

NETFLIX

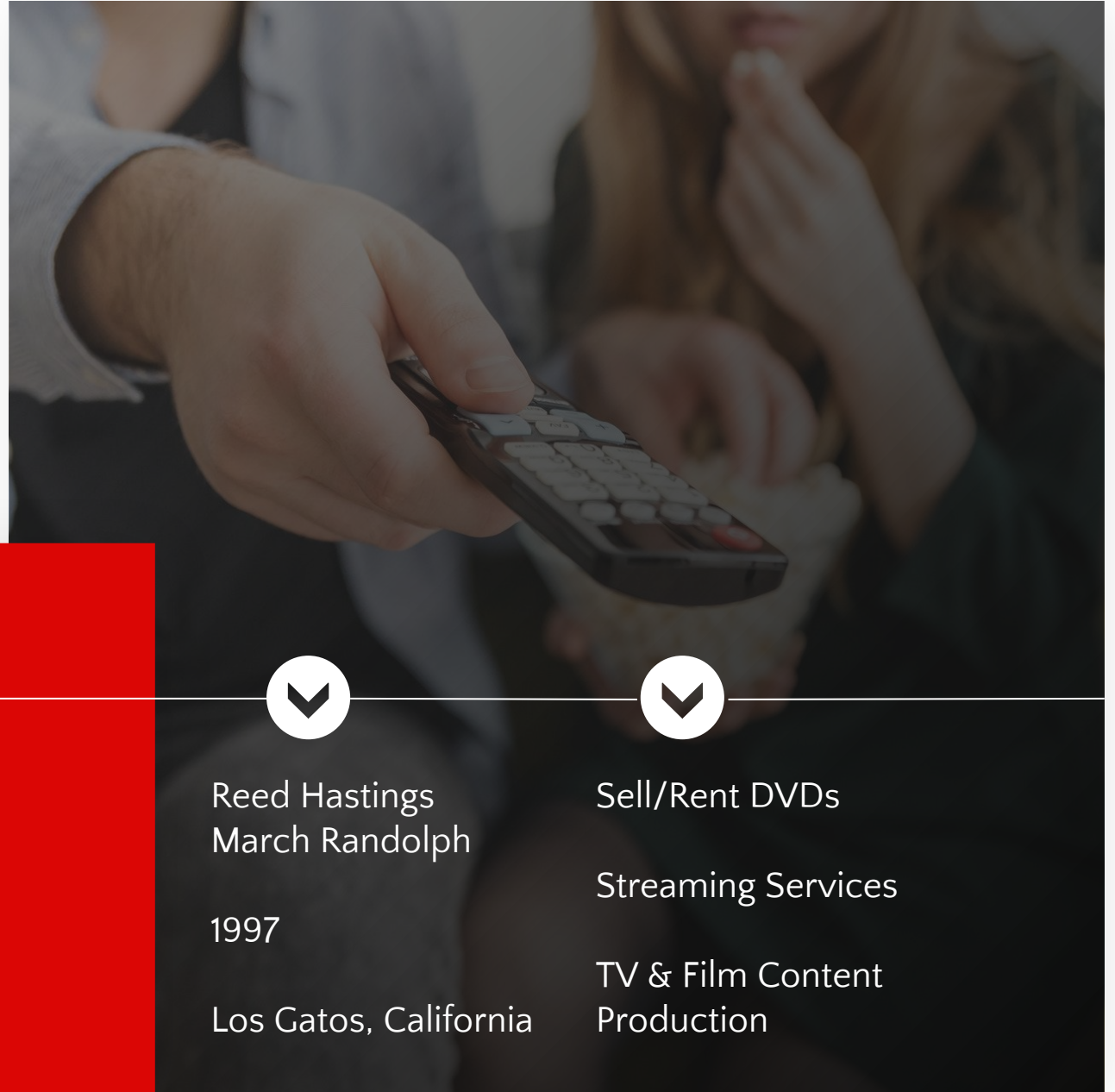
Sociology 258
Final Presentation

Elizabeth Loschiavo
Contessa Popeil
Jj Jiang
Elif Tunaboylu





Netflix's History



“To Entertain the World”

American Media & Entertainment Company
Digital Entertainment and Streaming Services



Reed Hastings
March Randolph

1997

Los Gatos, California



Sell/Rent DVDs

Streaming Services

TV & Film Content
Production



Industry Analysis (PESTEL)

P

POLITICAL

- ❖ Tight government regulations
- ❖ Data collection
- ❖ Growing tax liability in EU

E

ECONOMIC

- ❖ Economic instability and unemployment levels
- ❖ Infrastructure quality
- ❖ Low economic growth rates
- ❖ Exchange, currency, and interest rates; inflation

S

SOCIAL

- ❖ Global audience
- ❖ Varying tastes and preferences
- ❖ Job opportunities for locals
- ❖ Leisure interests



Industry Analysis (PESTEL)

T

TECHNOLOGY

- ❖ Algorithms and machine learning

E

ENVIRONMENTAL

- ❖ No direct impact
- ❖ Efforts
 - Investment
 - Part of content delivery network
 - Renewable source

L

LEGAL

- ❖ Strong framework to regulate tech industry
- ❖ Reputational damage large fines
- ❖ User data protection
- ❖ Copyrights, patents, and intellectual property rights

Industry Analysis (Micro Environment)



INDUSTRY DEFINITION

Streaming Entertainment Services
Tech & Entertainment

CUSTOMER SEGMENTATION

Millennials, Tech-Savvy Populations



PERFORMANCE

Current Market Size: \$50 billion
Revenue Forecast (2027): \$184 billion
Growth Rate: 20.4%

DRIVERS OF SUCCESS

- ❖ Artificial Intelligence
 - Personalization
 - Better, Faster Content
- ❖ 4G & 5G
 - Faster, Reliable Speed, Quality
 - Infrastructure
- ❖ Mobile Phones, Digital Media, Decline in Paid TV,
- ❖ Additional Trends
 - Subscription Fatigue, Sports Streaming

Netflix's Recent Performance

Revenue

Revenue	2017	2018	2019
	\$11.7B	\$15.8B	\$20.3B
Net Income	\$558m	\$1.2B	\$1.9B

Market Share

- ❖ 87% of OTT US
- ❖ 18% of OTT Global

OTT Video Viewers, by Provider

US, 2019, millions

Amazon video



HBO Now



Hulu



Netflix



Sling TV



Total





SEGMENTATION

Demographic

- ❖ Digital entertainment users
- ❖ Age: 18-40
- ❖ Upper-Middle Class
- ❖ Not limited to certain education level
- ❖ Gender Level: 49M; 51F

Geographic / Psychographics

- ❖ Personalized content
- ❖ Number of screens

TARGETING

- ❖ Mass Media Sector
- ❖ Purchase membership of TV
- ❖ Millennials
- ❖ High tech-savvy
- ❖ Inclined Entertainment Consumers

POSITIONING

Digital Streaming and Content Producer

- ❖ High-Tech Quality
- ❖ Rich Catalog
- ❖ Non-Binding Subscription
- ❖ Save Money & Time
- ❖ Access Anywhere, Anytime
- ❖ Comfort, Convenience, Personalization



PRODUCT

- ❖ Original Content
- ❖ Licensed Media
- ❖ Globally Collected Data
 - Locally and Globally
- ❖ Subtitles Services
- ❖ Intangible Asset: Intellectual Property

PRICE

- ❖ One Month Trial
- ❖ “Psychological Pricing”
 - Basic Plan: \$8.99
 - Standard Plan: \$13.99
 - Premium Plan: \$17.99

PROCESS

- ❖ Easy Payment
- ❖ Strong Customer Service
- ❖ Physical
 - DVD Rental
 - Netflix APP
 - Netflix Website

PROMOTION

- ❖ Commercial Billboards
- ❖ Social Media
- ❖ TV
- ❖ Print Ads
- ❖ First Month Trials

Drivers of Success

Business Model

- ❖ Online Distributor & Content Producer
- ❖ Cost leadership
- ❖ Flexible, Responsive HR & Management

Product Development

- ❖ Differentiation & Diversification
- ❖ User Interface Improvement

Marketing Mix

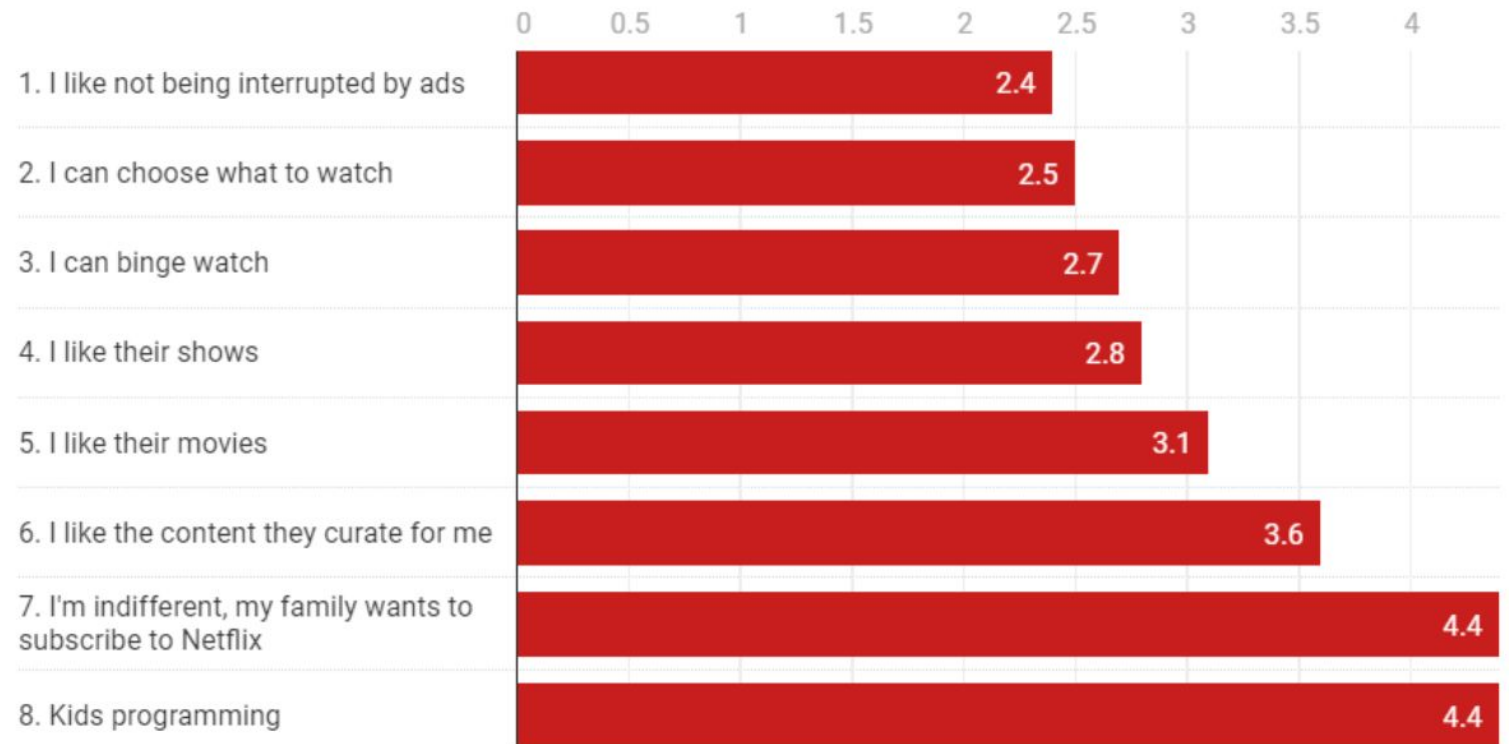
- ❖ High Personalization → Customer Satisfaction
- ❖ No commercials, no commitment

Intensive Growth

- ❖ Market Penetration
- ❖ International Expansion

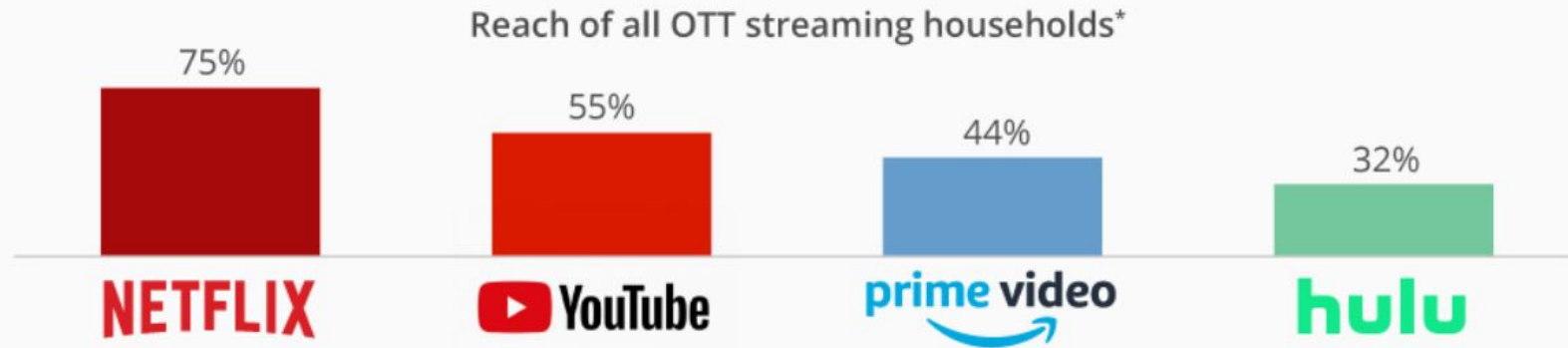
Top reasons people have a Netflix subscription

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



Competition

Big 4 Dominate TV-Based Video Streaming in the U.S.



Direct

- DVD Rental
- Amazon Prime
- Hulu
- **Disney+**
- Youtube
- HBO
- Sling TV
- Apple TV
- Twitch
- Sony Crackle
- Direct TV

Indirect

- Cable TV
- Cinemas
- Piracy

SWOT

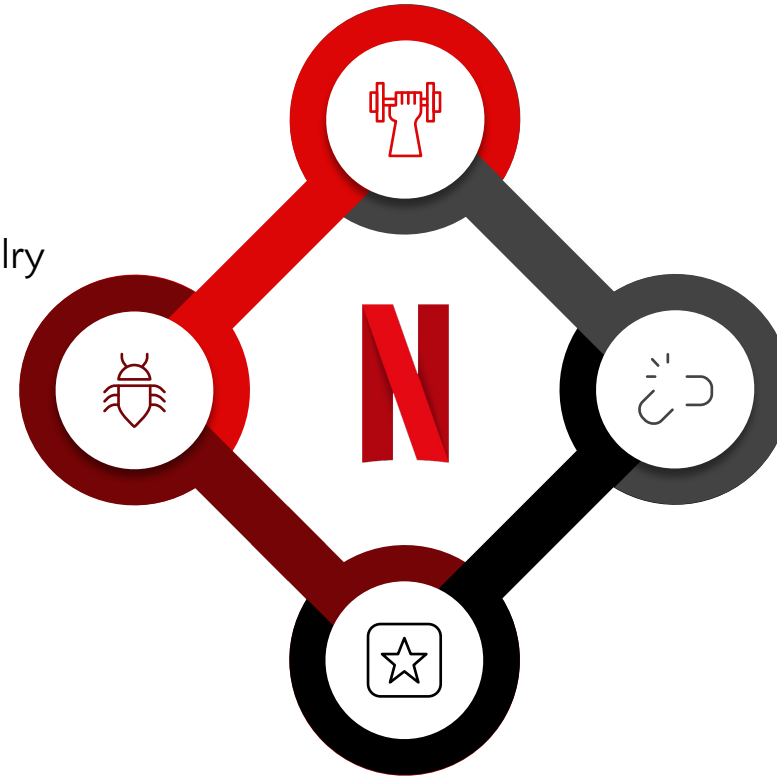
Netflix Prior Covid-19

STRENGTHS

Marketing Strategy
High Brand Recognition
Original Content Collection
AI & Algorithm → Customer Experience
Business & Operational Effectiveness

THREATS

Intense competitive rivalry
❖ Apple TV, Disney+
❖ Easy substitute
❖ New entrants
Piracy / Cybercrime
Regulations & Trust
Increasing Costs



WEAKNESSES

- ❖ Dependence on infrastructure
- ❖ High bargaining power of buyers
- ❖ High dependence on suppliers

OPPORTUNITIES

International Growth (Asia)
Expansion of Product Mix
Organizational Capacity to Diversify



The Impact of COVID-19



More time at home, more streaming

- ❖ Sports, concerts, and movie theaters suspended, reducing competition for attention
- ❖ Time spent streaming doubled from where it was one year ago

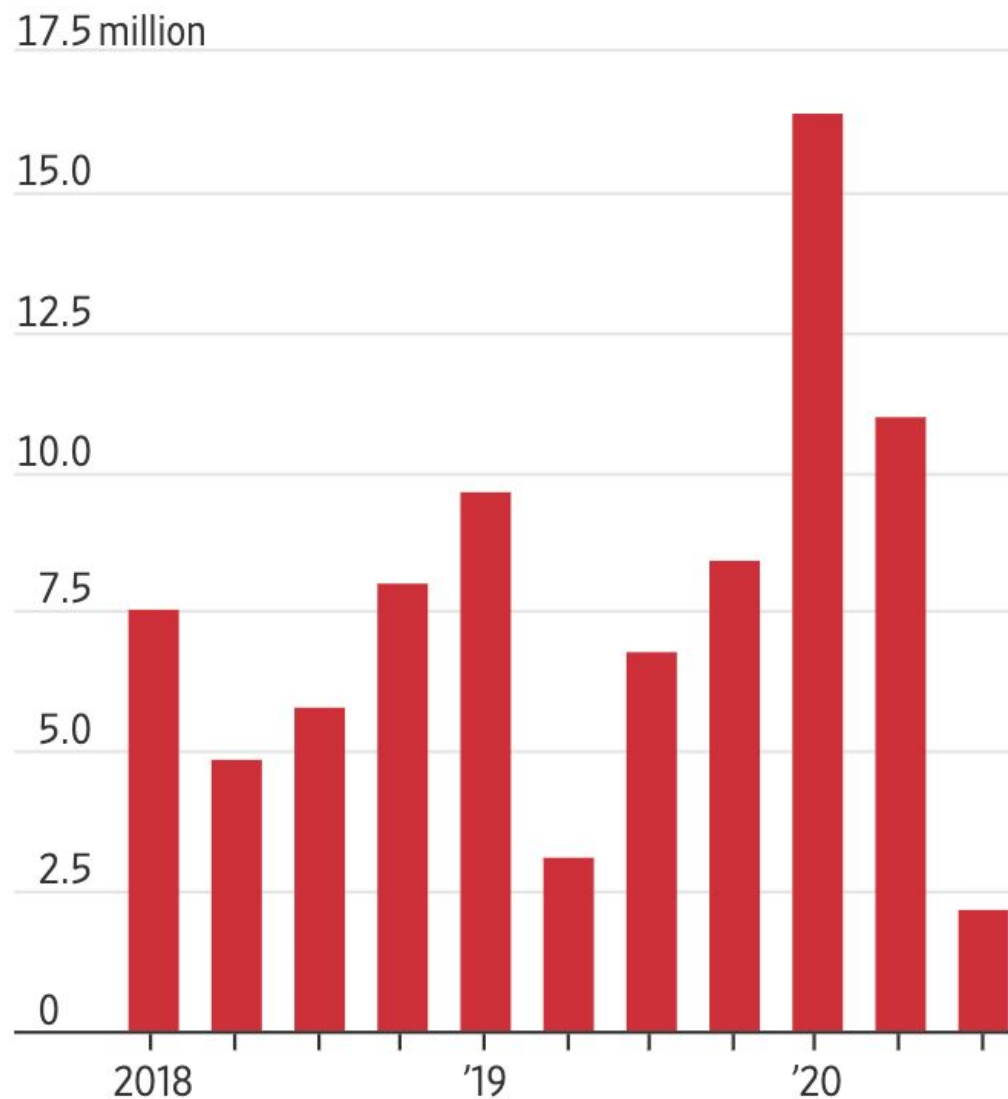


Netflix was well-suited to this change

Netflix's Success

- ❖ Netflix added roughly 26 million new paid subscribers in the first half of 2020
 - 193 million in total
- ❖ Netflix's platform and content catalog well-suited for long bingeing sessions

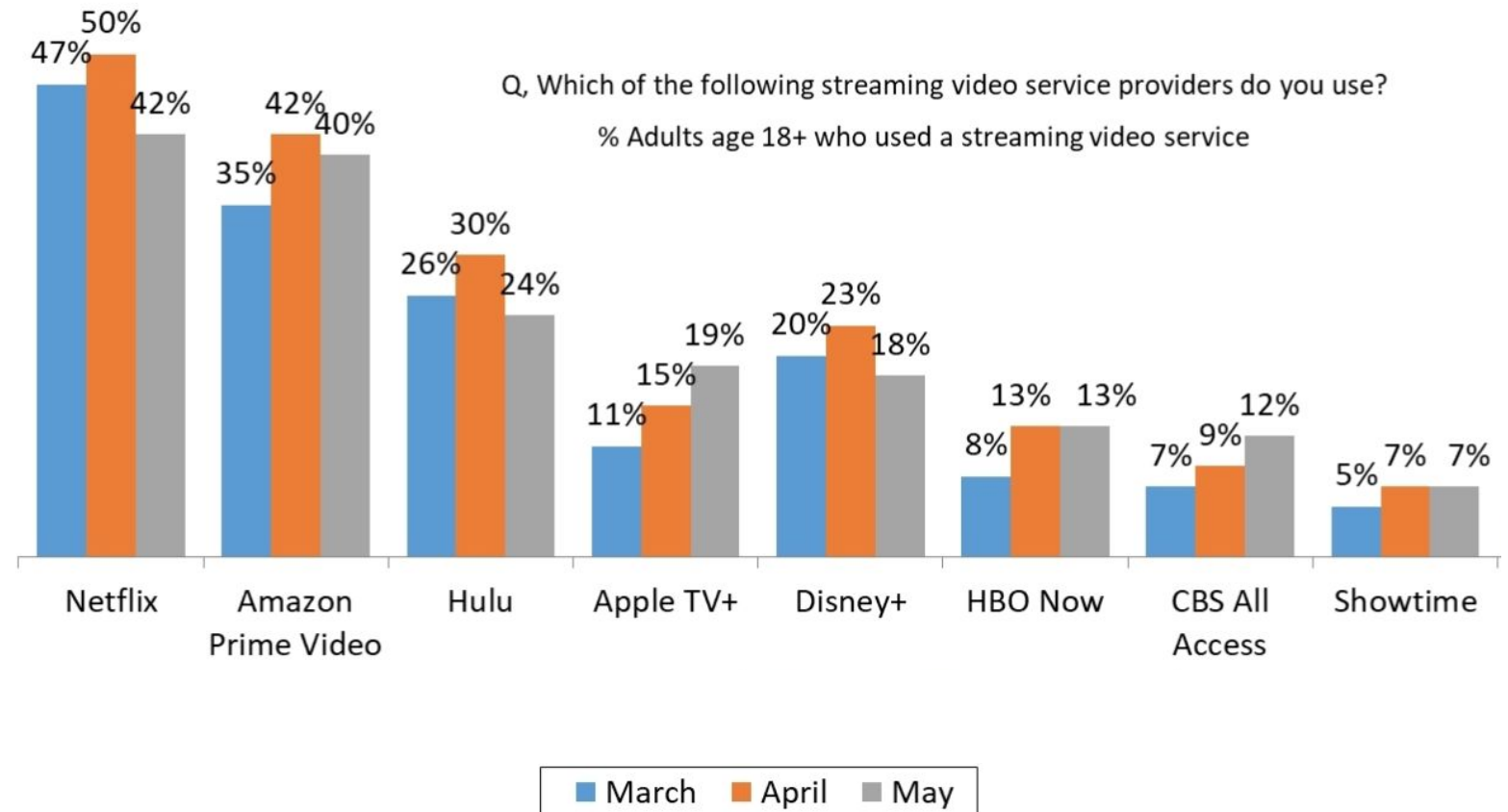
Net change in Netflix subscribers



COVID-19's Challenges

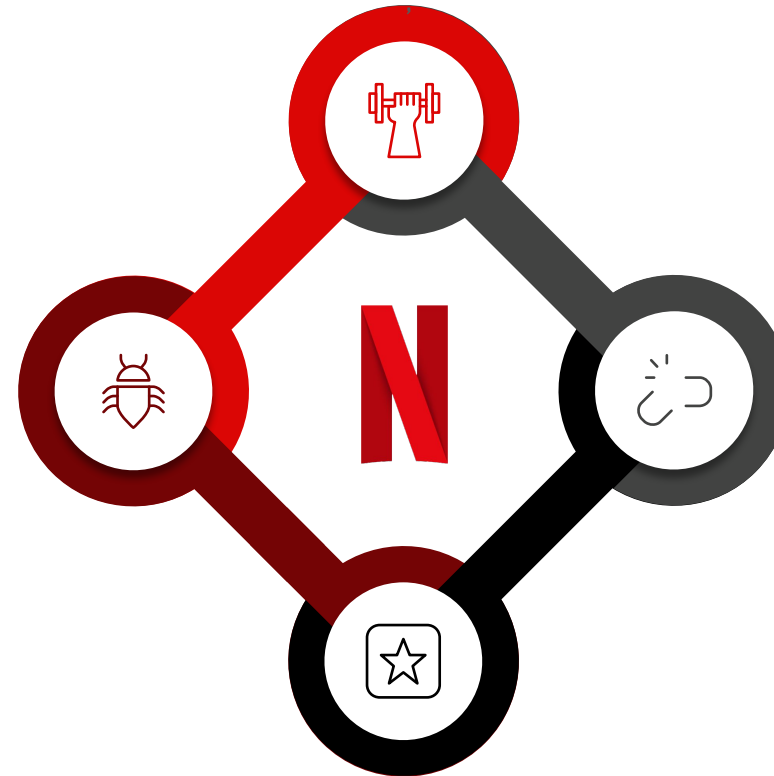
- ❖ Turn towards streaming has increased competition
- ❖ Streaming's "pandemic peak" may be misleading

Users of Video on Demand Services During Pandemic



3 Approaches to Industry Adaptation to COVID-19

FINANCIAL
Cost structure, key organizational levers, M&A, risk management



STRATEGIC
Plan to accommodate resurgent demand, OTT releases vs. windowing, digital content

CUSTOMER
Emerging as positive difference maker with fans, VR, underscoring values & engagement

TAKEAWAYS
Flexibility, cash flow, focus on company values, and planning ahead are keeping the media industry afloat.

Why Netflix is an Industry Winner



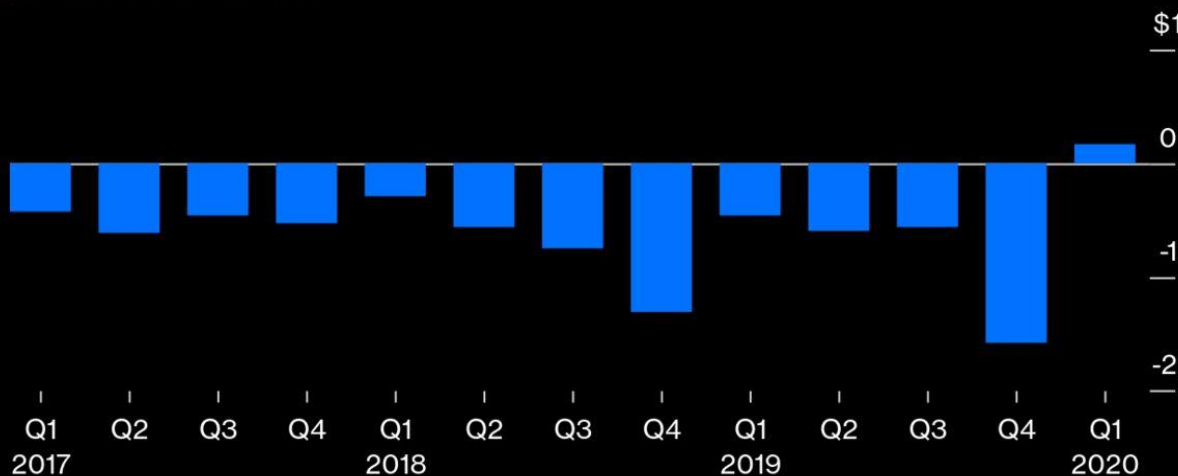
Operations during COVID-19 characterized by:

- ❖ Slowdown in original production content
- ❖ Continuation of **high profile** content
- ❖ COVID-19 efficiency offsets cost of PPE they've had to buy to keep employees safe

Cash Bonfire

With Hollywood on hiatus, some of Netflix's content costs have been pushed off, creating an unusual instance of positive cash flow:

■ Netflix's free cash flow



NETFLIX'S ADVANTAGE:
pre-developed pipeline of content



PRIORITIZING:
production of Stranger Things and The Witcher



IMPACT ON CASH FLOW:
subscription fees, w/o spending on new productions

S&P 500 Index

3,509.44

↑ 7.72% +251.59 YTD

INDEX

Nov 6, 5:07:14 PM UTC-5 · INDEXSP · Disclaimer

1D 5D 1M 6M **YTD** 1Y 5Y MAX



S&P 500 Index
3,145.32 -3.45%

Netflix Inc
\$493.16 +49.53%

Dow Jones Industri...
28,323.40 -1.89%

Nasdaq Composite
11,895.23 +30.83%

Russell 2000 Index
1,644.16 -1.36%

VIX
24.86 +99

- ❖ NFLX vs. INDEXSP — January 1 to March 10
 - NFLX up 12.5%, INDEXSP down 10.8%
- ❖ Forbes Subscriber Projection: more subscribers, more market share



Stability in Relationships



CUSTOMERS

- ❖ Uptick in subscribers shows trust in company and its product
- ❖ Slight lag in 2nd half of year: streaming fatigue
 - hope for international market



EMPLOYEES

- ❖ Still paying cast-members their talent fees
- ❖ Others have followed suit:
 - WarnerMedia and NBC Universal avoid layoffs and set up funds for employees and production staff
- ❖ → shows intention to resume production ASAP

Reputation in the COVID Era

- ❖ Virtually virus-proof
 - company benefits as virus worsens
- ❖ Essential, adaptable, and reliable in times of crisis based on:
 - Stock price
 - # of subscribers
 - Ability to put out premium content
- ❖ Pricing Strategy changes

Recovery Post-COVID

NETFLIX





COVID-19 boosted Netflix's business.
Post-pandemic strategy → Must
retain customers that joined due to
lockdown orders and continue rate
of growth in subscriber base

Recovery Post-COVID



What Netflix Needs to Hold onto its New Customers



From the industry

- ❖ Competitors to cease restricting their content to their own streaming services (unlikely)
- ❖ Community building technologies (social media, Netflix Party) to enable connections with Netflix



From the government

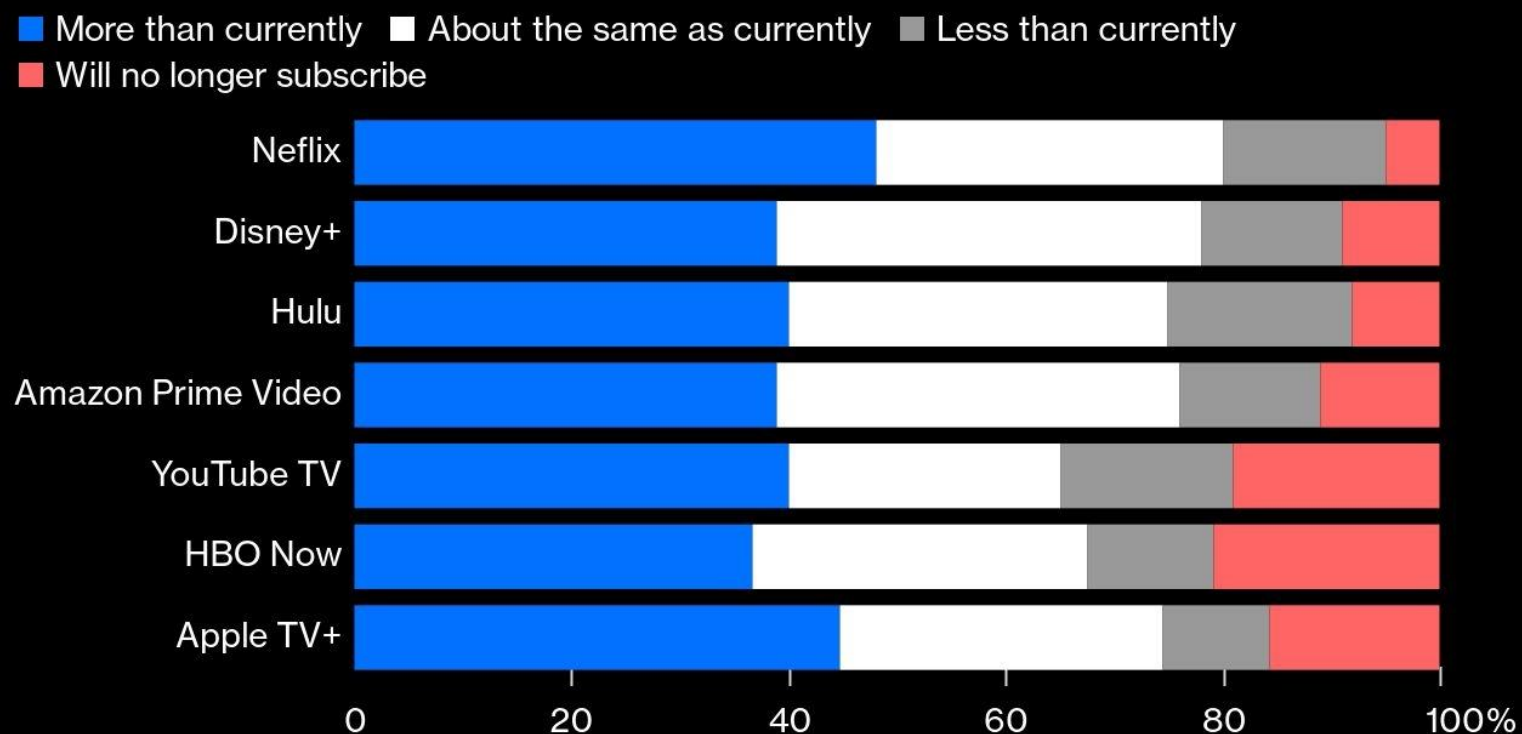
- ❖ Content production workers to be deemed essential so filming of new content can resume
- ❖ Lenient data laws for Netflix to continue providing its notable recommendation feature

Effect on Target Customers

- ❖ 78% of 18-34-year old Americans subscribe to at least 2 streaming services
- ❖ Job losses or reduced hours → less money to spend on services
- ❖ Consumers are rethinking how much content they need

Behavior Post-Pandemic

Americans who recently signed up for a streaming-TV service were asked how often they expect to use it when life returns to normal:



Source: Morning Consult poll of 923 U.S. adults conducted April 16-18

BloombergOpinion

Netflix Marketing Strategies



Emotional Connection



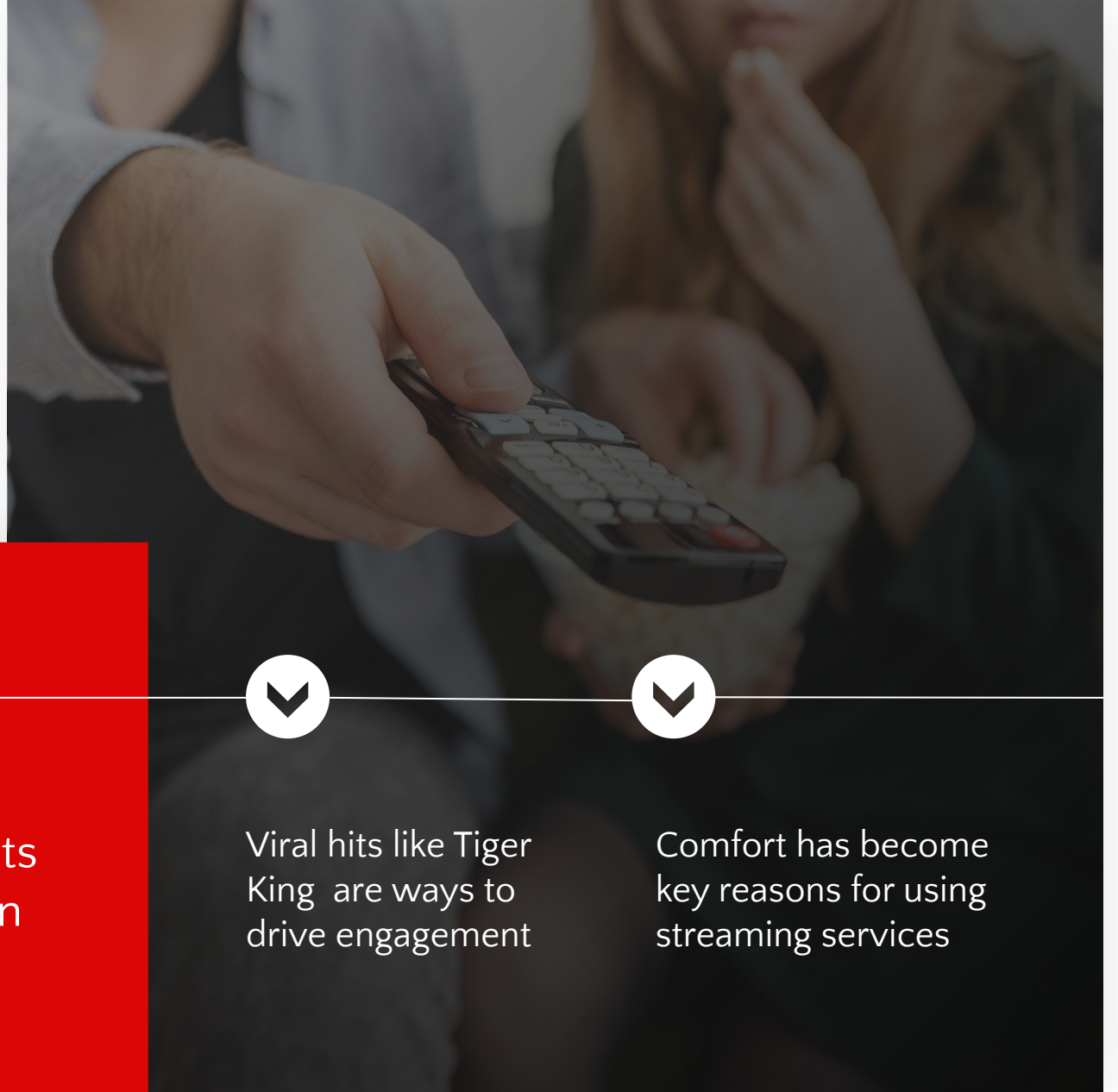
Netflix must explore avenues that allow its customers to connect with one another in a way similar to social media in service



Viral hits like Tiger King are ways to drive engagement



Comfort has become key reasons for using streaming services



Sociological Impacts

COVID-19



- ❖ Accelerated shift to streaming
- ❖ Focus on value of products/services
- ❖ Preoccupation with health and care
- ❖ Increase of work from home

SOCIAL JUSTICE



- ❖ Emphasis on representation
- ❖ Recommend diversify viewpoints
- ❖ Inclusion of Black Lives Matter genre following protests

BIG DATA



- ❖ Categorize users by viewership
- ❖ Recommend one-sided content
- ❖ Determines what is successful
- ❖ Product placement in movies

SURVEILLANCE CAPITALISM



- ❖ Know what an individual watched
- ❖ Could provide information to others
- ❖ Effect on social credit in China if it becomes popular (video games)

- <https://notesmatic.com/2020/04/pestel-analysis-of-netflix/>
- <https://mission-statement.com/netflix/>
- <https://www.rancord.org/netflix-swot-analysis-internal-external-strategic-factors>
- <https://www.mbaskool.com/marketing-mix/services/17729-netflix.html>
- <https://www.mbaskool.com/brandguide/media-and-entertainment/17645-netflix.html>
- <https://www.rancord.org/netflix-organizational-structure-design-organizational-chart-characteristics>
- <https://digitalagencycynetwork.com/key-takeaways-from-netflix-digital-marketing-strategy/>
- <http://ferntortuniversity.com/term-papers/pestel/nyse4/3012-netflix--inc-.php>
- <https://www.porteranalysis.com/porters-five-forces-of-netflix/>
- <https://www.cnn.com/2020/10/29/media/netflix-raises-prices/index.html>
- <https://variety.com/2020/biz/news/hollywood-coronavirus-entertainment-industry-movies-festivals-1203529795/>
- <https://www.forbes.com/sites/jonathanponciano/2020/10/19/netflix-earnings-5-numbers-growth-continues-during-the-coronavirus-pandemic>
- <https://www.marketwatch.com/story/netflix-subscription-gains-screch-lower-as-pandemic-wears-on-stock-falls-5-11603224575>
- <https://www.pwc.com/us/en/library/covid-19/coronavirus-impacts-media.html>
- <https://www.bbc.com/news/business-52376022>
- <https://www.businessofapps.com/data/netflix-statistics>
- <https://www.rbcwealthmanagement.com/us/en/research-insights/streaming-services-have-accelerated-during-covid-19-will-this-continue/detail/>
- <https://ir.roku.com/news-releases/news-release-details/new-roku-study-finds-cord-cutting-hits-milestone-amid-covid-19>
- <https://secondmeasure.com/datapoints/streaming-services-grow-fifty-percent-covid-19/>
- <https://www.bnnbloomberg.ca/streaming-services-face-an-economic-reckoning-after-covid-19-1.1430358>
- <https://www.latana.com/post/streaming-services-covid>
- <https://ca.movies.yahoo.com/41-netflix-subscribers-plan-keep-150119707.html>
- <https://www.lek.com/insights/ei/streaming-landscape-post-covid-19-world>
- <https://www.simon-kucher.com/en/about/media-center/covid-19-customers-willing-pay-more-ever-netflix>
- <https://www.cnn.com/2020/10/29/media/netflix-raises-prices/index.html>
- <https://variety.com/2020/biz/news/hollywood-coronavirus-entertainment-industry-movies-festivals-1203529795/>
- <https://www.marketwatch.com/story/netflix-subscription-gains-screch-lower-as-pandemic-wears-on-stock-falls-5-11603224575>
- <https://www.nbcnews.com/pop-culture/movies/hollywood-s-covid-pandemic-disruption-storyline-desperately-needs-rewrite-n1235823>

Thanks for Watching

NETFLIX