-
Issuance of Debt	-	-	1009.46
Payments of Debt	-700.00	-500.00	-
Net Issuance of Debt	-700.00	-500.00	1009.46
Cash Flow for Dividends	-	-	-
Cash Flow for Lease Financing	-	-	-
Other Financing	-	-224.17	-7.56
Cash Flow from Financing	-664.25	-1149.78	1237.31
Beginning Cash Position	6055.11	8238.87	5043.79
Effect of Exchange Rate Changes	-170.14	-86.74	36.05
Net Change in Cash	-884.53	-2183.76	3195.08
Ending Cash Position	5170.58	6055.11	8238.87
Capital Expenditure	-407.73	-524.59	-497.92
Free Cash Flow	1618.53	-131.98	1929.15

Source: Netflix 2020 annual report.

Exhibit 11

Netflix Segment Information, 2018–2020

(UNAUDITED, IN THOUSANDS)

United States and Canada (UCAN)

	As of/ Year Ended December 31, 2020	2019	2018	Change 2020 vs. 2019	
	(in thousands, except revenue per membership and percentages)				
Revenues	$ 11,455,396	$ 10,051,208	$ 8,281,532	$ 1,404,188	14 %
Paid net membership additions	6,274	2,905	6,335	3,369	116 %
Paid memberships at end of period (1)	73,936	67,662	64,757	6,274	9 %
Average paying memberships	71,689	66,615	61,845	5,074	8 %
Average monthly revenue per paying membership	$ 13.32	$ 12.57	$ 11.16	$ 0.75	6 %
Constant currency change (2)					6 %

Europe, Middle East, and Africa (EMEA)

	As of/ Year Ended December 31, 2020	2019	2018	Change 2020 vs. 2019	
	(in thousands, except revenue per membership and percentages)				
Revenues	$ 7,772,252	$ 5,543,067	$ 3,963,707	$ 2,229,185	40 %
Paid net membership additions	14,920	13,960	11,814	960	7 %
Paid memberships at end of period (1)	66,698	51,778	37,818	14,920	29 %
Average paying memberships	60,425	44,731	31,601	15,694	35 %
Average monthly revenue per paying membership	$ 10.72	$ 10.33	$ 10.45	$ 0.39	4 %
Constant currency change (2)					3 %

Latin America (LATAM)

	As of/ Year Ended December 31, 2020	2019	2018	Change 2020 vs. 2019	
	(in thousands, except revenue per membership and percentages)				
Revenues	$ 3,156,727	$ 2,795,434	$ 2,237,697	$ 361,293	13 %
Paid net membership additions	6,120	5,340	6,360	780	15 %
Paid memberships at end of period (1)	37,537	31,417	26,077	6,120	19 %
Average paying memberships	35,297	28,391	22,767	6,906	24 %
Average monthly revenue per paying membership	$ 7.45	$ 8.21	$ 8.19	$ (0.76)	(9)%
Constant currency change (2)					8 %

Asia-Pacific (APAC)

	As of/ Year Ended December 31, 2020	2019	2018	Change 2020 vs. 2019	
	(in thousands, except revenue per membership and percentages)				
Revenues	$ 2,372,300	$ 1,469,521	$ 945,816	$ 902,779	61 %
Paid net membership additions	9,259	5,626	4,106	3,633	65 %
Paid memberships at end of period (1)	25,492	16,233	10,607	9,259	57 %
Average paying memberships	21,674	13,247	8,446	8,427	64 %
Average monthly revenue per paying membership	$ 9.12	$ 9.24	$ 9.33	$ (0.12)	(1)%
Constant currency change (2)					(1)%

Source: Netflix 2020 annual report.

Endnotes

[1] Eric Deggans, "Netflix loses nearly 1 million subscribers. That's the good news," *NPR*, July 19, 2022, https://www.npr.org/2022/07/19/1112335543/netflix-second-quarter.
[2] Alexandra Canal, "Netflix subscriber growth surges amid password crackdown, but stock falls on outlook," July 19, 2023, https://finance.yahoo.com/news/netflix-earnings-second-quarter-2023-july-19-2023-200515311.html.
[3] Netflix 8-K filing, July 21, 2014.
[4] Brent Lang and Dave McNary, "'Crouching Tiger 2' Fallout: AMC, Regal Won't Play Imax Release," *Variety*, September 30, 2014.
[5] Lesley Goldberg, "Emmys: It Took a Pandemic, But Netflix Finally Topped HBO," *Hollywood Reporter*, September 19, 2021, https://www.hollywoodreporter.com/tv/tv-news/netflix-wins-most-emmys-beats-hbo-1235016419/.
[6] Jeremy Kay, "Oscars 2019 Shows Netflix is in Awards Game for Long Haul," *Screen Daily*, February 26, 2019, https://www.screendaily.com/features/oscars-2019-shows-netflix-is-in-awards-game-for-long-haul-/5137212.article.
[7] Jon Xavier, "Netflix's First CEO on Reed Hastings and How the Company Really Got Started: Executive of the Year 2013," *Silicon Valley Business Journal*, January 8, 2014, http://www.bizjournals.com/sanjose/news/2014/01/08/netflixs-first-ceo-on-reed-hastings.html.
[8] "A Brief History of the Company that Revolutionized Watching of Movies and TV Shows," Netflix, https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10477.
[9] Daniel Roth, "Netflix Everywhere: Sorry Cable, You're History," *Wired Magazine*, September 21, 2009, http://archive.wired.com/techbiz/it/magazine/17-10/ff_netflix?currentPage=all.
[10] Netflix 2002 Annual Report.
[11] Blockbuster S-1 filing, May 6, 1999.
[12] Blockbuster S-1 filing.
[13] Michael Liedtke and Mae Anderson, "Blockbuster Tries to Rewrite Script in Bankruptcy," Associated Press, September 23, 2010, http://www.boston.com/business/articles/2010/09/23/blockbuster_tries_to_rewrite_script_in_bankruptcy/.
[14] Blockbuster S-1 filing.
[15] Netflix 2002 Annual Report.
[16] Netflix S-1 filing, March 6, 2002.
[17] Ken Auletta, "Netflix and the Future of Television," *New Yorker*, February 3, 2014.
[18] Nathan Kaiser, "Interview with Reed Hastings, CEO of Netflix," *Npost*, February 1, 2002, http://www.npost.com/blog/2002/02/01/interview-with-reed-hastings-ceo-of-netflix/.
[19] Netflix S-1 filing.

[20] David Kiley, "Nielsen: DVDs Pass VCRs in U.S. Households," *Brand New Day* (blog), *Bloomberg Businessweek*, December 19, 2006, http://www.businessweek.com/the_thread/brandnewday/archives/2006/12/nielsen_dvrs_pa.html.
[21] Netflix 10-K filing, February 28, 2007.
[22] Blockbuster 10-K filing, March 1, 2007.
[23] Auletta, "Netflix and the Future of Television."
[24] Martin Peers and Shalini Ramachandran, "Dish Network to Close Its Remaining U.S. Blockbuster Stores," *Wall Street Journal*, November 6, 2013.
[25] Netflix 10-K filing.
[26] John B. Horrigan, "Broadband Adoption in the United States," Pew Research Center, July 2, 2008, http://www.pewinternet.org/files/old-media//Files/Reports/2008/PIP_Broadband_2008.pdf.
[27] Kathryn Zickuhr and Aaron Smith, "Home Broadband 2013," Pew Research Center, August 26, 2013, http://www.pewinternet.org/2013/08/26/home-broadband-2013/.
[28] Paul Bond, "Netflix: Online Streams to Surpass DVD Rentals," *Hollywood Reporter*, October 20, 2010.
[29] Stu Woo, "Under Fire, Netflix Rewinds DVD Plan," *Wall Street Journal*, October 11, 2011.
[30] Roth, "Netflix Everywhere."
[31] "A Brief History of the Company that Revolutionized Watching of Movies and TV Shows."
[32] Roth, "Netflix Everywhere."
[33] Ethan Smith and Nick Wingfield, "Netflix in Talks for Original Series," *Wall Street Journal*, March 16, 2011.
[34] Erica Orden, Christopher S. Stewart, and Ian Sherr, "Disney Deal Puts Netflix in Pay-TV Big League," *Wall Street Journal*, December 4, 2012.
[35] Sarah Whitten, "Disney Expects to Take a $150 Million Hit as it Cuts Ties with Netflix – and That's OK," *CNBC*, February 7, 2019, https://www.cnbc.com/2019/02/05/disney-expects-to-take-a-150-million-hit-as-it-cuts-ties-with-netflix.html.
[36] Ryan Faughnder, "Disney + Lures 1 Million Subscriptions from Streaming Giant. But is it a Giant Slayer?" *Los Angeles Times,* December 18, 2019, https://www.latimes.com/entertainment-arts/business/story/2019-12-18/how-many-people-ditched-netflix-for-disney.
[37] Andrew Wallenstein, "Netflix Flexes New Muscle with Breaking Bad Ratings Boom," *Variety*, August 12, 2013.
[38] Reed Hastings, *Netflix Long Term View,* April 25, 2013.
[39] *Netflix Long Term View*, October 15, 2014.
[40] Edmund Lee, "Netflix Will Keep 'Friends' Through Next Year in a $100 Million Agreement," *New York Times*, December 18, 2018, https://www.nytimes.com/2018/12/04/business/media/netflix-friends.html.
[41] Tom Vanderbilt, "The Science behind the Netflix Algorithms That Decide What You'll Watch Next," *Wired Magazine*, August 7, 2013.

[42] Alex Ben Block, "Netflix's Ted Sarandos Explains Original Content Strategy," *Hollywood Reporter*, April 7, 2012, http://www.hollywoodreporter.com/news/netflix-ted-sarandos-original-content-309275.

[43] David Carr, "Giving Viewers What They Want," *New York Times*, February 24, 2013.

[44] Elsa Keslassy, "Mipcom: Lionsgate TV's Kevin Beggs on 'Orange Is the New Black's' Foreign Appeal," *Variety*, October 15, 2014.

[45] Brooks Barnes, "DreamWorks and Netflix in Deal for New TV Shows," *New York Times*, June 17, 2013.

[46] Janko Roettgers, "This Is Why Netflix Loves the Little Ones: 75 of Its Kids Shows Have 2+ Million Viewers," *Gigaom*, October 15, 2014, https://gigaom.com/2014/10/15/this-is-why-netflix-loves-the-little-ones-75-of-its-kids-shows-have-2-million-viewers/.

[47] Kilday, "Netflix's Ted Sarandos Explains Adam Sandler, 'Crouching Tiger' Deals."

[48] David Lieberman, "Netflix Execs Say No Worries As Spending Rises 'Dramatically' for Original Shows, and Maybe Movies," *Deadline Hollywood*, January 22, 2014, http://deadline.com/2014/01/netflix-execs-say-spending-could-rise-dramatically-for-original-shows-and-maybe-movies-669624/.

[49] "Ampere Analysis: Netflix Moves to Self Sufficiency," *Broadband TV News*, March 21, 2019, https://www.broadbandtvnews.com/2019/03/21/ampere-analysis-netflix-moves-to-self-sufficiency/.

[50] Todd Spangler, "Netflix Spent $12 Billion on Content in 2018. Analysts Expect That to Grow to $15 Billion this Year," January 18, 2019, https://variety.com/2019/digital/news/netflix-content-spending-2019-15-billion-1203112090/.

[51] Todd Spangler, "Netflix Projected to Spend More Than $17 Billion on Content in 2020," *Variety*, January 16, 2020, https://variety.com/2020/digital/news/netflix-2020-content-spending-17-billion-1203469237/.

[52] Adam Levy, "Netflix Just Slashed Its Content Budget by 10%", *The Motley Fool*, April 26, 2020, https://www.fool.com/investing/2020/04/26/netflix-just-slashed-its-content-budget-by-10.aspx.

[53] Deana Myers, "Netflix Amortized Content Spend Estimated at $13.6 Billion in 2021," *S&P Global Market Intelligence*, September 23, 2021.

[54] Thomas K. Arnold, "Netflix Still on Top in Term sof Original Content, with 37% of All Movies and Shows," *Media Play News*, November 18, 2022, https://www.mediaplaynews.com/netflix-still-on-top-in-terms-of-original-content-with-37-percent-of-all-movies-and-shows/

[55] Sara Lebow, "Netflix throws itself further into original content," *Insider Intelligence*, November 3, 2021, https://www.insiderintelligence.com/content/netflix-throws-itself-further-original-content.

[56] "A Brief History of the Company that Revolutionized Watching of Movies and TV Shows."

[57] Elsa Keslassy, "Mipcom: Netflix's Ted Sarandos Eyes Asia Expansion, Talks Recent Movie Deals," *Variety*, October 14, 2014.

[58] Netflix 10-K filing, February 3, 2014.

[59] Spangler, "Netflix Spent $12 Billion on Content in 2018."
[60] Sam Schechner, "Netflix Rollout in Europe Begins with France" *Wall Street Journal*, September 15, 2014.
[61] Scott Roxborough, "Why Netflix Subscribers in Europe Won't Get 'House of Cards,'" *Hollywood Reporter*, June 25, 2014.
[62] Amy Roberts, "Binge around the world: International Netflix originals shows you need to see." https://filmdaily.co/obsessions/international-netflix-originals-shows/.
[63] Mariel Soto Reyes, "Netflix's original and international content are fueling its growth," *Business Insider*, April 18, 2019, https://www.businessinsider.com/netflixs-original-international-content-fuel-q1-growth-2019-4.
[64] Todd Spangler, "'Squid Game' Is Decisively Netflix No. 1 Show of All Time With 1.65 Billion Hours Streamed in First Four Weeks, Company Says," *Variety*, November 16, 2021.
[65] Spangler, "'Squid Game' Is Decisively Netflix No. 1 Show."
[66] Theron Mohamed, "Netflix Surges 15% to Record High after Blockbuster Earnings Show Company Added More Subscribers than Forecast," *Business Insider*, January 20, 2021, https://markets.businessinsider.com/news/stocks/netflix-stock-price-streaming-service-ends-debt-binge-share-buybacks-2021-1.
[67] Daniel Sparks, "Netflix Probably Added Millions of Subscribers in Q3," *The Motley Fool*, October 6, 2021, https://www.fool.com/investing/2021/10/06/netflix-probably-added-millions-of-subscribers-in/.
[68] Frank Pallota, "Netflix is back to growing after a nightmare year of losing subscribers," *CNN Business*, October 18, 2022, https://www.cnn.com/2022/10/18/media/netflix-earnings/index.html.
[69] Alyson Shontell, "Sheryl Sandberg: 'The Most Important Document Ever to Come Out of the Valley,'" *Business Insider*, February 4, 2013.
[70] Trefis Team, "Dish's Q4 Earnings Preview: The H-Block Auction and Pay-TV Subscriber Trends in Focus," *Forbes*, February 19, 2014, http://www.forbes.com/sites/greatspeculations/2014/02/19/dishs-q4-earnings-preview-the-h-block-auction-and-pay-tv-subscriber-trends-in-focus/.
[71] Emily Steel, "Cord-Cutters Rejoice: CBS Joins Web Stream," *New York Times*, October 16, 2014.
[72] "HBO and the Future of Pay-TV," *Economist*, April 20, 2011.
[73] Felix Gillette, "AT&T Is Dragging HBO's Streaming Strategy Out of the Dark Ages," *Bloomberg Businessweek*, March 7, 2019, https://www.bloomberg.com/news/features/2019-03-07/at-t-is-dragging-hbo-s-streaming-strategy-out-of-the-dark-ages.
[74] Erik Pedersen, "HBO Max Programming: The TV & Film Titles That Will Stream on Warner Media's Service," *Deadline*, October 29, 2019, https://deadline.com/2019/10/hbo-max-list-titles-originals-movies-tv-hbo-1202772182/.

[75] Travis Clark, "Warner Bros.' Strategy of Releasing Movies to Theaters and HBO Max on the Same Day is Very Popular with Consumers, According to a New Survey," *Business Insider*, March 10, 2021, https://www.businessinsider.com/hbo-maxs-same-day-streaming-theater-strategy-is-popular-survey-2021-3.
[76] Emma Roth, "HBO Max was renamed Max, and Warner Bros. Discovery lost subscribers," *The Verge*, August 3, 2023, https://www.theverge.com/2023/8/3/23818429/warner-bros-discovery-subscriber-loss-hbo-max-rebrand-earnings.
[77] Amy Chozick, "In Viacom Deal, Amazon Scoops Up Children's Shows," *New York Times*, June 4, 2013.
[78] Ben Munson, "Disney Plans to Raise Its Content Spending by $8 in 2022," *Fierce Video*, November 29, 2021.
[79] Aparna Narayanan, "This Disney+ Statistic Points to 'Pure Genius Strategy': Analyst," *Investor's Business Daily*, November 26, 2019, https://www.investors.com/news/disney-stock-rises-disneyplus-streaming-service-app-hits-15-million-downloads/.
[80] Lauren Forristal, "Disney+ reaches 164.2M subscribers as it prepares for ad-supported tier launch," *TechCrunch*, November 8, 2022. https://techcrunch.com/2022/11/08/disney-reports-fourth-quarter-results-2022/.
[81] Toni Fitzgerald, "Record Decline: Why Disney+ Lost Another 4 Million Subscribers," *Forbes*, May 10, 2023, forbes.com/sites/tonifitzgerald/2023/05/10/record-decline-why-disney-lost-another-4-million-subscribers.
[82] Alessia Dunn, "Disney Demolishes Disney+ Forever, Fans Devastated," *Inside the Magic*, August 6, 2023, https://insidethemagic.net/2023/08/disney-demloish-disney-plus-ad1.
[83] Julia Alexander, "Disney Finally Revealed the Real Disney Plus," *The Verge*, December 11, 2020, https://www.theverge.com/2020/12/11/22169873/disney-plus-streaming-marvel-star-wars-new-shows-movies-star-hulu.
[84] Brandon Katz, "The Key to Disney's Strategy Was Hidden in Its Flood of Announcements," *Observer*, December 11, 2020, https://observer.com/2020/12/disney-investor-day-announcements-stock-disney-plus-hulu-espn-plus-subscriber-growth/.
[85] Alex McLevy, "Yeah, It's Official: AMC Theaters Says It'll Go Broke in January," *AV Club*, December 11, 2020, https://news.avclub.com/yeah-its-official-amc-theaters-says-itll-go-broke-in-1845861658.
[86] Greg Bensinger, "Netflix CEO Keeps Focus on Expansion, Price," *Wall Street Journal*, September 26, 2012, https://www.wsj.com/articles/SB10000872396390444083304578017312128187852.
[87] Jason Frank, "The 2023 Hollywood Strike for Dummies," *Vulture*, August 2, 2023, https://www.vulture.com/article/wga-strike-2023.html.