

Netflix Business Case

Password Sharing Issue

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Systems Development

INFX580 - Systems Development

Group Project

Netflix Business Case

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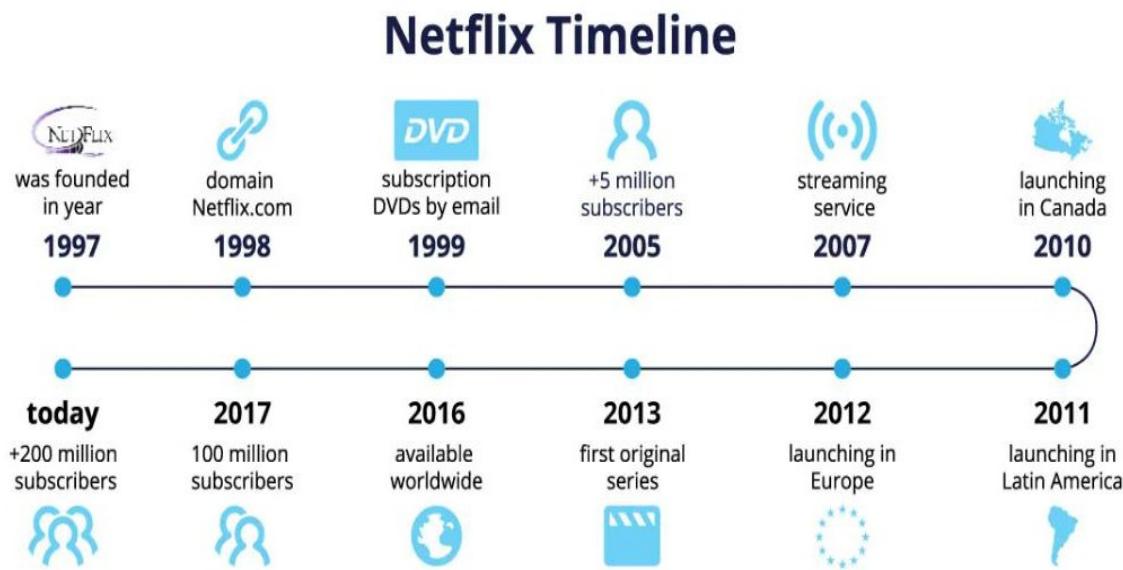
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1. Description of the case

Netflix is a successful company with 221 million subscribers and access to 190 countries. However, other companies such as Disney, Hulu, Apple started streaming services and took back their old popular contents from Netflix. In 2021, Netflix lost nearly 1 million subscribers (about the population of Delaware). All other media have cooperation and support each other's business, but Netflix has no support for their company. In 2024, Netflix plans to increase revenues, change its business model, and create new content.

A brief history of Netflix is shown below.



2. Purpose

The purpose of the project is to increase Netflix revenue and subscribers. Solutions focus on the case and aim to evaluate weaknesses and threats.

3. S.W.O.T Analysis

The purpose of the S.W.O.T is to define the strengths, weaknesses, opportunities, and threats of the company.

<p>Strengths</p> <ul style="list-style-type: none"> • Easy to access its contents • Netflix is well known by a lot of countries • Netflix Has its original contents • Netflix membership is affordable for subscribers • Adaptability 	<p>Weakness</p> <ul style="list-style-type: none"> • Netflix is not streaming popular old contents • Subscribers can share passwords and share their account with others • Netflix has limited regional content • Netflix has limit membership plans • Netflix has no collaboration with other major companies
<p>Opportunities</p> <ul style="list-style-type: none"> • There are companies that Netflix may collaborate and expand its contents • Large market • Accessibility can be increase from other countries • Netflix is planning new business plan and contents • Limitation of password share • New membership plans 	<p>Threats</p> <ul style="list-style-type: none"> • Loss of membership • Contents reduction • Larger companies such as Amazon, Disney and their collaboration • Aggressive market computation • Innovation of other major companies

4. Solution to the case

In this case, the major problem is the subscribers' plans. After losing popular content, Netflix lost a lot of subscribers. In addition, sharing subscriber accounts makes this loss worse. The easy and fastest way to increase subscribers is to change the subscriber plans and limit account sharing.

5. Constraint

- The finance department should update membership prices and possibly establish new membership prices.
- Stakeholders must apply the new business model to the current business model.
- The security team must limit password sharing and create a new password policy.
- IT department must create a new sign-up model for customers.
- IT department must create authentication for login.

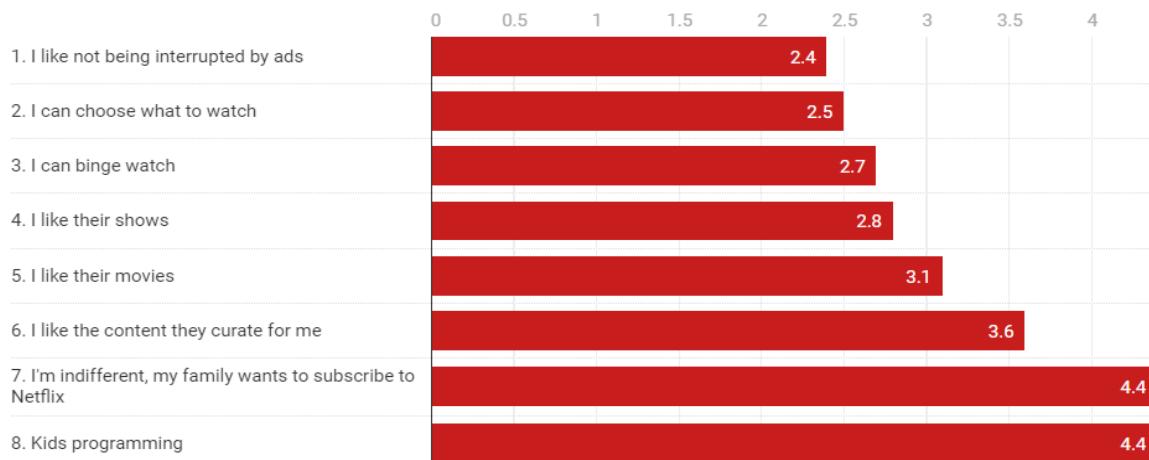
6. Scope of the solutions

Scope focuses on 3 different areas: the IT department will create OTP, business managers will update subscribers' plans and prices, and the security team will follow subscribers' IP addresses. All these areas should work together and create a new system to increase revenue growth and subscribers.

7. Analyzing Subscription

Top reasons people have a Netflix subscription

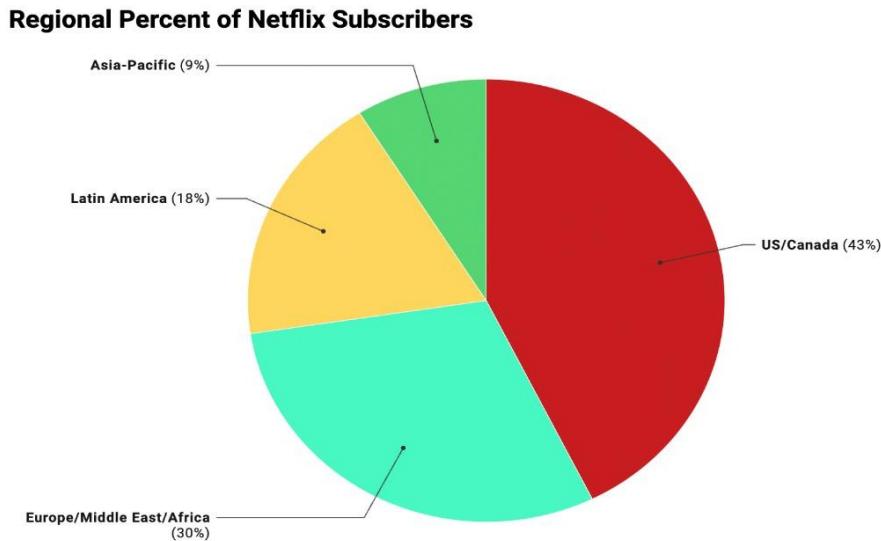
On a scale of 1 to 5, with 1 being the highest score



Based on the survey the top reasons for subscribers are shown above. That realization should be especially encouraging to Netflix as it anticipates taking on the competition from Disney, Apple, and AT&T, all of which are developing their own streaming services and providing unique, dedicated content that Netflix cannot offer. This serves as a reminder to potential Netflix adversaries that the customer experience is an essential element of the product - maybe the most important element.

8. Distribution of Netflix

According to the distribution of Netflix users by country, we can conclude which country Netflix should pay attention to limit password sharing the most.



Netflix's subscriber figures by region - 2020 to 2021

	Q1 - 2020	Q2 - 2020	Q3 - 2020	Q4 - 2020	Q1 - 2021	Q2 - 2021
United States and Canada	70M	72.9M	73.1M	73.9M	74.4M	74M
Europe, Middle East, and Africa	58.7M	61.5M	62.2M	66.7M	68.5M	68.7M
Latin America	34.3M	36.1M	36.3M	37.5M	37.9M	38.7M
Asia-Pacific	19.8M	22M	23.5M	25M	26M	27M

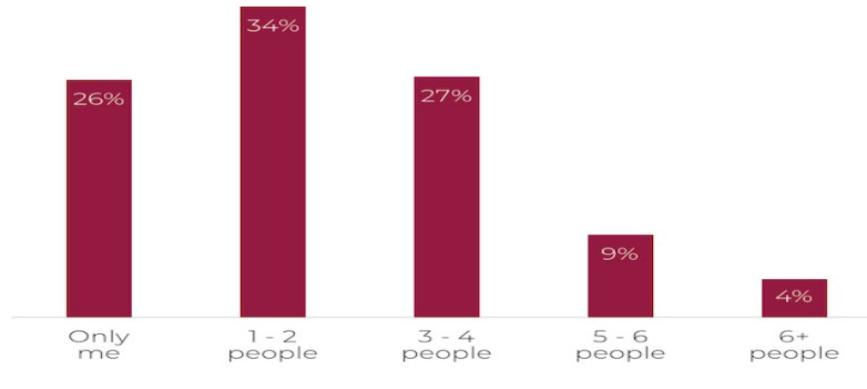
Created with Datawrapper

Since most of the subscribers are from USA-Canada, Netflix should start changing subscribers' policy and plans from USA and Canada.

9. Analyzing Shared Streaming

People share their streaming service passwords to save money, even though it may technically be against the streaming services' official policies.

HOW MANY PEOPLE CAN ACCESS YOUR STREAMING SERVICE SUBSCRIPTIONS?

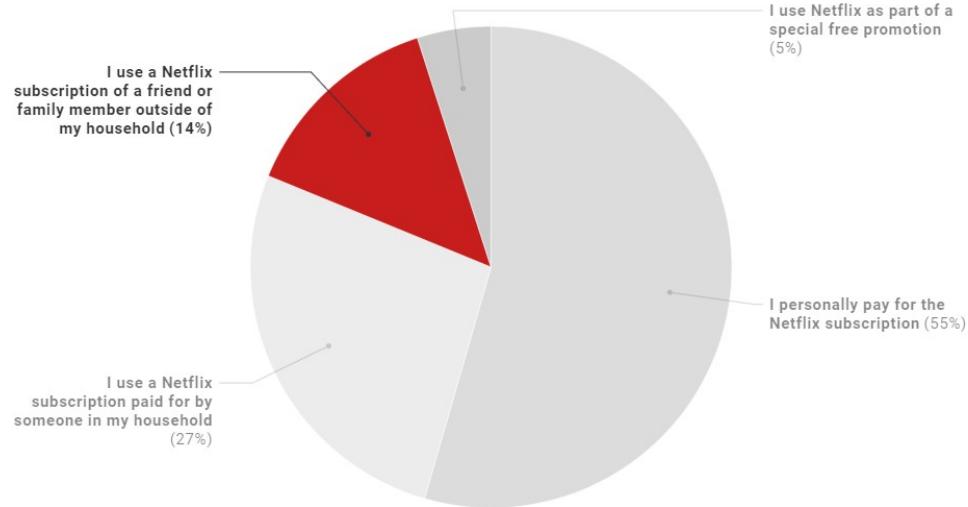


N = 274 people who use streaming services.
Source: The Manifest 2020 Streaming Services Survey



By engaging in account-sharing customers are decreasing the streaming platforms' revenue growth. If 27% of Netflix's 221 million subscribers share their password with 4 people, the streaming service could potentially have four times as many subscribers (approximately 460 million). Due to shared accounts, Netflix could be losing billions of dollars each month given the average subscription cost of \$11.76.

How people use Netflix

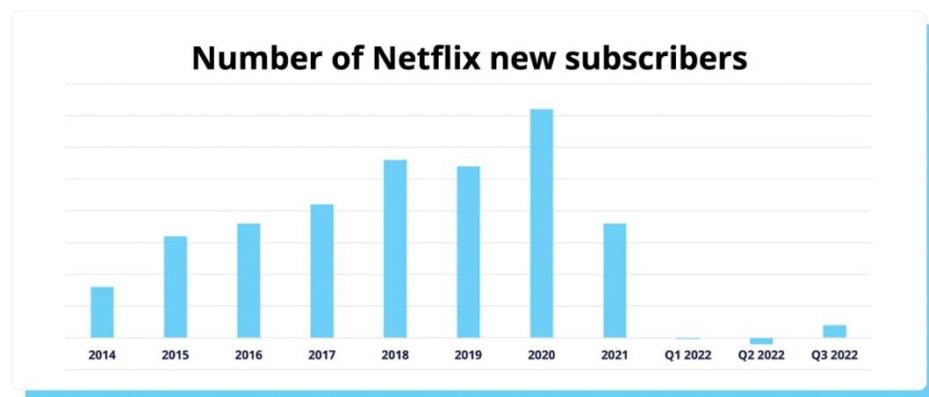


In 2019, Michael Nathanson points out 14% of Netflix users access Netflix by their friends and family members outside of their household. That means millions of dollars Netflix has lost from password sharing in 2019.

10. Netflix growth

In the first quarter of 2022, Netflix reported its first-ever subscriber loss of approximately 200,000 paid members. This figure, although not insignificant, does not detract from the 40 million subscribers increase the company experienced in 2020. Furthermore, Netflix's revenue and profits continue to rise, growing from \$24.9 billion and \$2.6 billion in 2020 to \$29.52 billion and \$4.5 billion in 2021 respectively. Much of this progress was due to the COVID-19 pandemic when people were more inclined to watch streaming entertainment. With the reopening of the world and the rise of competitors, it is understandable why 200,000 people opted out of the Netflix service.

They lost more than **1.2 million subscribers** in 2022!



The data show that in 2021 new subscribers were not gained but lost.

The chart above shows that Netflix did not increase subscribers. There is a very high drop in subscribers after 2021. Therefore, in this project we focus on increasing subscribers. We have created a new system to increase Netflix subscribers and its revenue.

11. Common issues that subscribers have with Netflix

A survey of US subscribers revealed that the most frequent complaint about Netflix was its tendency to take away popular shows, such as The Office, with almost a third of respondents citing this as their primary concern. Other gripes included the cancellations of Netflix originals and increasing prices. On the other hand, 20% of participants had no issues with the streaming service.

12. Current system

12.1. Netflix subscription plan

Netflix currently offers several subscription plans, each with different features and pricing:

- Basic Plan: This plan costs the least and offers access to the entire Netflix library but only in standard definition (SD) quality. It allows only one person to watch at a time and does not include any HD or Ultra HD content.
- Standard Plan: This plan allows for two simultaneous streams, meaning two people can watch Netflix at the same time. It offers access to the entire Netflix library in high definition (HD) quality, but not Ultra HD.
- Premium Plan: This plan allows for up to four simultaneous streams and offers access to the entire Netflix library in both HD and Ultra HD quality. This plan also includes HDR and Dolby Vision support for compatible devices.

Basic with Ads	Basic	Standard	Premium
\$6.99/month	\$9.99/month	\$15.49/month	\$19.99/month
Some titles are inaccessible	Unlimited movies, TV shows, games	Unlimited movies, TV shows, games	Unlimited movies, TV shows, games
1 stream at a time	1 stream at a time	2 streams at a time	4 streams at a time
Ads	Ad-free content	Ad-free content	Ad-free content
HD	HD	Full HD	Ultra HD

In the table prices tiering system in the United States is shown.

Each plan allows users to download and watch content offline on mobile devices, create multiple profiles within the account, and receive personalized recommendations based on viewing habits. Netflix also offers a one-month free trial for new subscribers to try the service before committing to a subscription.

The pricing for these plans varies depending on the country and currency, and Netflix periodically adjusts its subscription fees. The company has stated that any changes to subscription pricing are based on the cost of licensing content and producing original programming. To mention, Netflix

still offers the ability to order DVDs in your mailbox (only in the US). Their streaming plans can be found in the table below.

Based on Netflix subscriber policy, subscribers can share their account if they live in one household with the account owner. However, subscribers still share their account with their friends or family members even though they do not live in one household.

13. New System

The new system covers limitations of password sharing with the people outside of the household, lower subscription prices, and new personalized pricing.

13.1. Login Authentication

The new system will include OTP which is a one-time password or passcode is a string of characters or numbers that authenticates a user for a single login attempt or transaction. The new system is described step by step below.

13.2. Personalized Pricing

The service will be tailored to the number of users who wish to use it. Each user will create their account and if they want to share their account with others then new users will need to pay for sharing the main user account.

1. Main user will choose a plan and create an account.
2. If he wants to share his account, he will need to share his account like with the new user.
3. The new user will create his profile, enter his email and phone number.
4. The new user will pay for the sharing price. Each user on the same account will be charged equally.
5. Each new user will increase the main price on the basic plan with adds \$4, standard plan \$9, Premium plan \$14.
6. Every time a subscriber clicks on his profile on Netflix, he will get a code to his phone. He will need to enter the code to be able to access movies/shows.
7. No one will be able to access the profile with that profile's code.
8. Also, no one will be able to create a profile on Netflix. If a new user pays the sharing price, then his/her profile will be created automatically.

13.3. Lower subscription prices

In the new system by lowering subscription prices, Netflix is making its service more accessible and appealing to prospective customers. This approach will assist them in competing with other streaming services and make their service more accessible to those who may have previously been deterred by the current prices. Having a share fee and making the users enter the code every time might be challenging by the customers. Therefore, each plan prices can be decreased \$1. The new price plans are below. Maximum 5 people can use the same account.

Basic with Ads	Standard	Premium
\$5.99/month	\$14.49/month	\$18.99/month
Some titles are inaccessible	Unlimited movies, TV shows, games	Unlimited movies, TV shows, games
1 stream at a time	2 streams at a time	5 streams at a time
Ads	Ad-free content	Ad-free content
HD	Full HD	Ultra HD

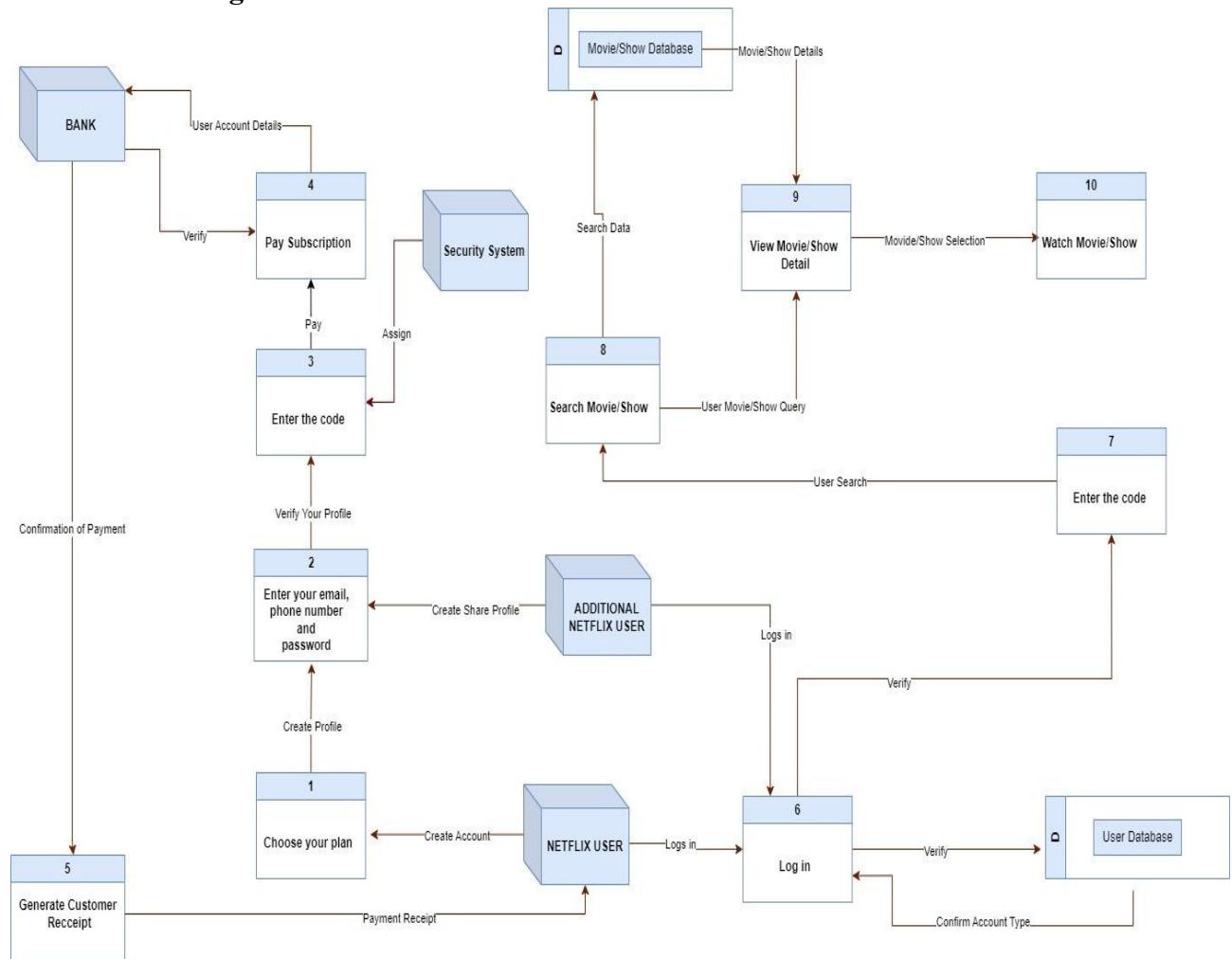
Overall, by adopting these new systems and strategies, Netflix can attract new subscribers, retain existing ones, and increase its market share in the highly competitive streaming industry.

14. The new system and current system price analysis

In the new system, one Basic with ads plan subscriber pays \$5.99/month and wants to share it with 4 people. For each subscriber the price will increase \$4/month. So, the new total price will be \$21.99/month for 5 subscribers. Therefore, each subscriber will pay \$4.398/month. As a result, users including the main user will pay lower than Basic with ads plan's main price. In the current system, because of the password sharing Netflix was going to make only \$5.99/month from these 5 users. However, in the new system Netflix will make \$21.99/month and it will be cheaper for each subscriber.

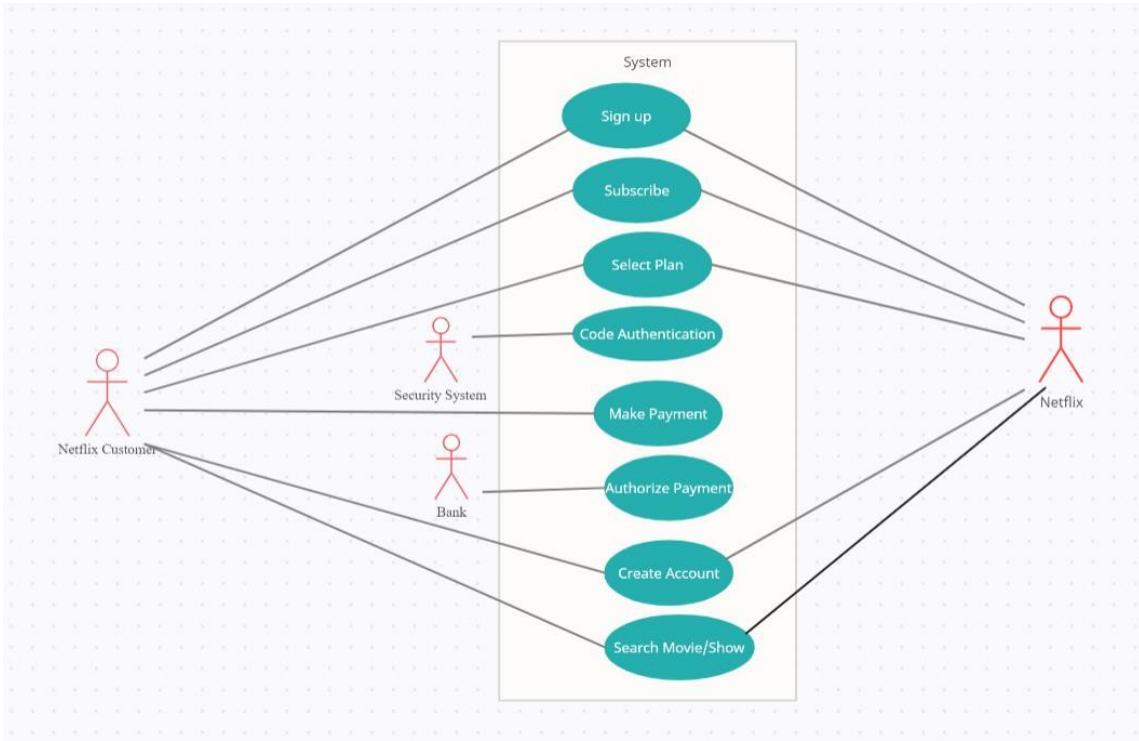
In addition, students will be able to benefit from discounts. Furthermore, new subscribers can take advantage of a free trial before they commit to a paid subscription.

15. Data flow diagram

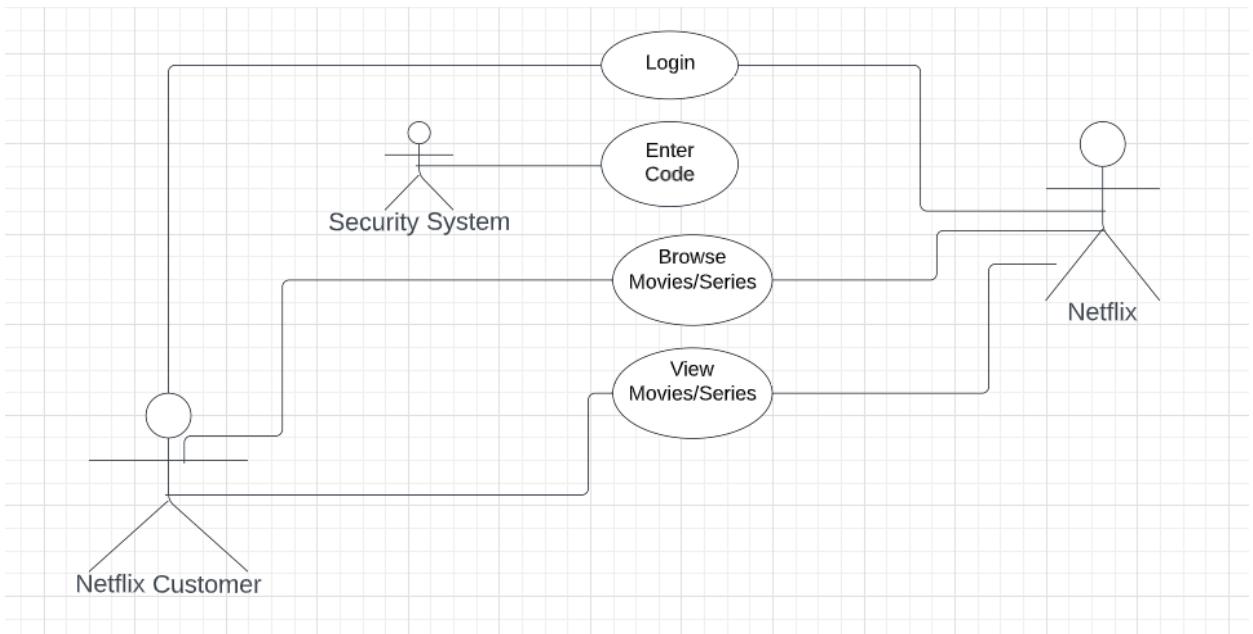


16. Use case diagram

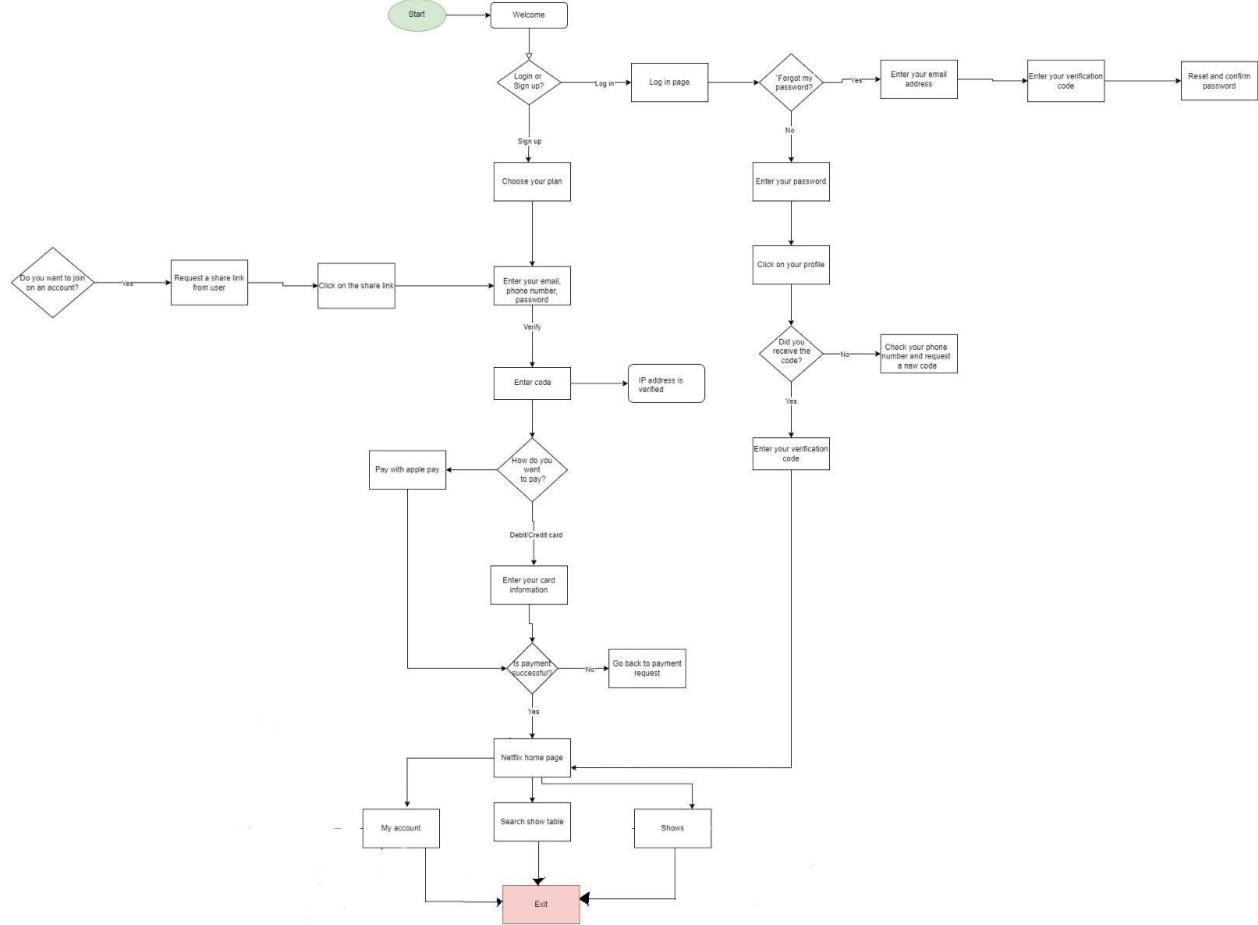
New Subscriber use case diagram



Existing subscriber use Case diagram



17. Workflow diagram



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