

NETFLIX

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- Managerial Decision Problem & Marketing Research Problem
- Company Overview
- Key findings from Survey
- Recommendations

Agenda



Introduction

Netflix Inc.

Problems:

- The effect of **original content strategy** is below expectation

Research Objectives:

- How to optimize the **content structure** of Netflix?
- How to maintain Netflix's current subscribers and acquire new potential users in a close-to-saturation market?



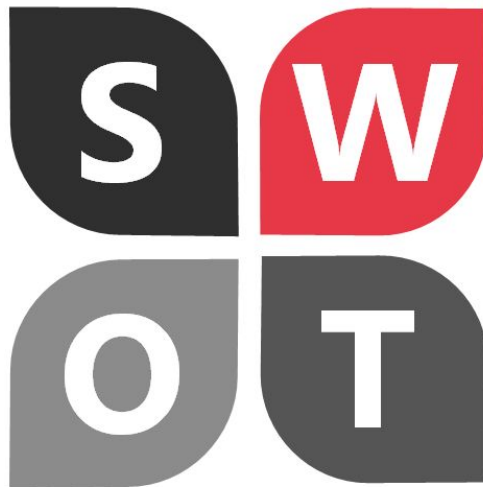
Strengths

- Leading streaming service
- Massive subscribers
- High-quality content
- User-friendly interface
- Precise recommender system



Opportunities

- Strong renewal rate
- Penetrate international market
- Brick and mortar stores



Weaknesses

- Imitable business model
- Overinvestment on original content
- Vulnerable to the impact of licensed content producers



Threats

- Market saturation
- 0 switch cost
- Strong competitors
- License content may be pulled off

Key Numbers

\$581

The cost to acquire a new
subscriber in 2019

**1,000
+**

By the end of 2018, the
number of originals that
Netflix have

**\$ 12
Billion**

The spending on
producing original
content in 2018

**-\$2.9
Billion**

Net cash flow in 2018

Hypotheses

**More interactive
content /
More international
content**



More Users???

More licensed content



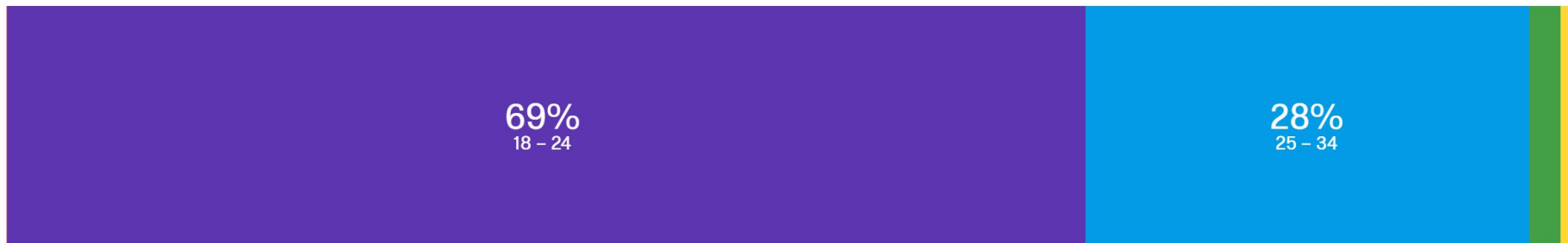
More Users???



Take away Users???

Survey Findings

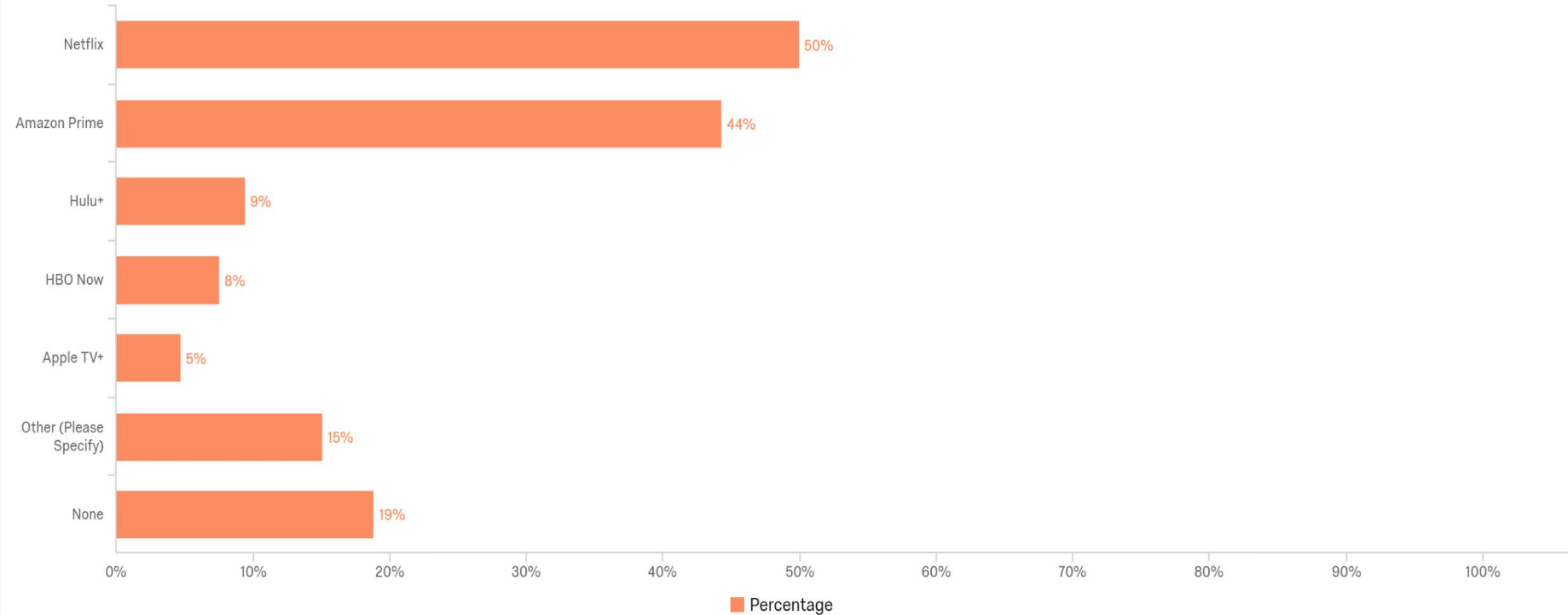
Age Distribution of Survey Respondents



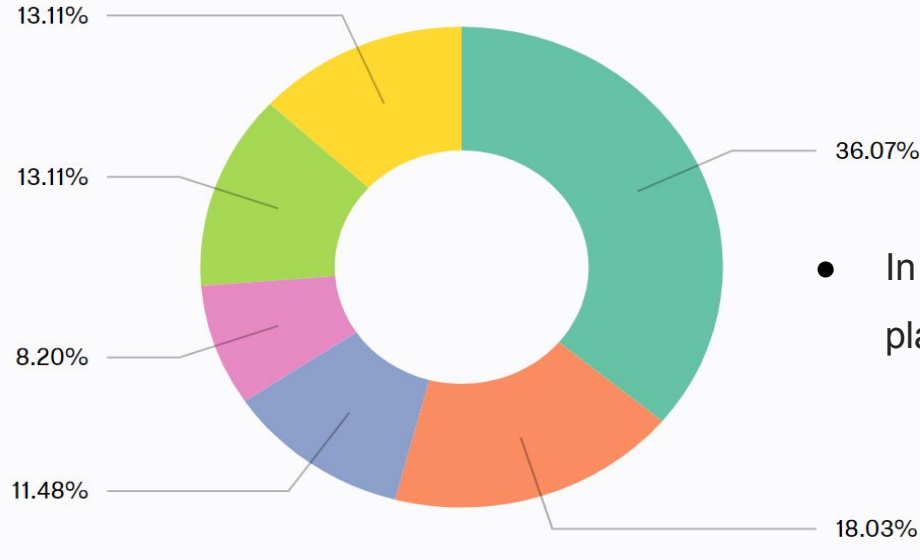
Under 17 18 - 24 25 - 34 35 - 44 45 - 54 55+



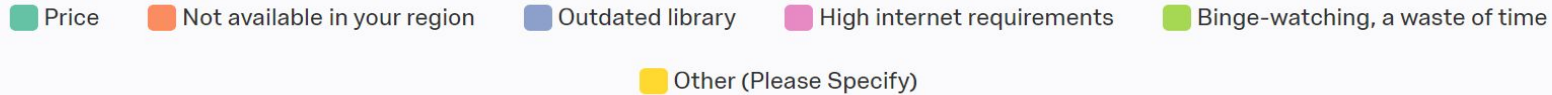
Distribution of Online Streaming Service Subscription



Why Some People Not Subscribe to Netflix?

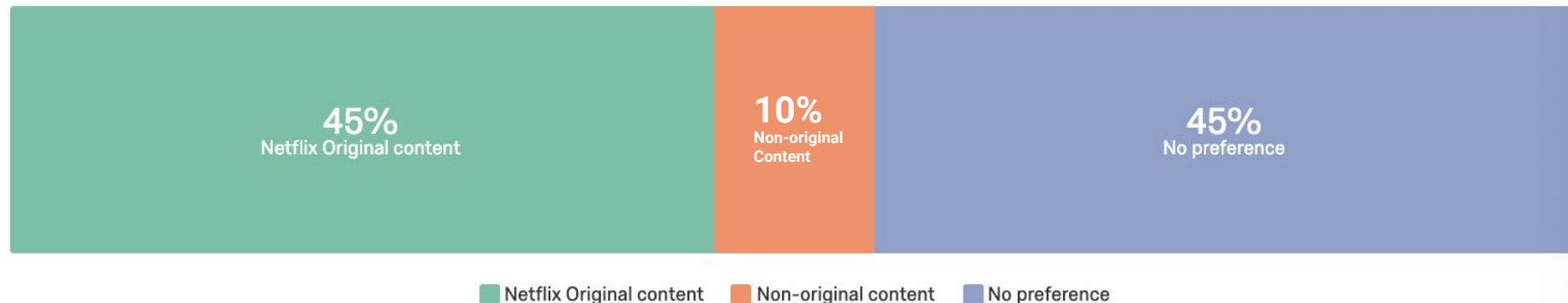


- In January 2019, the prices of all three plans went **UP**.
 - \$10.99/month → \$12.99/month
 - \$ 7.99/month → \$8.99/month
 - \$ 13.99 /month → \$15.99/month





Watching Preference on Original Content v.s. Non-original Content



```
Pairwise mean comparisons (t-test)
Data      : df
Filter    : 1:n() > 1 & watching_preference == 0 | watching_preference == 1
Variables : watching_preference, watching_frequency
Samples   : independent
Confidence: 0.95
Adjustment: None
```

```
watching_preference  mean  n    sd    se    me
                   0 16.364 22 9.510 2.027 4.216
                   1 16.048 21 9.447 2.062 4.300
```

```
Null hyp. Alt. hyp. diff  p.value
0 = 1      0 > 1      0.316 0.457
```

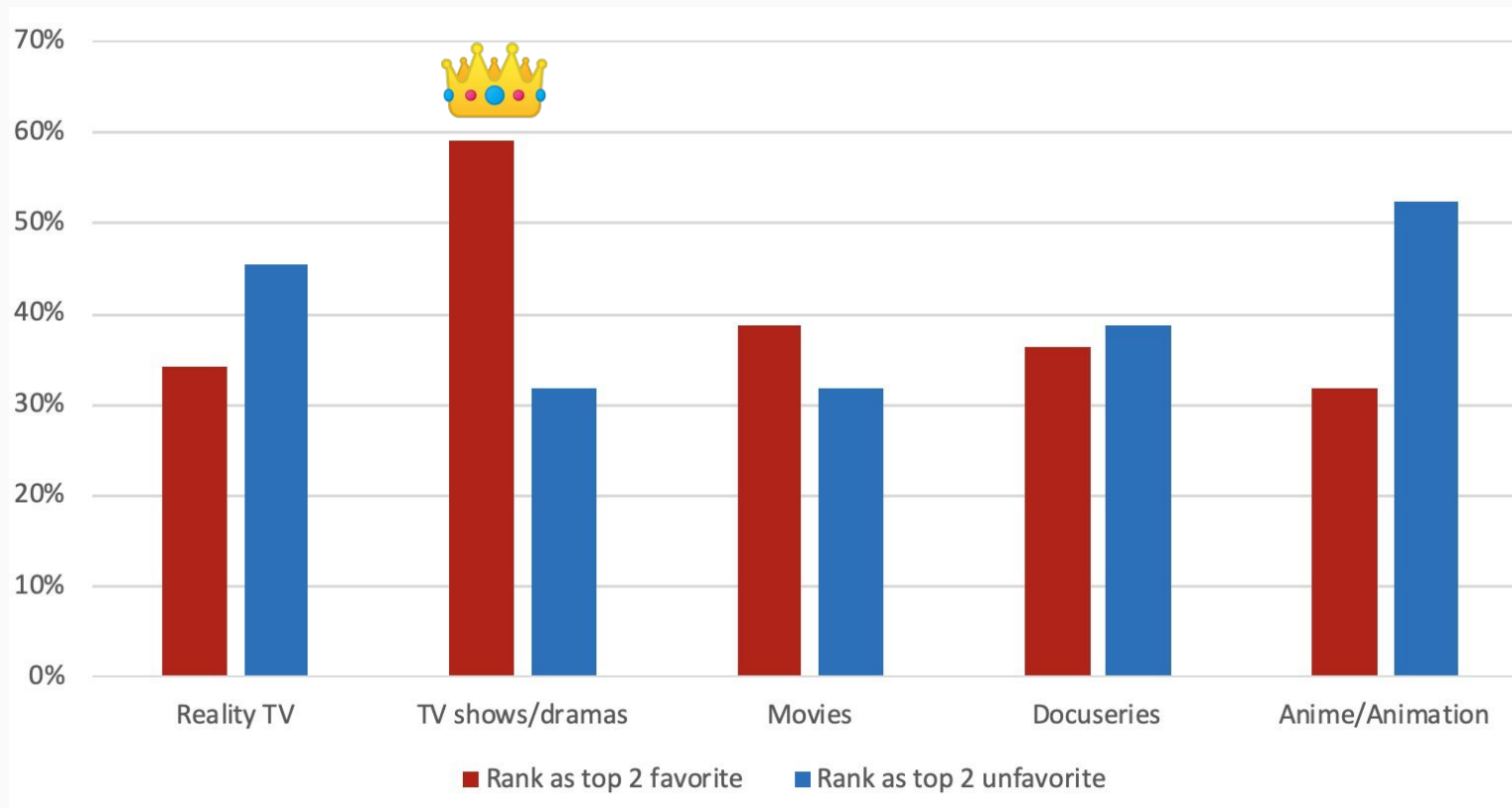
```
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

No significant difference in the average Netflix watching frequency between people who primarily watch original content and those have no preference



Netflix's original content strategy might **Not** be effective as expected

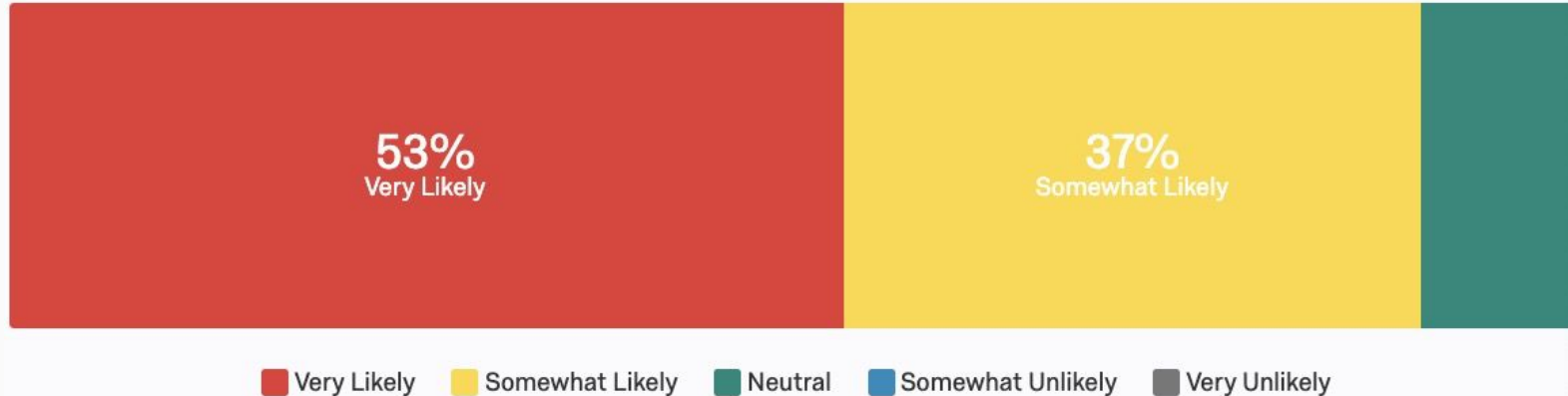
Rankings of Netflix Original Content



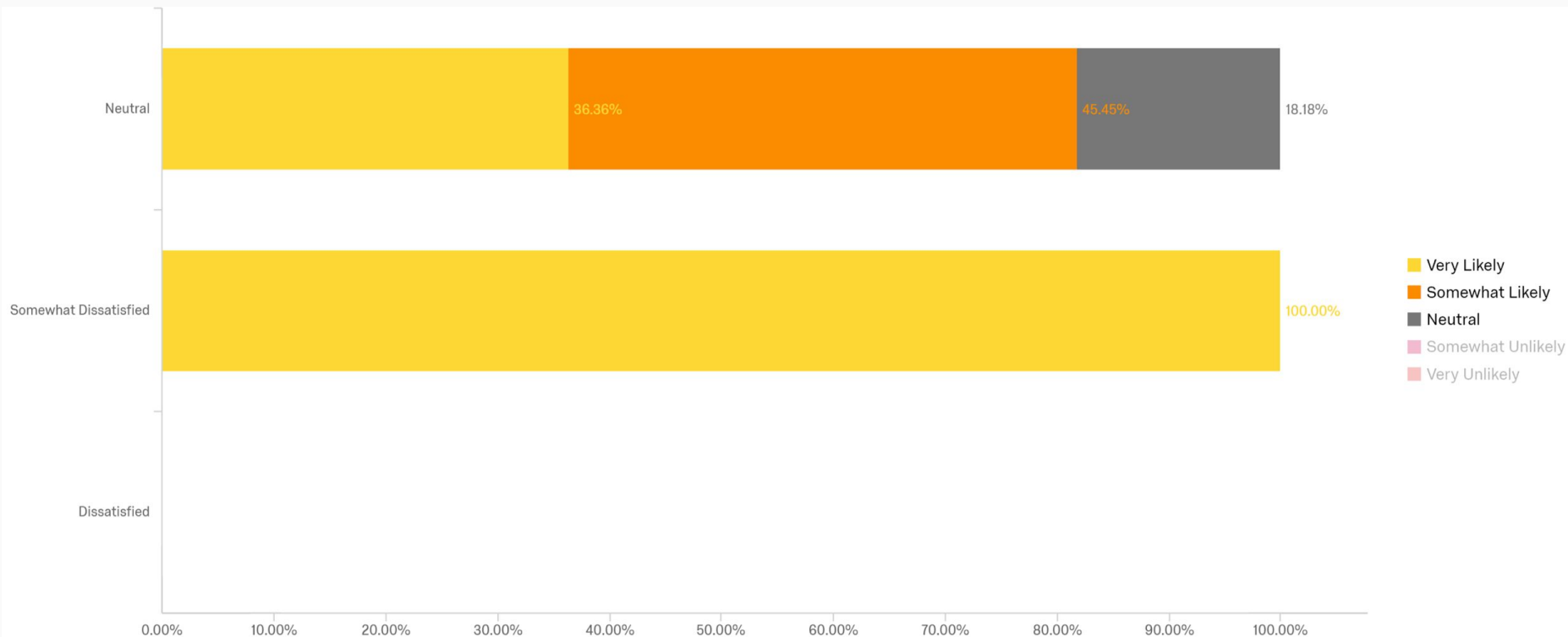


If Netflix Improves Its Variety of Movies Available, would you be more inclined to watch Netflix?

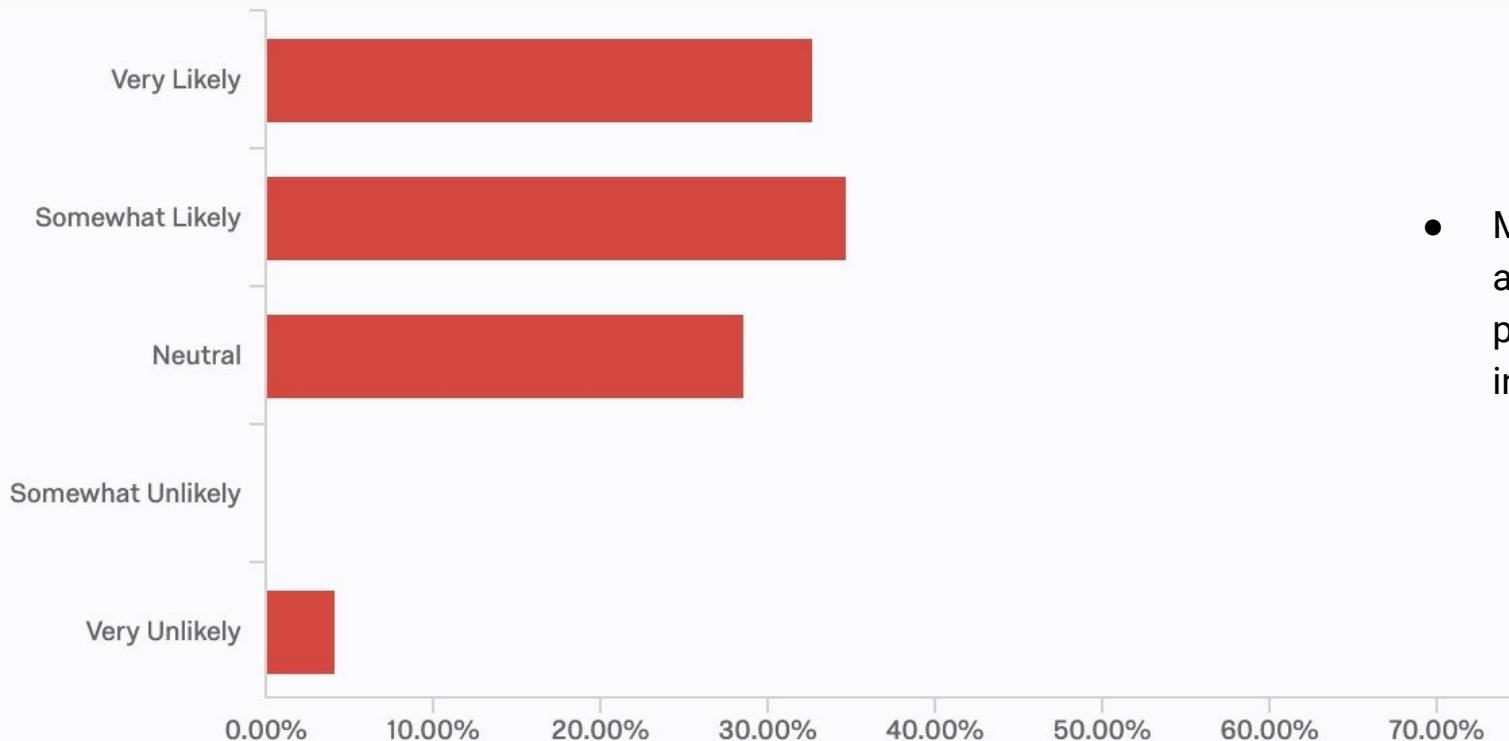
- 76% of respondents are satisfied with Netflix's current availability of movie collection
- 90% of overall respondents show a tendency to watch Netflix after the improvement



What If Only Focus On Those Are Currently **Not** Satisfied With Movie Collection Availability

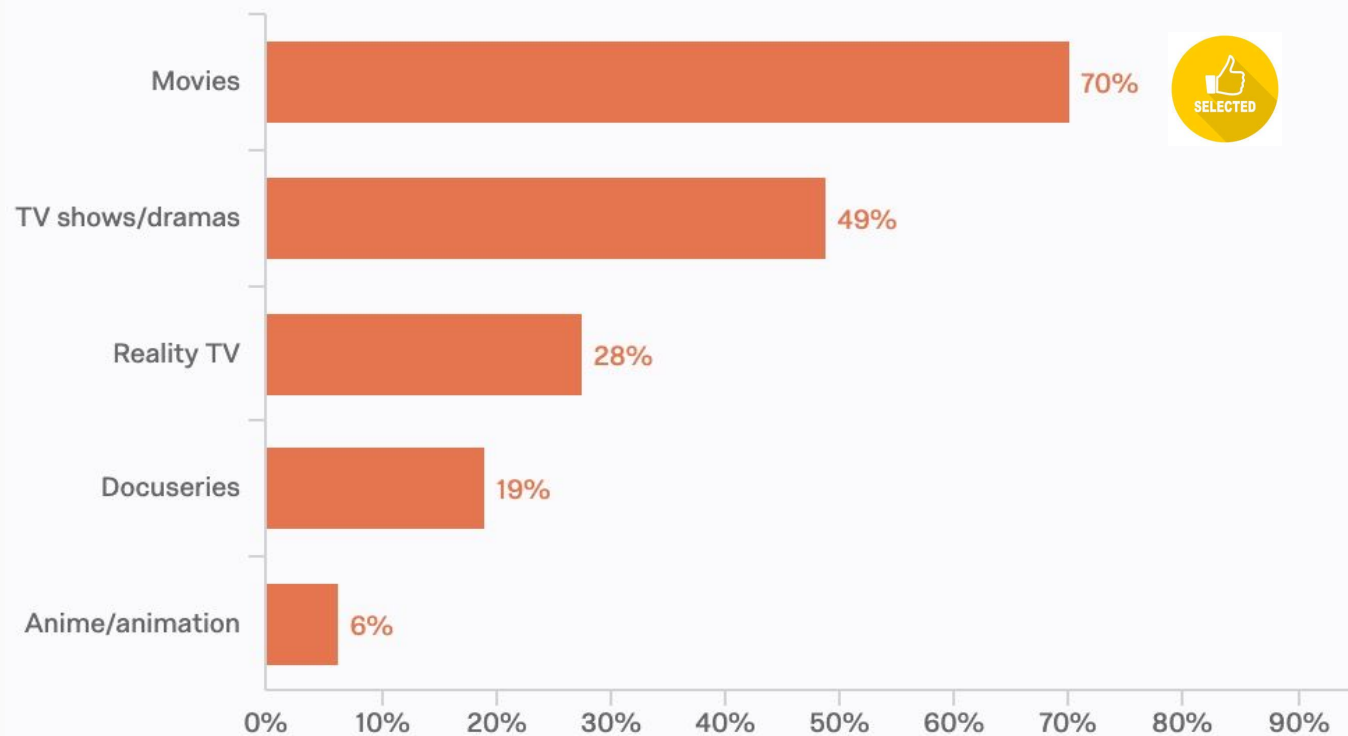


The Attitude Towards Launching More Interactive Content

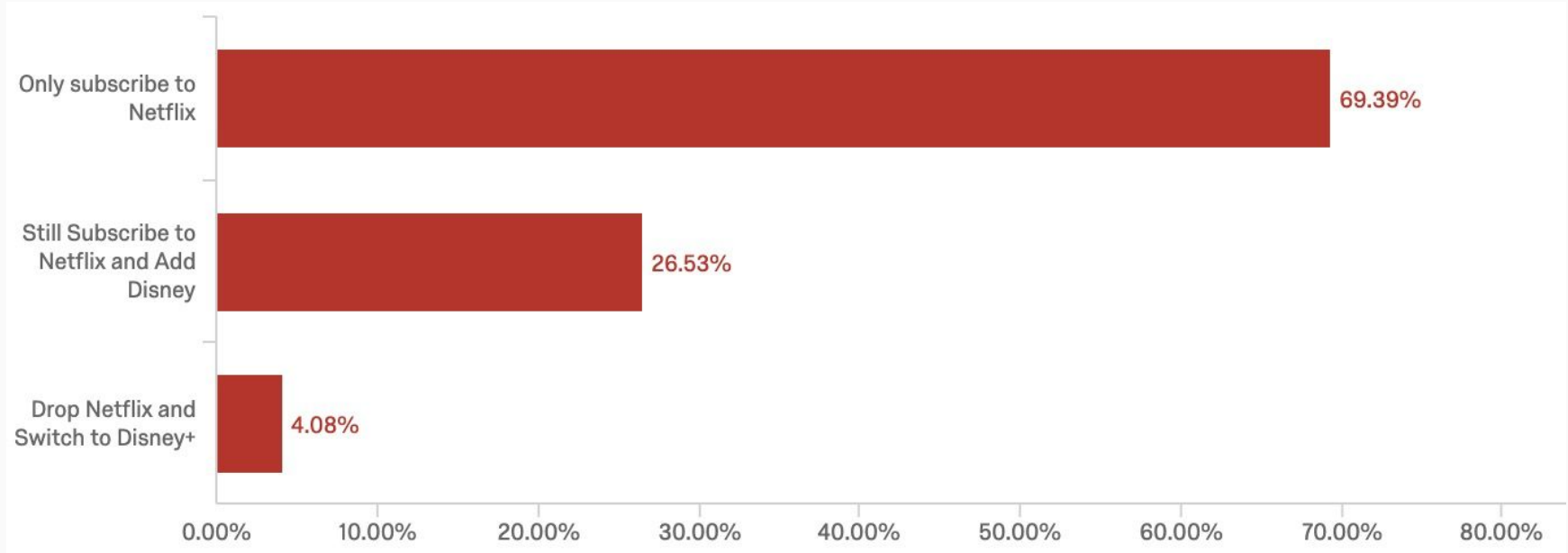


- Most of respondents are positive about producing more interactive content

Which of the following categories of international content would you like to see?



The Effect of Disney Launching its Own Streaming Service



Still some people who choose to keep both



Netflix needs to be aware of potential threats and how to adjust its current content strategy

Next Steps of Netflix

- Make every penny worth
- Include more international content in the domestic market

*“If you don't eat, drink and sleep for **A Month**, you will be able to finish all Netflix original series”*

- Huge Fan of Netflix

Make Every Penny Worth

- Avoid covering the production cost by increasing subscription fees
- Optimize the investment on original content
 - allocate resources to TV shows
 - shrink the production of animation
 - allocate resources to interactive content

More International Content for Domestic Market

- Including more international content
 - Licensed country-specific content(e.g. Bollywood movies in India, Chinese hot IP films)
 - Both adapt to different cultural differences and reduce dependency on major licensed production companies



Q & A



References

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- <https://www.tmtpost.com/3551770.html>
- <https://www.cnn.com/2019/01/16/media/netflix-price/index.html>