NETFLIX

Group 1
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1.
Netflix Summary

Netflix History and Mission Statement

"We want to entertain the world."

1997 **1999** **2007** **2013** **2021**

Establishment

- Netflix started DVD rental business by mail.

Subscription Service

- Subscription service started.

- Unlimited DVD rentals without due dates, late fees or monthly rental limits.

Streaming Service

- Streaming services introduced.

- Subscribers watch series and films instantly.

Creating Contents

- Start creating original contents.

- "House of Cards"

200 million membership

- Membership surpassed over 200 million.

https://about.netflix.com/en

2.
OTT Business Overview

Over The Top (OTT) Business Overview

<u>Media service that allows users to access content directly using the internet via smart devices.</u>

3.
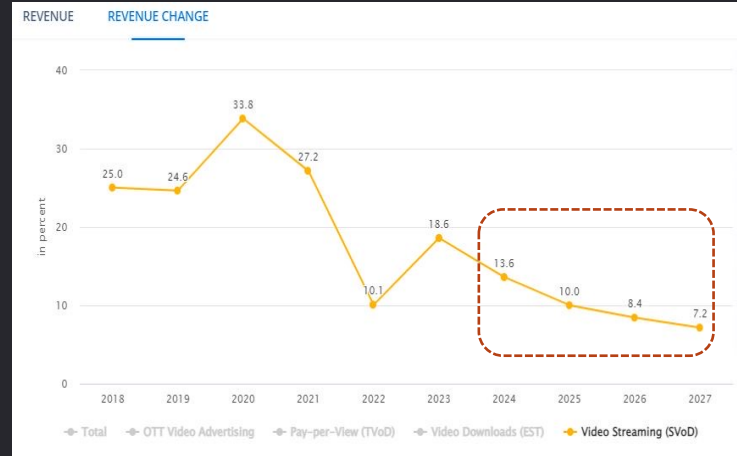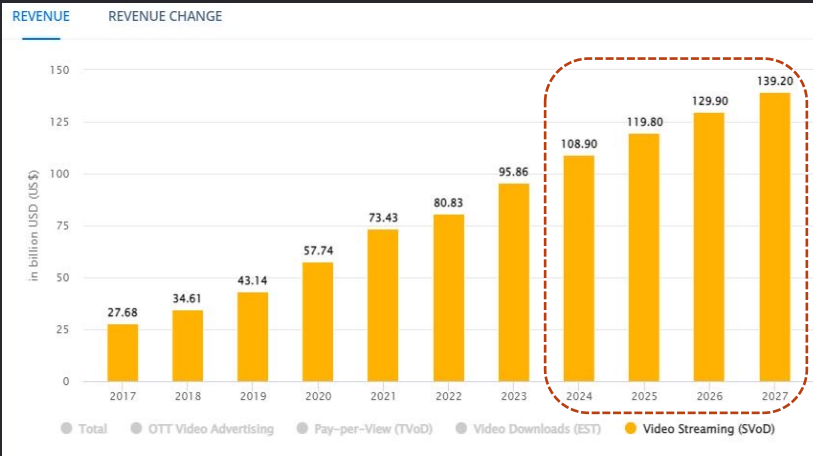# Business Model Analysis

Revenue Model

- Provides four streaming plans: Basic with Ads, Basic, Standard, and Premium, ranging in price from $6.99 to $19.99.
- Two strategies: Lower-priced with Ads and price increase of existing plans.

New (Launched 11/03/22)

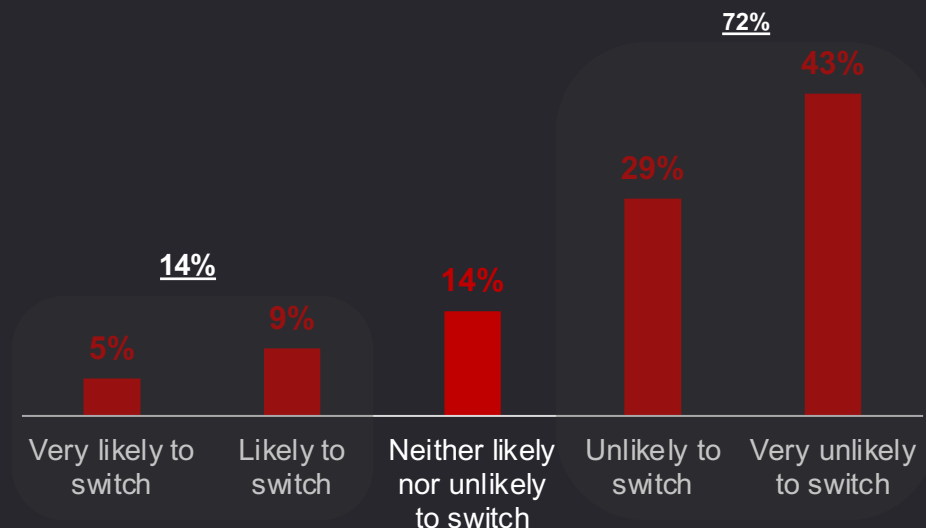| Basic with Ads	Basic	Standard	Premium
$ 6.99	$ 9.99	$ 15.49	$ 19.99
1 device		**2 devices**	**4 devices**
Some movies and TV shows unavailable, unlimited mobile games	Unlimited movies, TV shows, and mobile games		
Watch in HD		**Watch in Full HD**	**Watch in Ultra HD**
Download is not available	Downloaded on 1 device	Downloaded on 2 device	Downloaded on 4 device

Lower-Priced with Ads

Price Increase of existing plans

https://help.netflix.com/en/node/24926

Basic with Ads

- Positive: Existing subscribers said they would not degrade their current plan.
- Negative: The market estimated it would not be a substantial rise.

Netflix subscribers who would switch to the ad-supported version in the US

72%

14%

5%	**9%**	**14%**	**29%**	**43%**
Very likely to switch	Likely to switch	Neither likely nor unlikely to switch	Unlikely to switch	Very unlikely to switch

VS.

Market Estimation

+ $ 1.2 billion (Global)

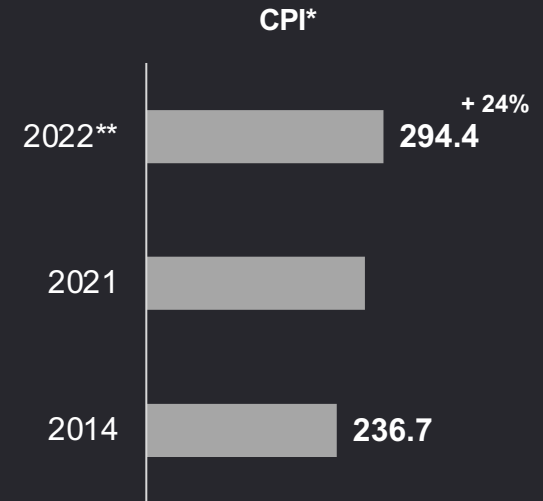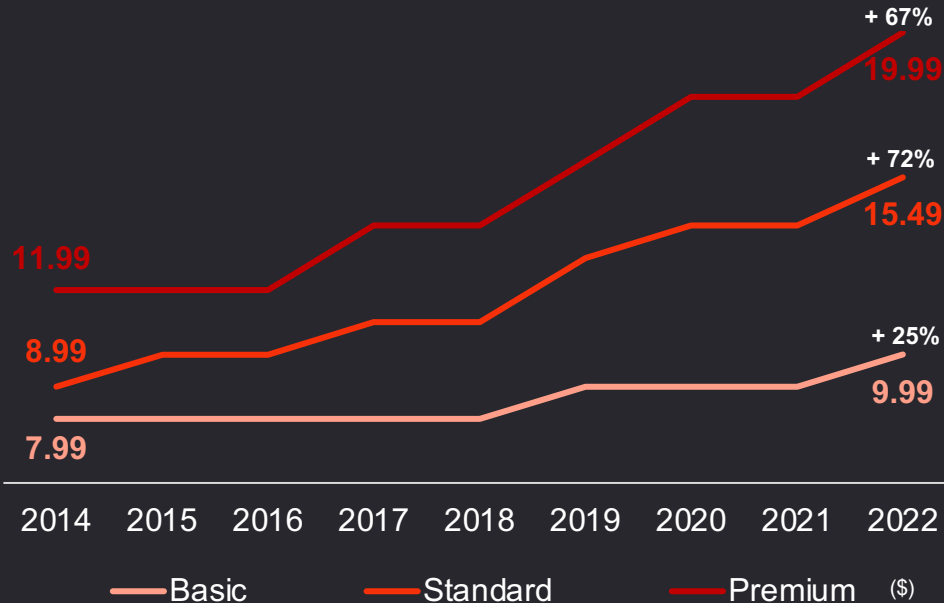- J.P Morgan

+ 16 million users (Global)

- Wells Fargo

▼

Not a substantial rise

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Price Increase

- All existing plans increased prices: Basic (+25%), Standard (+72%), and Premium (+67%).
- Consumers feel they pay subscription fees more than other goods and services.

+ 67%

19.99

+ 72%

15.49

11.99

8.99

+ 25%

9.99

7.99

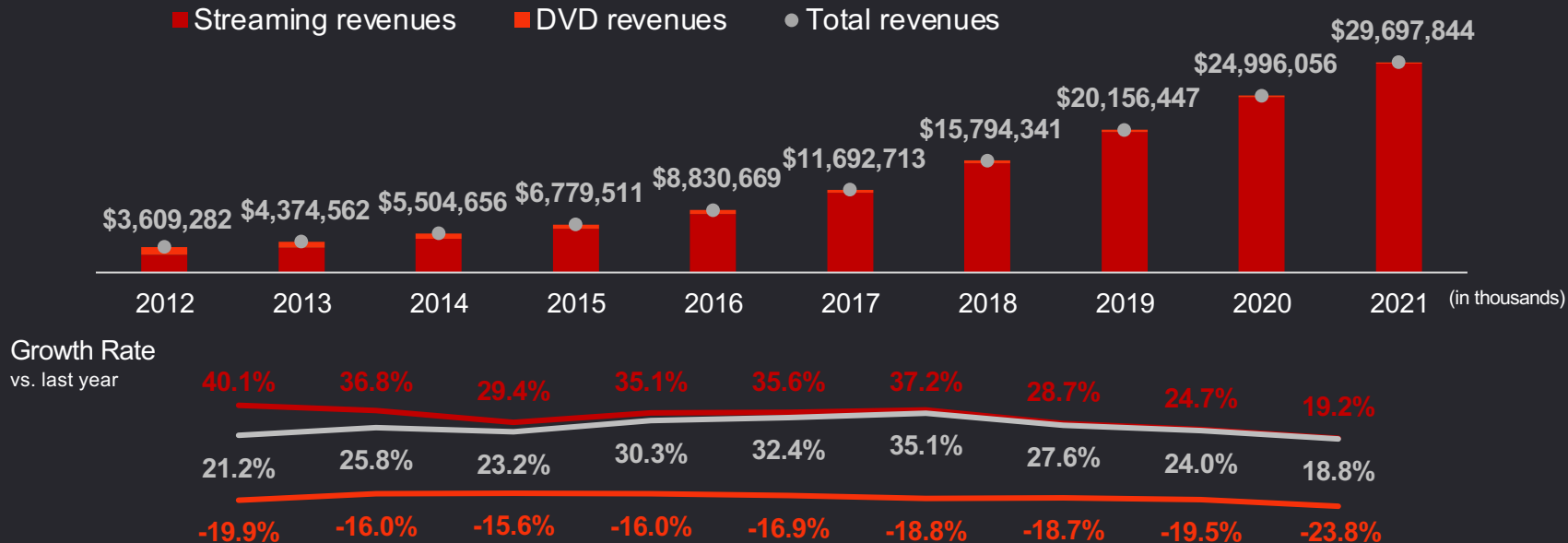| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |

—— Basic   —— Standard   —— Premium   ($)

*CPI: Consumer Price Index, a measure of the change in prices paid for goods and services, Index 1982~1984 =100
**2022: estimated

CPI*
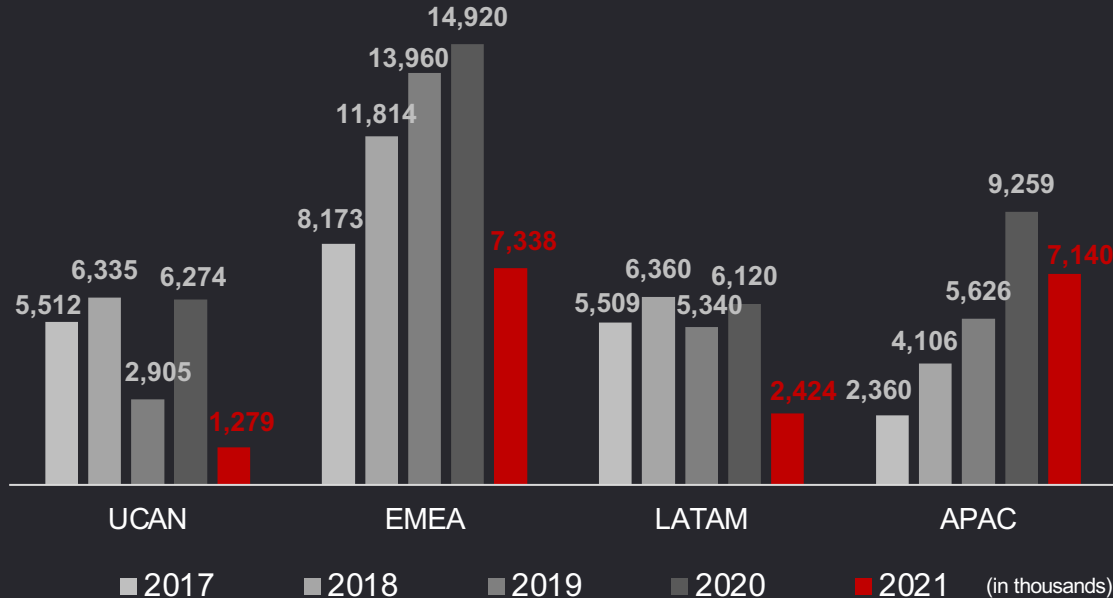
+ 24%

2022**   **294.4**

2021

2014   **236.7**

Yearly Revenue Trend (2012-2021)

- For over 10 years, Netflix's revenue increased mainly from its streaming service and reached $ 29.69 billion.
- However, the most recent trend over the last five years has been lowest.

■ Streaming revenues ■ DVD revenues ● Total revenues

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total revenues	$3,609,282	$4,374,562	$5,504,656	$6,779,511	$8,830,669	$11,692,713	$15,794,341	$20,156,447	$24,996,056	$29,697,844

(in thousands)

Growth Rate
vs. last year

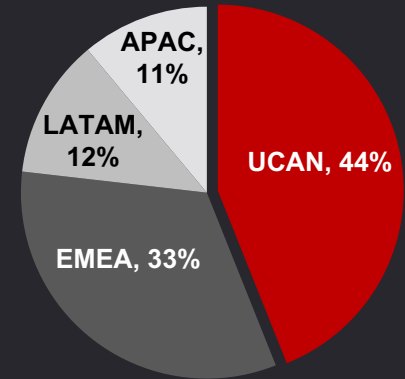|	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Streaming		40.1%	36.8%	29.4%	35.1%	35.6%	37.2%	28.7%	24.7%	19.2%
Total		21.2%	25.8%	23.2%	30.3%	32.4%	35.1%	27.6%	24.0%	18.8%
DVD		-19.9%	-16.0%	-15.6%	-16.0%	-16.9%	-18.8%	-18.7%	-19.5%	-23.8%

Paid Net Membership Additions by Region

- In 2021, all regions didn't gain as many new subscribers as in previous periods.
- UCAN, having the most significant revenue portion (44%), only gained 1.2 million new subscribers.

Bar chart — Paid Net Membership Additions by Region (in thousands), 2017–2021

Region	2017	2018	2019	2020	2021
UCAN	5,512	6,335	2,905	6,274	1,279
EMEA	8,173	11,814	13,960	14,920	7,338
LATAM	5,509	6,360	5,340	6,120	2,424
APAC	2,360	4,106	5,626	9,259	7,140

UCAN: US & Canada, EMEA: Europe, Middle East, and Africa, LATAM: Latin America, APAC: Asia-Pacific

Revenue Contribution by Region
(2021)

Pie chart:
- UCAN, 44%
- EMEA, 33%
- LATAM, 12%
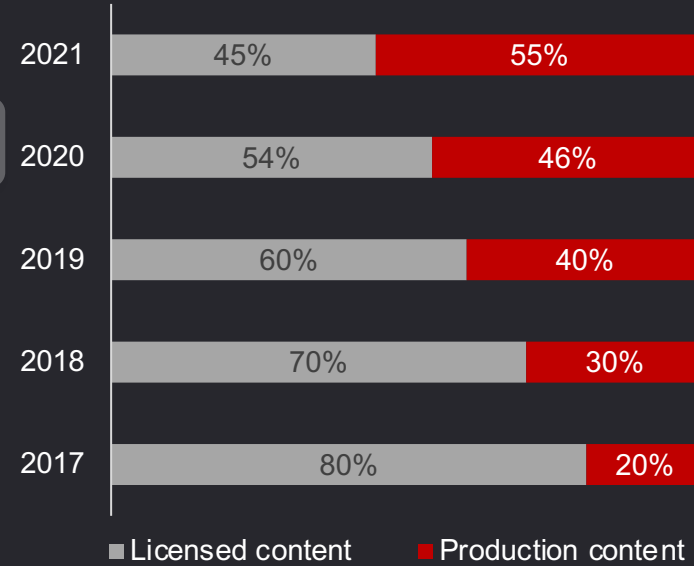- APAC, 11%

Expense Structure Issue

- In order to create operating income from revenues, 74% of operating expenses must be spent on content
- The content strategy has shifted from licensed to original production and it demands more up-front capital

2021 Income Statement (in thousands)

Revenues	$ 29,697,844
Cost of Revenues	$ 17,332,683 (74%*)
Marketing	$ 2,545,146 (11%)
Technology and Development	$ 2,273,885 (9%)
General and Administrative	$ 1,351,621 (6%)
Operating Income	$ 6,194,509

> Purchase, Licensing, and Development of Content

*Expense portion by account

Content Asset Portion by type

Year	Licensed content	Production content
2021	45%	55%
2020	54%	46%
2019	60%	40%
2018	70%	30%
2017	80%	20%

■ Licensed content   ■ Production content

4.
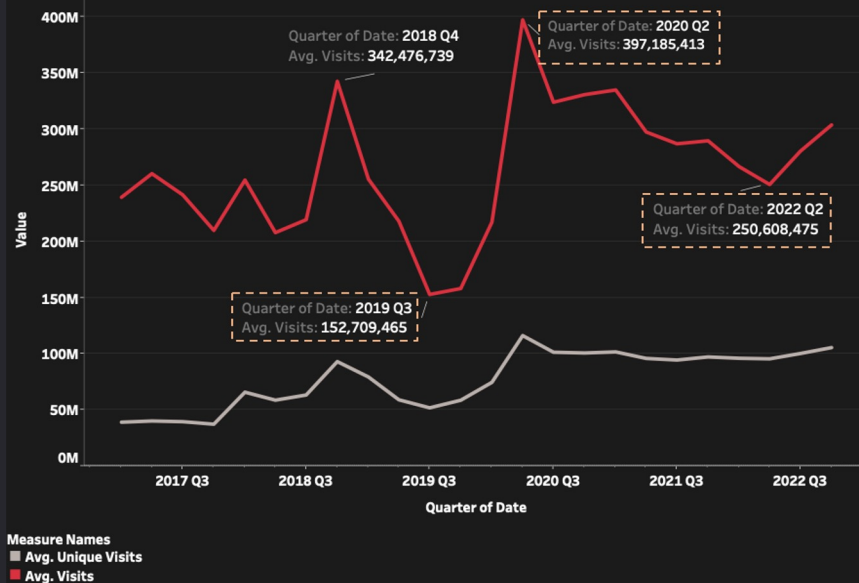# Traffic & Keyword Analysis

What Analysis?

Traffic Analysis

❖ Visits and Unique Visits

❖ Bounce rate

❖ Avg. Visit Duration

❖ Pages per Visits

Keyword Analysis

❖ Volume

❖ CPC

❖ Competitive Density

❖ Natural Search Results

❖ Intent

Visits and Unique Visits

Bounce Rate

Visits vs. Unique Visits by 2017-2022

Quarter of Date: **2018 Q4**
Avg. Visits: **342,476,739**

Quarter of Date: **2020 Q2**
Avg. Visits: **397,185,413**

Quarter of Date: **2022 Q2**
Avg. Visits: **250,608,475**

Quarter of Date: **2019 Q3**
Avg. Visits: **152,709,465**

Measure Names
- Avg. Unique Visits
- Avg. Visits

Bounce Rate by 2017-2022

Quarter of Date: **2020 Q2**
Avg. Bounce Rate: **0.5972**

Quarter of Date: **2022 Q2**
Avg. Bounce Rate: **0.6918**

Quarter of Date: **2022 Q3**
Avg. Bounce Rate: **0.6360**

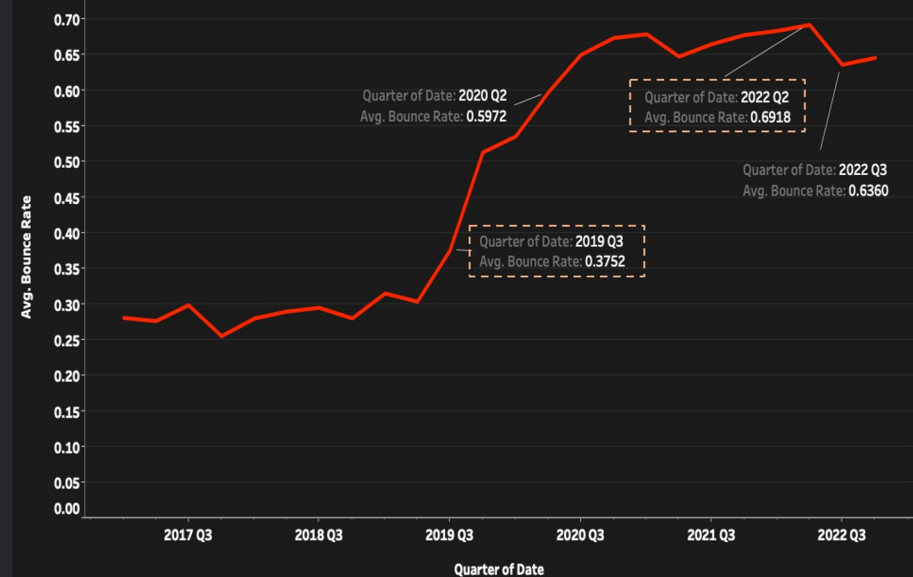Quarter of Date: **2019 Q3**
Avg. Bounce Rate: **0.3752**

- 2019 Q3 ~ : Decline
  - Price increases
  - Lack of original content
  - Emergence of competitors
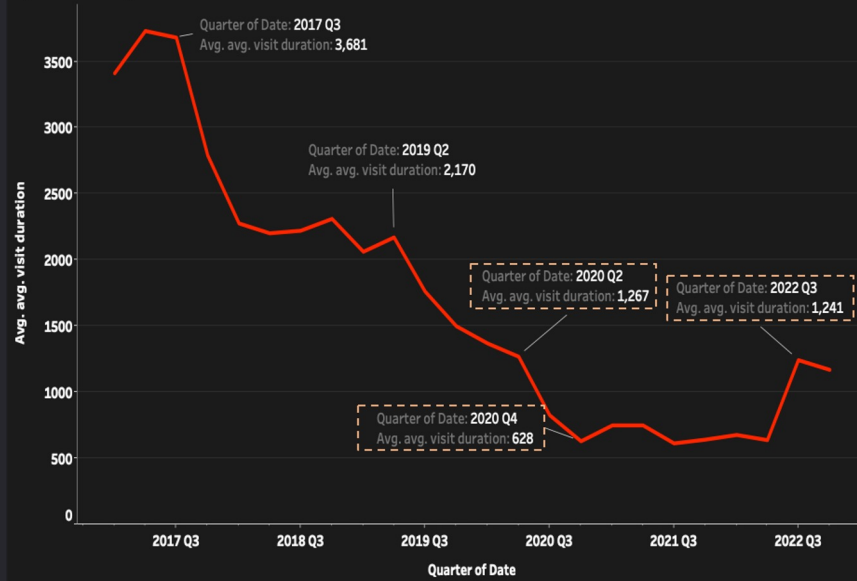
- 2020 Q1 ~ Q2
  - Slightly increase
  - Covid-19

- 2020 Q3: Decline again

- 2022 Q1 ~ Q2: lowest point

- 2022 Q3 ~: Increase
  - Releases of popular series
  - Crackdown on password sharing
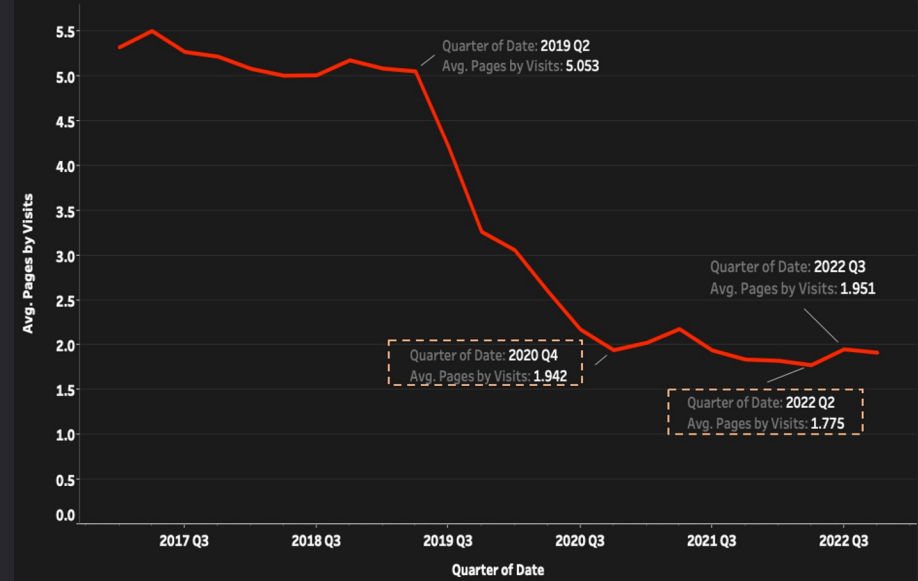 - New ad-supported pricing

Avg. Visit Duration

Avg. visit duration by 2017-2022

Quarter of Date: **2017 Q3**
Avg. avg. visit duration: **3,681**

Quarter of Date: **2019 Q2**
Avg. avg. visit duration: **2,170**

Quarter of Date: **2020 Q2**
Avg. avg. visit duration: **1,267**

Quarter of Date: **2022 Q3**
Avg. avg. visit duration: **1,241**

Quarter of Date: **2020 Q4**
Avg. avg. visit duration: **628**

- 2019 Q3 ~ : Decline
  - Price increases
  - Lack of original content
  - Emergence of competitors

- 2020 Q1 ~ Q2
  - Slightly increase
  - Covid-19

Pages / Visits

Pages / Visits by 2017-2022

Quarter of Date: **2019 Q2**
Avg. Pages by Visits: **5.053**

Quarter of Date: **2022 Q3**
Avg. Pages by Visits: **1.951**

Quarter of Date: **2020 Q4**
Avg. Pages by Visits: **1.942**

Quarter of Date: **2022 Q2**
Avg. Pages by Visits: **1.775**

- 2020 Q3: Decline again

- 2022 Q1 ~ Q2: lowest point

- 2022 Q3 ~: Increase
  - Releases of popular series
  - Crackdown on password sharing
  - New ad-supported pricing

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Highest Search Volume with Intent

	Keyword	Volume	CPC..USD.	Competitive.Density	Number.of.Results	Intent
1	netflix	16600000	0.95	0.01	6.00e+01	Navigational
2	netflix login	1000000	0.00	0.00	8.20e+01	Navigational, Transactional
3	netflix stock	673000	1.39	0.00	8.10e+01	Informational
4	netflix movies	550000	0.81	0.01	9.80e+01	Commercial
5	best movies on netflix	368000	0.86	0.01	9.90e+01	Commercial
6	netflix account	368000	1.03	0.03	9.50e+01	Navigational, Transactional
7	maid netflix	301000	0.00	0.00	6.61e+01	Informational, Transactional
8	netflix series	201000	0.05	0.02	2.14e+09	Transactional
9	new movies on netflix	201000	1.81	0.01	7.40e+01	Informational
10	cowboy bebop netflix	165000	5.09	0.00	5.91e+06	Informational, Transactional
11	good movies on netflix	165000	1.03	0.00	1.35e+09	Commercial
12	netflix stock price	135000	1.03	0.00	9.40e+01	Informational, Transactional
13	resident evil netflix	135000	0.00	0.00	4.19e+01	Informational, Transactional
14	best shows on netflix	110000	0.05	0.01	1.40e+09	Commercial
15	movies on netflix	110000	0.81	0.01	9.70e+01	Commercial
16	netflix shows	110000	0.41	0.00	0.00e+00	Transactional
17	you netflix	110000	1.08	0.00	2.36e+09	Informational, Transactional
18	clickbait netflix	90500	0.00	0.00	3.00e+06	Informational, Transactional
19	echoes netflix	90500	1.40	0.00	6.98e+07	Informational, Transactional
20	netflix.com	90500	0.94	0.06	2.20e+01	Navigational

<Top 20 Keywords with highest Volume >

- Informational + Transactional: 2,955 keywords
- Searching to find answers for specific questions.
- Searching to complete tasks and conversions.

What can we gain from this?

- Can be used as marketing for the following content
- Netflix should try to build brand awareness by providing a lot of information and attracting the attention of searchers.
- These keywords should be actively utilized when conducting research and planning an SEO or PPC strategy.

<Top 20 Keywords with highest CPC >

	Keyword	Volume	CPC..USD.	Competitive.Density	Number.of.Results	Intent
1	light the night netflix	2400	209.04	0.02	2.50e+08	Informational, Transactional
2	rust valley restorers season 4 netflix	590	13.12	0.06	8.20e+01	Informational
3	netflix password sharing	12100	12.39	0.00	3.59e+07	Informational
4	netflix sharing passwords	1000	12.39	0.00	6.00e+07	Informational
5	sharing netflix passwords	1000	12.39	0.00	1.74e+07	Informational
6	sharing netflix password	720	12.39	0.00	1.32e+08	Informational
7	netflix sharing password	590	12.39	0.00	6.62e+07	Informational
8	is snowfall on netflix	720	11.35	0.07	2.72e+06	Informational
9	maria felix serie netflix	2900	11.28	0.07	3.66e+06	Informational, Commercial
10	christian netflix	590	10.45	0.28	1.48e+08	Informational
11	netflix phishing email	590	10.34	0.04	3.42e+06	Informational
12	miracles from heaven netflix	590	10.21	0.10	1.26e+06	Informational
13	medieval movies on netflix	880	10.00	0.02	1.08e+07	Commercial
14	outlander season 7 netflix	720	9.88	0.03	8.18e+06	Informational
15	is brooklyn 99 on netflix	590	9.16	0.01	1.36e+07	Informational
16	netflix scam email	1000	9.01	0.03	1.29e+07	Informational
17	netflix spam email	590	9.01	0.03	4.28e+07	Informational
18	how many seasons of outlander are on netflix	1900	8.56	0.01	2.27e+07	Informational
19	is vikings on netflix	1000	8.33	0.02	0.00e+00	Informational
20	netflix purple hearts	2900	8.12	0.00	2.44e+07	Informational, Transactional

<Top 20 Keywords with lowest CPC >

	Keyword	Volume	CPC..USD.	Competitive.Density	Number.of.Results	Intent
1	netflix login	1000000	0	0	8.20e+01	Navigational, Transactional
2	maid netflix	301000	0	0	6.61e+07	Informational, Transactional
3	resident evil netflix	135000	0	0	4.19e+07	Informational, Transactional
4	clickbait netflix	90500	0	0	3.00e+06	Informational, Transactional
5	our father netflix	60500	0	0	2.89e+08	Informational, Transactional
6	stay close netflix	60500	0	0	4.90e+08	Informational
7	who is ceo of netflix	60500	0	0	0.00e+00	Informational
8	human resources netflix	40500	0	0	4.40e+07	Informational, Transactional
9	lincoln lawyer netflix	40500	0	0	5.13e+06	Informational, Transactional
10	lock and key netflix cast	40500	0	0	9.48e+06	Informational
11	netflix logo	40500	0	0	9.79e+08	Informational
12	the stranger netflix	40500	0	0	2.18e+08	Informational, Transactional
13	heartstopper netflix	33100	0	0	6.42e+06	Informational, Transactional
14	inside job netflix	33100	0	0	1.96e+08	Informational, Transactional
15	kate netflix	33100	0	0	2.00e+08	Informational, Transactional
16	netflix jobs in usa	33100	0	0	8.80e+01	Informational
17	pieces of her netflix	33100	0	0	0.00e+00	Informational, Transactional
18	the house netflix	33100	0	0	1.81e+09	Informational, Transactional
19	the maid netflix	33100	0	0	8.22e+07	Informational, Transactional
20	ultimatum netflix	33100	0	0	6.81e+06	Informational, Transactional

Highest CPC Keywords

- High CPC, though not significantly related to Netflix's content and revenue.
- Remove keywords with "Netflix password sharing", "Netflix sharing passwords", etc.

Lowest CPC Keywords

- Most of them are related to Netflix content.
- Volume count is high compared to high CPC keywords
- A lower CPC budget means more clicks and more potential leads.
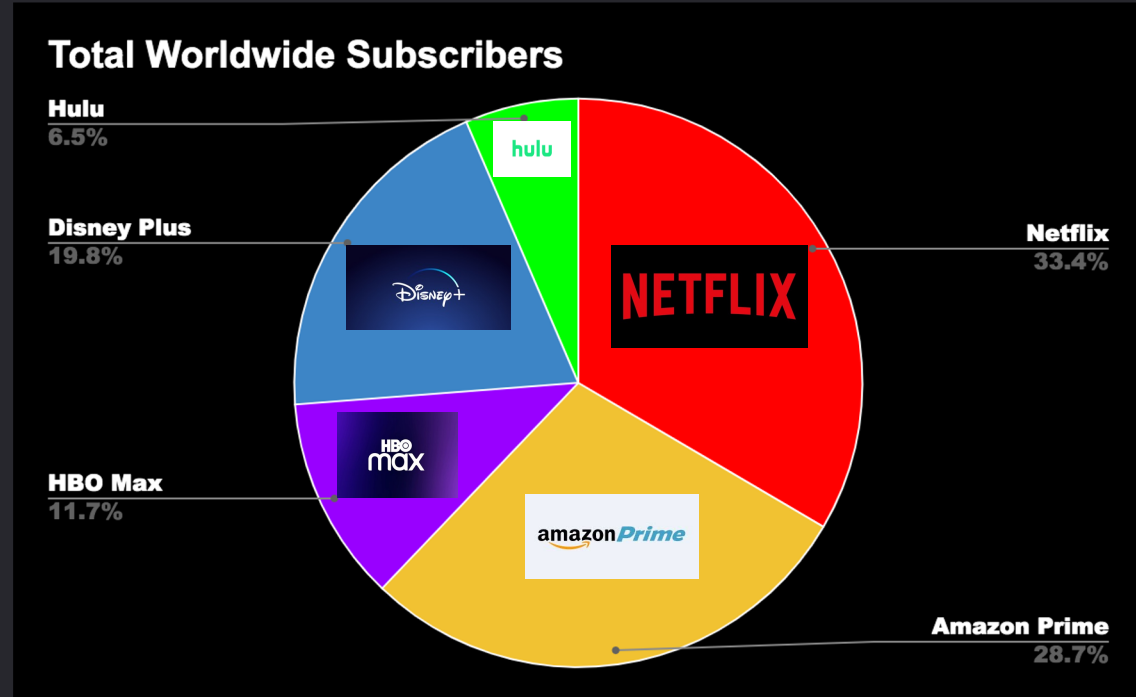
5.
Competitor Analysis

Competitor Analysis

United States

1. Netflix
2. Amazon Prime
3. HBO Max

Worldwide

1. Netflix
2. Amazon Prime
3. Disney Plus

Total Worldwide Subscribers

Hulu
6.5%

Disney Plus
19.8%

HBO Max
11.7%

Netflix
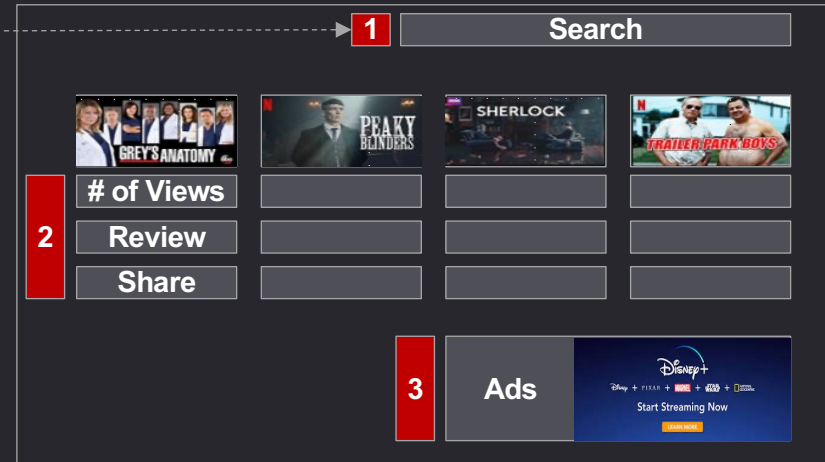33.4%

Amazon Prime
28.7%

6.
Recommendations

1. User Interface (UI) Design Improvement

- Expose a search tab in the front to find the content users want more conveniently.

- Maximize user interaction by utilizing the number of views, other user reviews, and social media sharing.

- Place advertising areas to create a new revenue streamline and build partnerships.

AS-IS
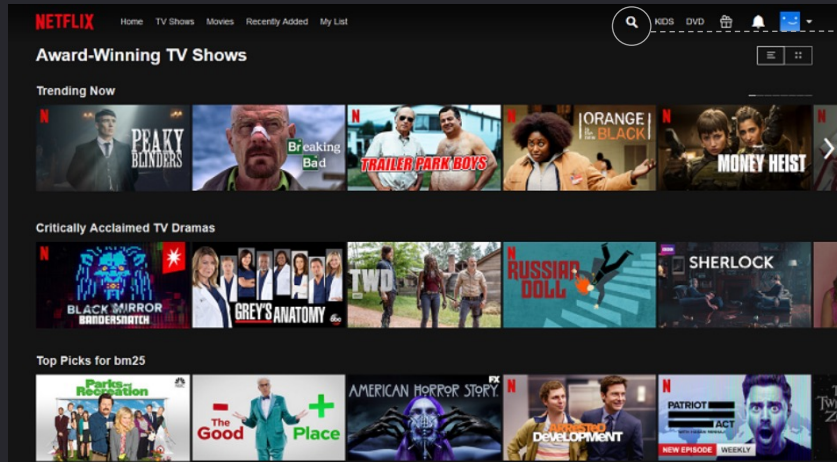
TO-BE

2. Content diversity improvement

- Netflix various range of genre to have diversify to compete other OTT providers.
- Creating Spin-off show based on original content to have diversification and maintain users attention of that content.

AS-IS

Producing Just Original Content

TO-BE

Spin-off show to leverage original content

THANKS

ANY QUESTIONS?