

## The NETFLIX Revolution

(A Visual Story)

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## 1. Introduction

Netflix is an American media services provider, founded in 1997 by Reed Hastings and Marc Randolph in Scotts Valley, California. As the largest streaming service in the world, Netflix maintains a huge database of movies and T.V. shows, adding three new items per day on average. Netflix is available to customers through its app, smart TVs, game consoles, streaming media players, and Amazon's Fire TV.

Netflix is a fairly multifaceted enterprise. Industry analysts have been gathering data on the organization for over a decade now, with so much publicity flowing its way. Many Netflix facts and figures concentrate heavily on the growth numbers and market valuation of the product, but the streaming service has a lot more to deliver than that. Let us discuss the streaming service's rapid success, continuing dominance, and stock market success.

## 2. Analysis

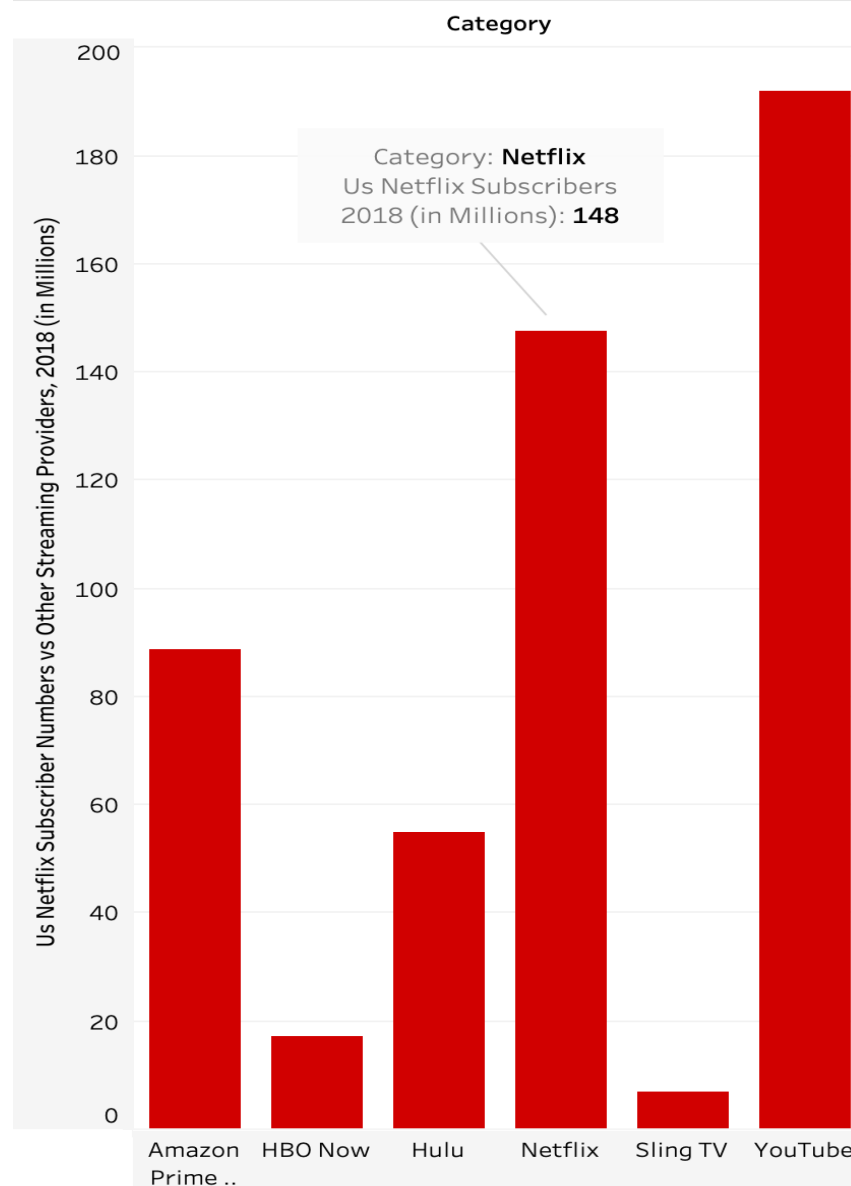
### 2.1 Netflix and its competitors

It has been two decades that Netflix has set its foot in the market, but it has never failed to surprise us with its popularity among the people. While Netflix (NFLX) continues to be a market leader in the streaming market, it has some tough competition from Hulu, Amazon Prime (AMZN), the Walt Disney Company (DIS), YouTube (GOOGL), Apple TV, and Warner Media (T).

In 2018, Netflix stood second with 148 Million subscribers amongst its fellow competitors YouTube, Amazon Prime, Hulu, HBO Now, and Sling TV. Netflix was one of the first players in the space when it started its online streaming service more than a decade ago in 2007. It now has 150 million subscribers and streaming in 190 countries. According to Leichtman Research Group, 62% of American households now have a Netflix account. Netflix

continues to be the single most ubiquitous streaming service in the US and abroad.

## Top 6 Service Media Providers in United States



Sum of Us Netflix Subscriber Numbers vs Other Streaming Providers, 2018 for each Category.

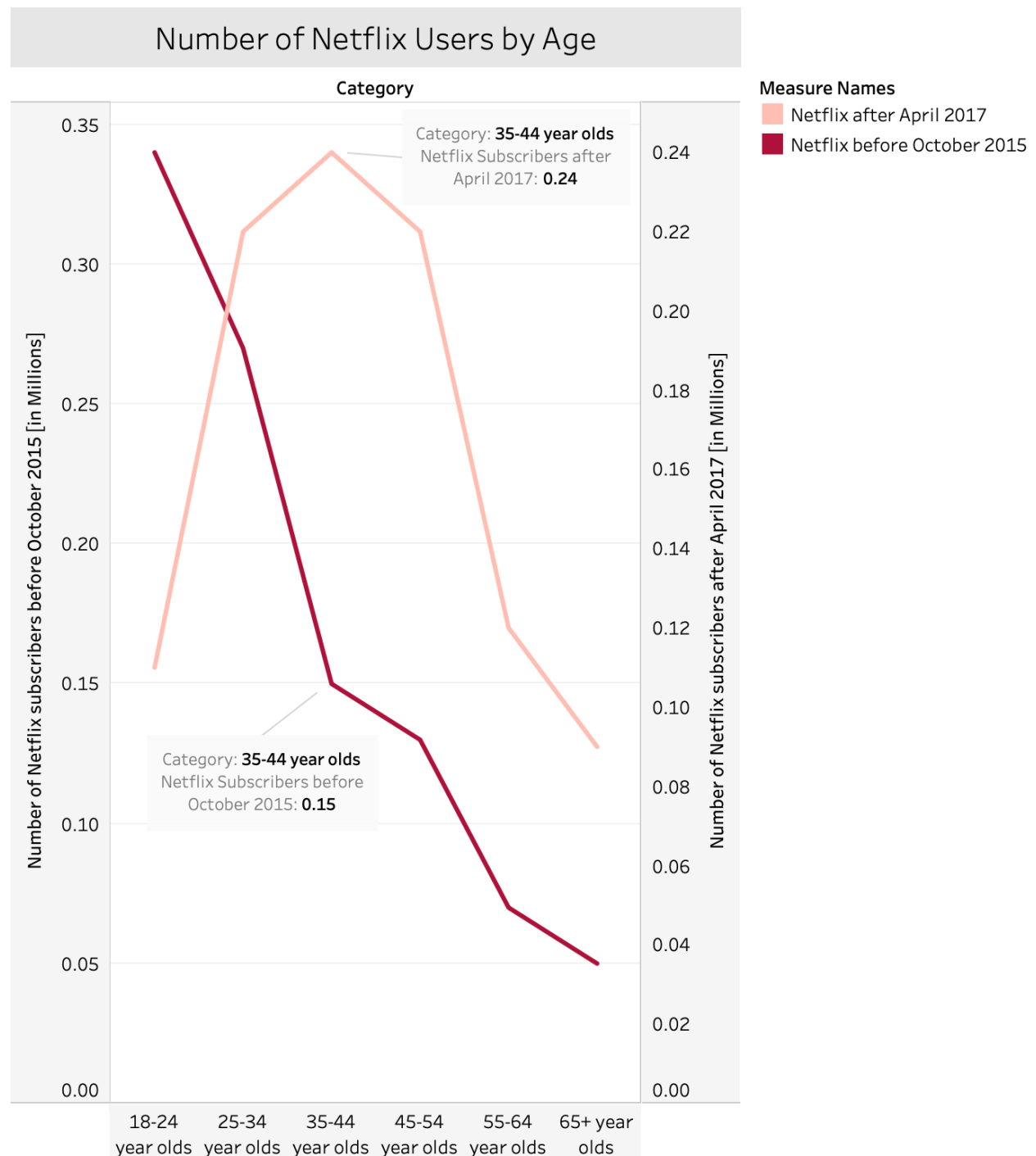
## 2.2 Who is watching Netflix? Is the addiction real?

Netflix has content for people of all age groups. The differences between age groups were larger in 2015 with 18-34 year-olds contributing a huge share of Netflix subscribers while the 65 and over were the least. The median age is now 35-44 age group in 2017 and beyond. There was noticeable increase in age groups of 34 to 65+ year-olds. But there are exceptions

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with the 18-24 year-olds and 25-34 year-olds with the former showing a steep decline to a third of its original.

The below chart shows the transition in the nature of number of subscribers belonging to different age groups before October 2015 and after April 2017.



The trends of Netflix before October 2015 and Netflix after April 2017 for Category. Color shows details about Netflix before October 2015 and Netflix after April 2017.

Binge-watching shows are the key. When anxiety shoots up to know what is going to happen next, the body produces an excess of CRH, a hormone that mediates the release of other stress hormones in the body. This causes the body to remain alert, which can disrupt sleep. So, when you're faced with that cliffhanger at midnight, you're suddenly not so tired and you find yourself clicking the next episode button of your favorite show.

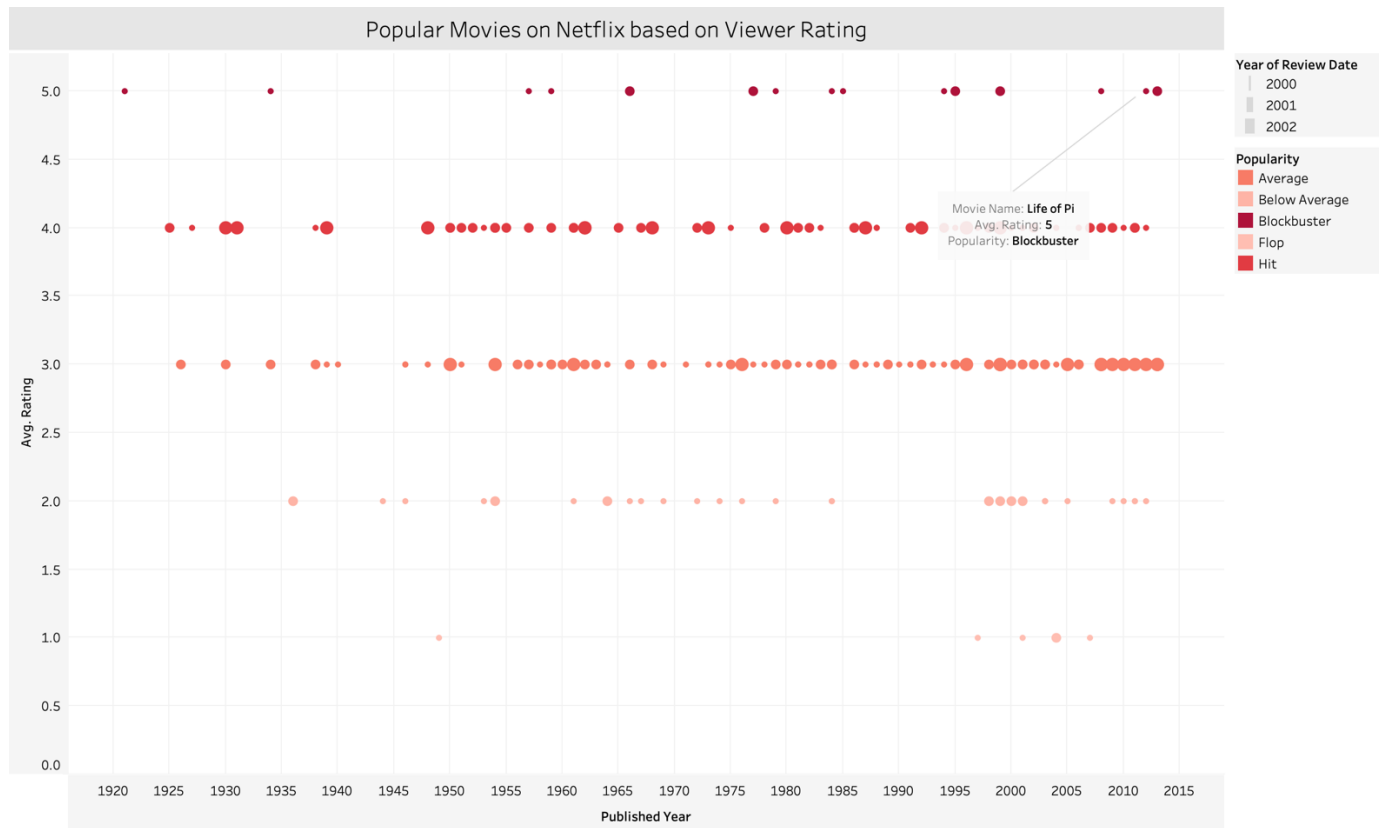
If you unknowingly fall prey to binge watching, then you've most likely sat down to watch one fifty minute episode only to find yourself watching for another fifty minutes...and maybe another fifty. You're not alone, Netflix users watch more than two billion hours of movies and television shows every month! I am a binge watcher too and yes, I can say I am addicted to Netflix and yes the addiction is real!

## **2.3 Recommendations based on viewer ratings and reviews**

In 2006 Netflix announced the Netflix Prize, a competition for creating an algorithm that would- substantially improve the accuracy of predictions about how much someone is going to enjoy a movie based on their movie preferences. There was a winner, which improved the algorithm by 10%. However, Netflix never did implement the algorithm though. You may think that the show House of Cards was chosen because Netflix "thought subscribers might like it." But the truth is much, much deeper. The \$100 million show wasn't green-lighted solely because it seemed like a good plot. The decision was based on a number of factors and seemingly almost entirely on data. The vast majority of Netflix users tend to click to watch the recommended shows from the Netflix recommendation algorithm. 80% of Netflix views were from the service's recommendations.

Viewer Rating and Reviews play a major role in providing insights to Netflix for optimizing their recommendation system. Netflix has the advantage, because being an internet company allows Netflix to know their customers well, not just have an idea of what their average customer is like. The below chart shows the movies sorted into five categories based on the insights provided by the viewers.

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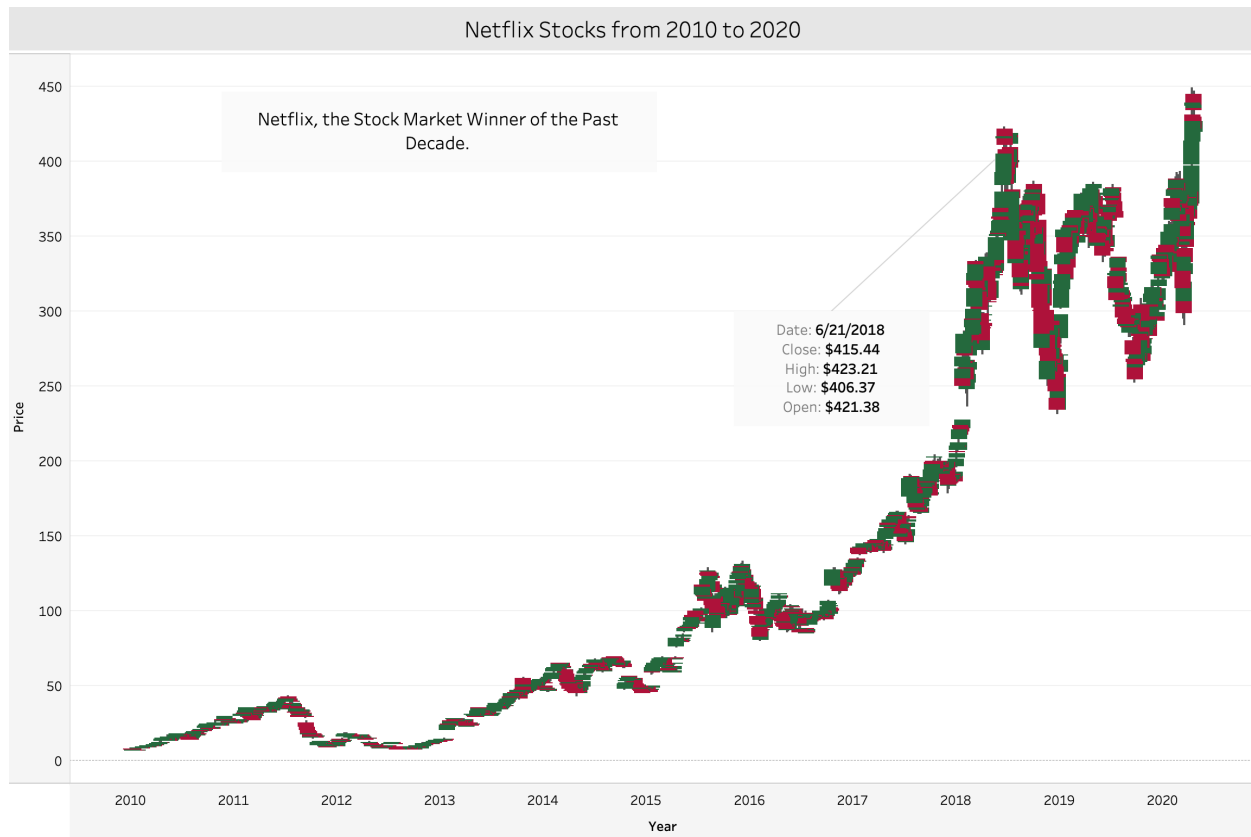
The trend of average of Rating for Pub Year. Color shows details about Popularity. Size shows details about Review Date Year. Details are shown for Movie Name. The view is filtered on Review Date Year, Popularity and Pub Year. The Review Date Year filter excludes Null. The Popularity filter keeps Average, Below Average, Blockbuster, Flop and Hit. The Pub Year filter ranges from 1921 to 2018.

## 2.4 Netflix: The Stock Market King

Netflix is one of the highest-earning media services providers on the market right now and is considered a unicorn (a tech company with a valuation of over a billion dollars). Netflix has 158 million paid subscribers across the world. This translates to revenue of \$5.245 billion as of September 30, 2019, accounting to a 31.16% year-on-year increase from the previous year.

Netflix joined the S&P 500 in 2010, but found itself in a deep crisis the following year. Netflix was by far the best performer in the S&P 500 during the decade among companies currently in the index. Netflix was the best-performing stock of the decade, delivering a more than 4,000% return. Subscriber growth in recent years is the reason behind the company's international expansion

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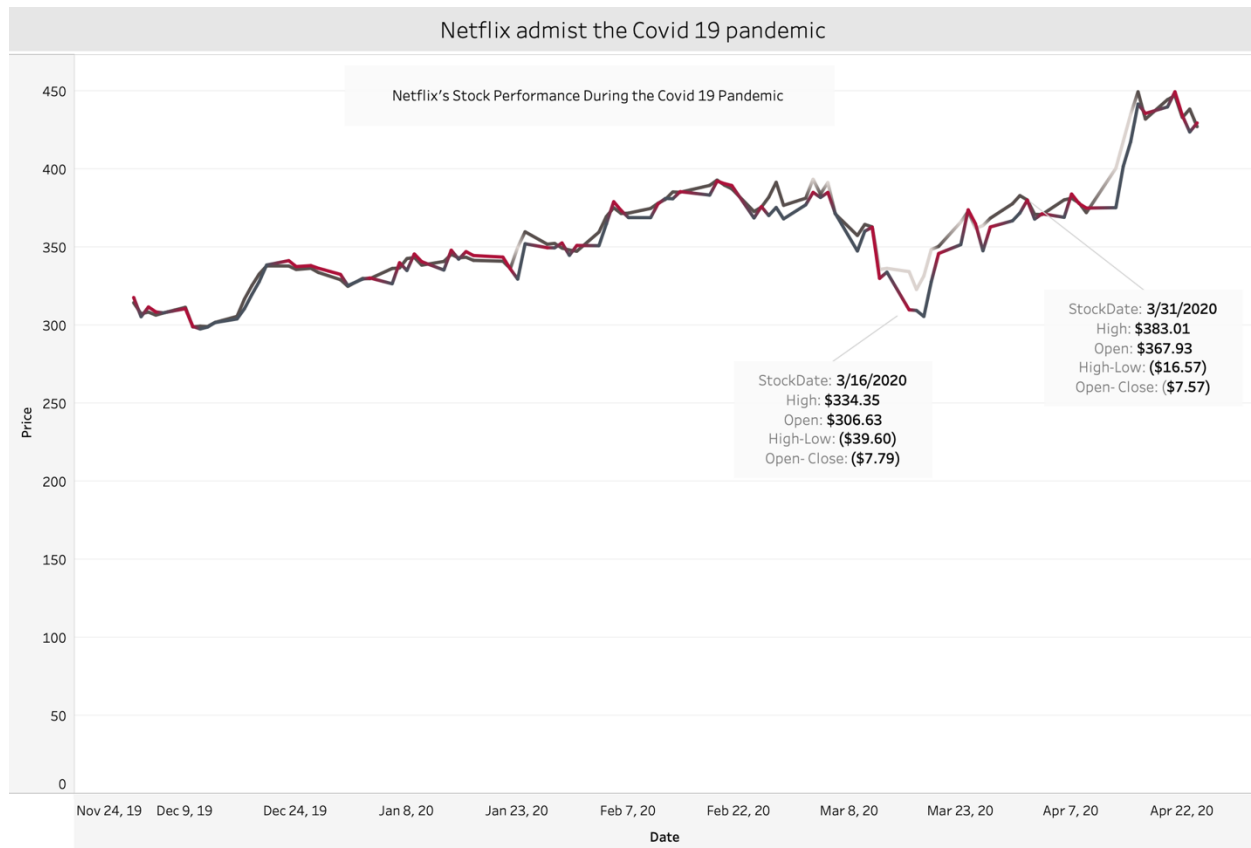


The significant rise in the stock price is evident in the chart above which displays the stock market behavior from 2010 to 2020.

## 2.5 How did the COVID 19 Pandemic effect Netflix's market?

Netflix's stock dropped over 22%, from 383.79 per share to 298.84 per share between March 4 and March 16. However, the stock price had jumped back up to 375.50 by March 31, recovering the vast majority of what it had lost. The reason behind Netflix's recovery is the hundreds of millions of individuals worldwide found themselves at home in quarantine. Let's have a look at the stock market during the lockdown.

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Netflix has not released any numbers at this time, other data points to a huge increase in Netflix streaming as billions of people around the world were forced into quarantine and social distancing. And as we know the fact that Netflix was forced to reduce streaming quality in several countries to help reduce strain on overtaxed bandwidth.

### 3. Business Implications:

Some key implications to note based on the above analysis are:

- Although the service continues to attract customers in all countries, its US business growth is likely to begin slowing off in the U.S. as the company maximizes its home base capacity.
- Although the business still dominates where it is available in most countries, rising competition from newer companies means it will need to keep up its current productive spending to remain ahead.
- The organization can't run forever at a loss though. Eventually, it would need to make a profit, which may mean stabilizing its advertising spending budget, not constantly



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rising. Now, with plenty of space to expand outside the US, Netflix remains a strong choice in 2020 and beyond.

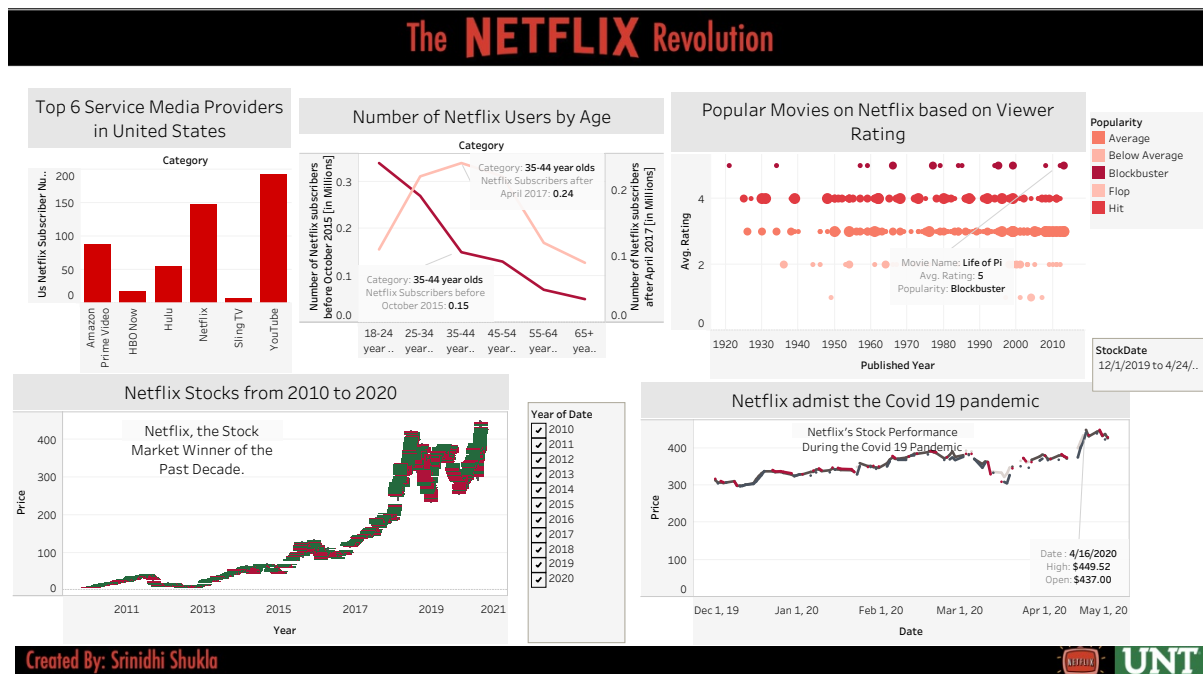
## 4. Conclusion

Netflix accounts for 19% of all worldwide online video subscriptions. Based on its current worldwide subscription numbers (167 million), that means Netflix commands 19% of the global digital streaming market.

Netflix has remained true to itself and to the vision of its founders, building its reputation as an impeccable innovator. It has also managed to hold the flexibility that all growing companies need to effectively respond to a rapidly changing marketplace without losing the focus it needed to reach to the pinnacle.

Netflix will remain a blockbuster hit beyond the covid-19 era. It is as much a household essential in the covid-19 age as Clorox. Its market value, has risen above Disney's for the time being accounting more than 190 billion.

Here is a dashboard that I created to summarize all the points.



## 5. References

### Datasets:

- Netflix Subscribers Data: <https://www.statista.com/>
- Stock Market Data: <https://www.wsj.com/news/markets>
- Netflix Movie Data: <https://github.com/>

### Functionality:

- <https://www.tableau.com/support/knowledgebase>
- <https://www.youtube.com/>