

# Netflix and the Battle of the Streaming Services

Team D

## **1. Based on your use of streaming services, do you feel the streaming platforms differ in terms stand-alone value (e.g., fidelity, ease of use, recommender systems, etc.)?**

< Presenter team view >

Stand alone value is the value of an asset or business that is evaluated independently, without considering any outside factors, and they argue that streaming platforms may differ in terms of their stand-alone value depending on contents, ease of use, and recommendation.

< Discussion team view >

Based on our experience we have used Netflix, Watcha, and Wave streaming services. We think the video content which is provided by each streaming service has the greatest influence on deciding whether to subscribe or not. So, we agree with their idea in terms of contents.

However, in terms of fidelity, ease of use, and recommender systems, we think streaming platforms are no different in stand-alone values. For example, Netflix, which has a large number of subscribers, will offer more accurate recommendations based on data from more users. However, most people choose from famous videos (like The Glory, Squid game) and watch them. so, we think streaming platforms are not different in terms of recommendation of stand-alone value.

Second, there is no big difference in ease of use compared to other streaming platforms. There is no factor that greatly improves user convenience in the content selection or video viewing stage. Playback speed and easy-to-see content alignment are available on any streaming service. In addition, even if Netflix does not support double speed, many Koreans are using Netflix. so, we think streaming platforms are not different in terms of ease of use.

Third, Unlike online market services, which offer discounts or more points when subscribing, streaming services are not easy to provide loyalty to users. Rather, Netflix is going to apply a ban on sharing soon. This has become a very hot issue in Korea recently.

So, we don't think it's different in terms of stand-alone value for this reason.

## **2. Again based on your use, how do you feel the streaming services differ based on the types and quality of content (the complementary good) they provide?**

The presenter team said that streaming services differ in the type and quality of content provided, with some of the platforms focusing on producing their own content, while others focus on getting license from other studios. They also said that they are moving from quantitative competition to qualitative competition because of economic downturn they required efficient investment

We partly admit to this assertion. Streaming services are different from company to company. But we think that's limited to a few planned masterpieces of those services. We even think that the gap is getting smaller and smaller.

For example, as our experience Netflix also has many just for killing time movies and other relatively small streaming services also come out with interesting and heavily invested content.

The presenter's team said that some of the platforms focus on creating their own content, while others are licensed by other studios, but all streaming services these days focus on creating their own content, leaving other content as a base.

In conclusion, based on our experience, the gap between streaming services in terms of that the presenter team said is getting smaller and smaller. We think the biggest difference between current streaming services is the difference in content type according to the direction the company pursues.

For example, Netflix based on its enormous capital, it has many content types from Ghibli animations, many famous movies, dramas all over the world and their own content. Netflix also has many types of content: drama, movies and also documentaries. While Disney+ offers content such as Disney, Pixar, Marvel, Star Wars, and National Geographic. It has content that is good for enthusiasts and families to watch. We can see that they go in quite different directions.

### **3. What factors do you think influence a consumer's choice of whether to subscribe to a streaming service? How important are the standalone features? How important is the content?**

< Presenter team view >

Perhaps many people consider service prices important. Some people may think a variety of content is important. These statistics are compiled by the Korea Creative Contents Agency, which investigates the response of subscribers when the current OTT service charge is increased by 10%. More than half said they would continue to use OTT services despite the increase in subscription fees. This is judged to be the loyalty of subscribers included in the platform's standalone feature. Charges will, of course, be one of the influencing factors, but based on statistics, services that can increase this loyalty will be important. Therefore, we looked at the statistical results of the Korea Communication Commission on the types of OTT services that people use. 4. Among them, 57.3% of those who subscribe to watch Watching OTT-only programs accounted for a high percentage.

As a representative example, Netflix uses its own Standalone feature with many Netflix original series to keep subscribers from flowing in and out. Statistics supporting this. When the original series House of Cards was released in 2013 and Stranger Things in 2016, Netflix's subscribers increased significantly. Subscribers who use popular and trendy content also account for a large percentage. Through this, OTT services show that the qualitative growth of content is more important than quantitative growth. The reason for advertising on many SNS is also related to this.

< Discussion team view >

I agree with the almost all of the answer, but we can add something more.

For the factors of the streaming services, the 'Ease of use' might also be a main factor too. According to the survey of the world's renowned consulting firm PwC, the quality of the UX is what drives overall retention and tends to drive more loyalty of customers.

**Misunderstanding of Stand-Alone Values. The book says for example, a video game console's standalone value might be a function of its speed, storage capacity, ease of**

**use, or economical price, etc. You described it as a “original contents of a specific service”**

In the beginning of the streaming services, the quality of the contents might be the main factor as users want more and more quality contents. Now, main factor is standalone values as there are plenty of contents already. People are mostly overwhelmed by the amount of contents, so they should upgrade their standalone values like recommender systems or navigating functions.

#### **4. What are the pros and cons of having content be exclusive to a particular service?**

pros:

**1) Competitive advantage:**

Exclusive content can provide a competitive edge to a service, as it may attract more subscribers who are interested in accessing content that is not available on other platforms.

**2) Strategic partnerships:**

Exclusive content can assist services in establishing strategic partnerships with content creators or production companies, resulting in a reliable source of high-quality content.

**3) Increased Subscriptions:**

Exclusive content can drive new subscriptions to a service and keep existing subscribers engaged, which can help to grow the business and consequently increase revenue.

**4) Business Scalability:**

Exclusive content can expand its scalability into new business areas which can boost its revenue and grow existing companies.

cons:

**1) Public Backlash:**

If a service's exclusive content strategy is perceived as unfair or anti-competitive, it may generate negative publicity and backlash from users, competitors, and regulators.

**2) Higher Cost:**

Producing unique content can be more costly than acquiring or licensing existing programming, requiring more resources and investment in development and production. This can strain a service's finances and lead to a higher subscription price for users, potentially making the service less appealing.

**3) Risk of Losing Content:**

Exclusive content can be risky because if a content creator or production company decides to take their content elsewhere, the service may lose a significant portion of its user base.

#### **5. Do you think the market will eventually choose a few services as “winners” and the other services will exit (or combine with the winners), or will the market continue to support many different services?**

< Presenter team view >

The OTT industry may be partly a winner-take-all structure, but not entirely. Presenter team thinks the OTT industry is a competitive industry with high uncertainty rather than a winner-take-all structure. New OTT services continue to emerge, and existing OTT service providers are continuously pursuing innovation and change to respond to market changes and challenges from competitors.

< Discussion team view >

1. A few services as “winners” and the other services will exit (or combine with the winners): This is because the streaming industry is becoming increasingly crowded and competitive, so small companies or services cannot survive against huge streaming services like ‘Netflix’, ‘Disney +’. Also, they cannot fulfill customers’ various needs. As you can see the case of merger between tving and seezn in Korea, services that make up a small proportion of the streaming market are either evicted or merged.

2. The market continue to support many different services:

As mentioned in the book, it is true that Netflix is investing a lot of money compared to other services, but it will be difficult to beat the streaming service that exists in each country due to diversified investment as Netflix’s customers are based all over the world.

a) All the streaming companies are enlarging their contents, some contents are starting to overlapped and in the future, more will. To overcome this situation, each streaming platform has competitive proprietary original content and provides services targeting a specific customer base like offering other special contents to be different from other rivals. It might result in ‘the market with no winner’.

For example, the Disney Plus streaming service has secured the Marvel series and has a strong loyal customer base. Coupang Play has many Korean TV contents that do not exist on Netflix and there are many services for Korean and has more new subscribers than Netflix as of 2022. and the value of the Wavve company has increased 6 times in 7 months after the first company was launched. Based on this, companies think that they will continue to serve by targeting potential niche markets.

b) The cost of the service is the most important factor to subscribe or even cancel a subscription. For these reason, every streaming service is preparing solutions to lower the price and one of the solutions was to bundle their services together. For example, Disney and Hulu provide the bundling package for customers. Big services choose to be a couple, rather than conquer themselves.

Subscription fees of large companies that provide a lot of content can inevitably be expensive. Therefore, the number of subscribers may decrease due to price problems. Rather, small companies can gain a competitive advantage in terms of price, which will prevent monopolies.

Big services have already established their position in the marketplace and have a relatively high market share and revenue, but people also subscribe Disney+ to watch the original contents like ‘Casino’, even though Disney is quite a latecomer comparing to the Netflix.