NETFLIX

Transition into Streaming

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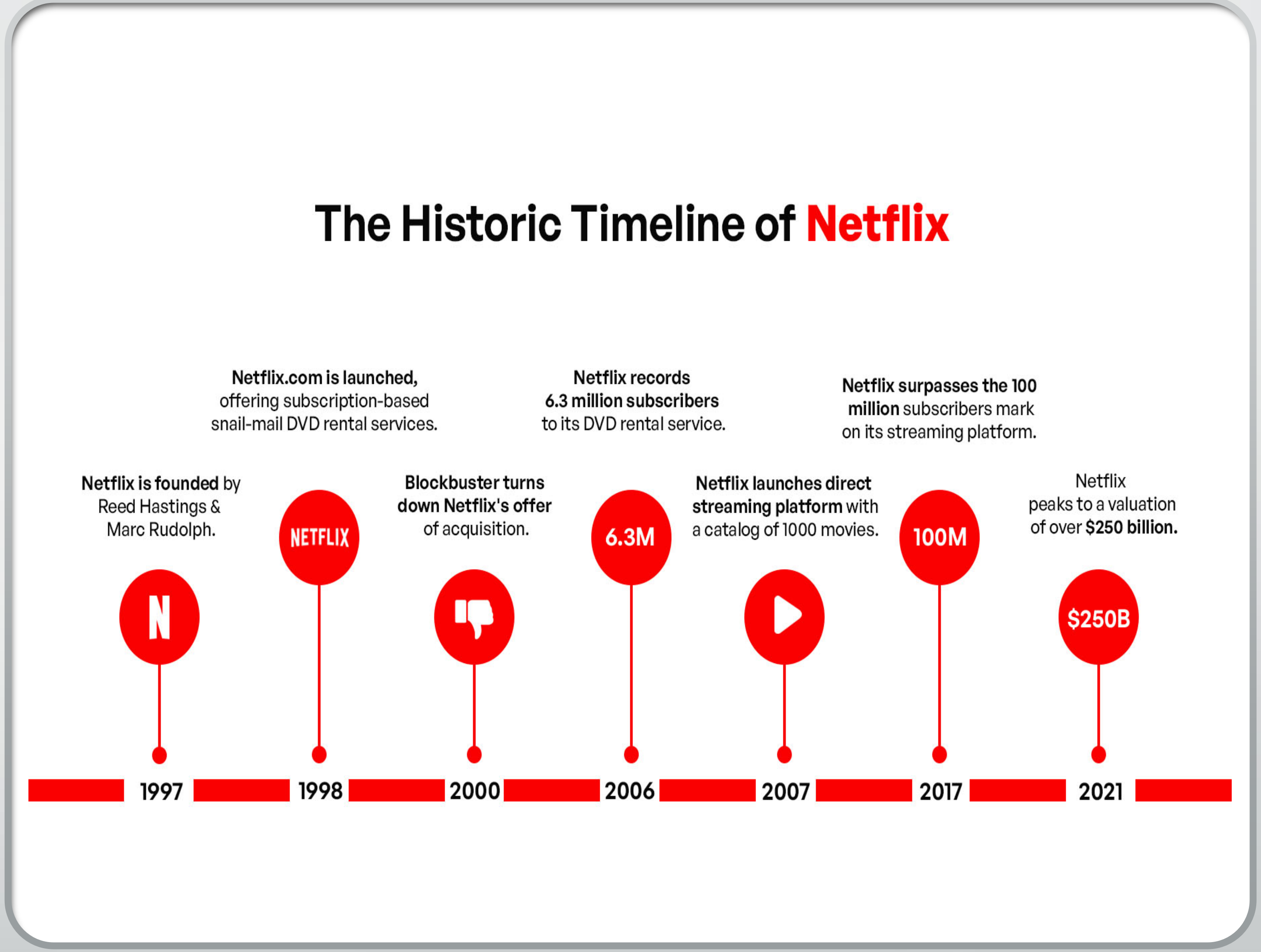
Executive Summary

- Netflix was founded on August 29th, 1997, in Scotts Valley California by Marc Randolph & Reed Hastings.
- Netflix began as a DVD-by-mail rental service, with the goal in mind to compete with blockbusters.
- Today, Netflix is an industry leader from a streaming service perspective, holding roughly a 21% market share in the United States across all streaming platforms.
- Our presentation will highlight Netflix's transition into streaming, beginning in 2007.

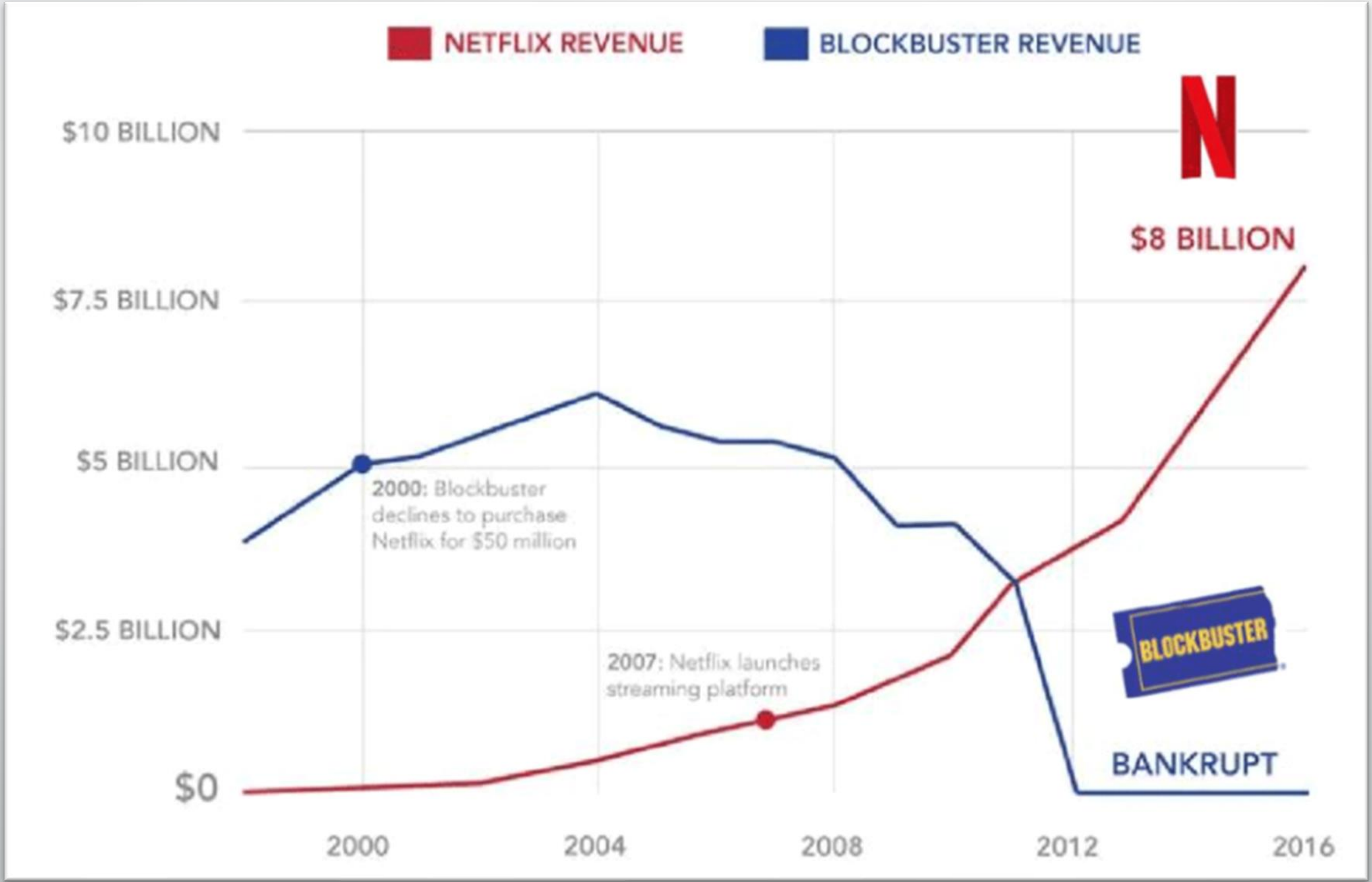
- In 1998, Netflix's launches a subscription-based service where customers can receive and return DVDs via the mail.
- The goal was cut out the hassle of returning DVDs to a physical store location.
- In the year 2000, Netflix approach Blockbusters to purchase 49% of the company for $50 million dollars.
- In 2007 Netflix transitioned and launched their streaming site.
- 10 years later in 2017 Netflix reached 100 millions subscribers.



Why Move Towards Streaming?

- **Technological Advancements:** Netflix's CEO, Reed Hasting had long envisioned an internet movie delivery service and saw this as being the future.
- **Market Opportunity:** With the improvement of "high-speed internet" this created an environment more conducive to streaming.
- **Competitive Advantage:** Netflix's executives saw this as an advantage over their competitors, as well as to increase their customer base.
- **Financial Growth:** As a result, Netflix's saw this as an opportunity to increase revenue & profitability.

Revenue Stream per year
Netflix vs Blockbuster



Project Scope & Objectives

- What Netflix aimed to achieve with streaming
  - On-Demand Entertainment
  - Global Reach
  - Personalized User Experience
  - Cost Efficiency
  - Original Content Creation

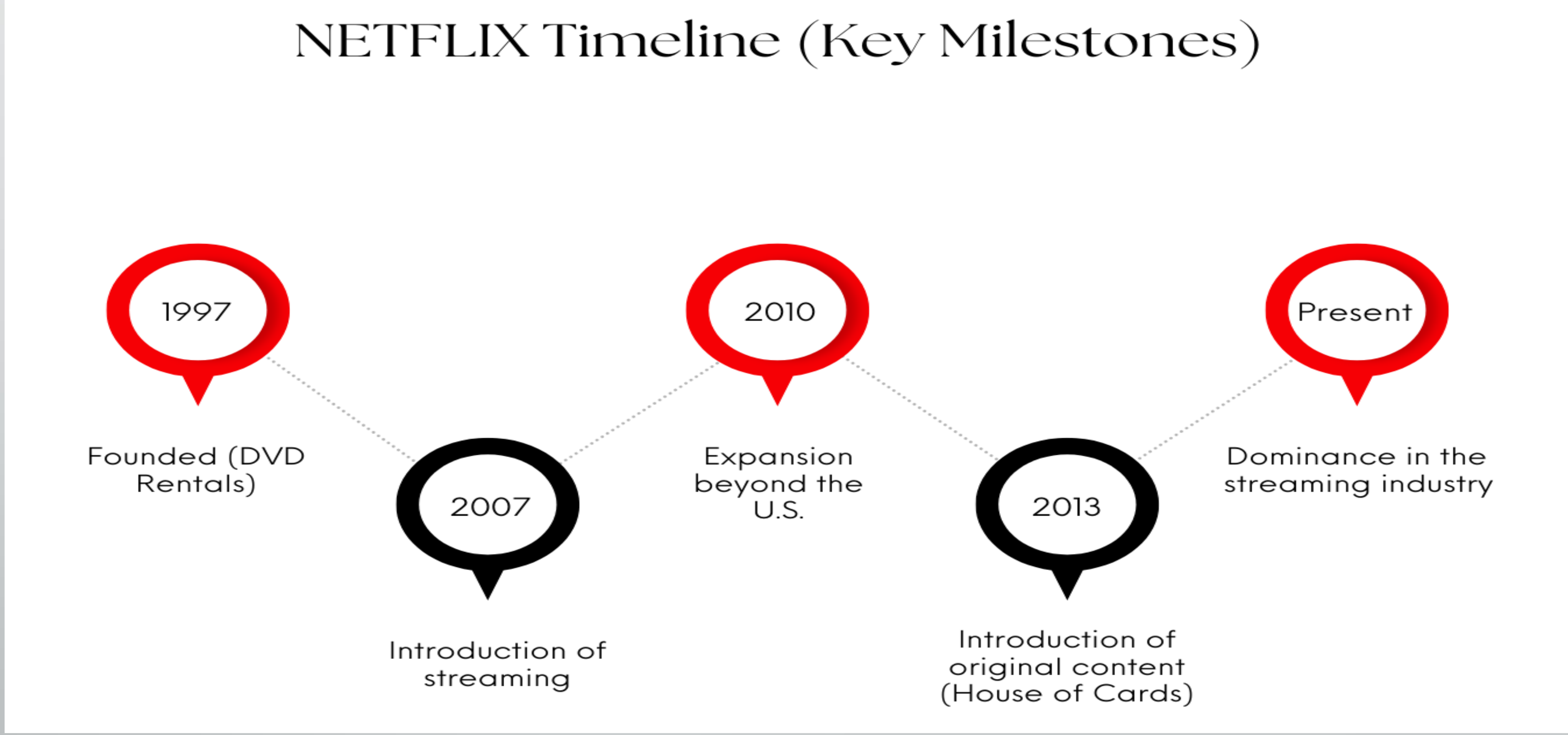
Project Scope

- The scope of the transition (technology, market, operations)
  - Technology:
    - Development of Streaming Infrastructure
    - Adaptive Streaming Technology
    - Data Analytics and Algorithms
  - Market:
    - Expansion Internationally
    - Competitors
  - Operations:
    - Subscription Based Model
    - Content Licensing and Production
    - Content Delivery Network

Project Scope & Objectives Continued

- Success/ Failure Criteria
  - Success
    - User Growth & Revenue Growth
    - Content Library & Original Programming
    - Technological Stability and Performance
    - Brand Recognition and Market Position
    - Profitability and Sustainable Growth
  - Failure
    - Low Retention Rate
    - Licensing Disputes and Content Loss
    - Technological Failures- streaming quality, outages
    - Growing Competition
    - Financial Stability

Project Timeline



Research & Analysis: Business Model Shift

Why did Netflix pivot to streaming?

- Demand for DVDs declined due to convenience of digital media.
- Growth of high-speed internet and mobile/on-the-go viewing
- The success of platforms like YouTube (Est. 2005) created a shift content consumption

Company	Business Model (Pre-Streaming Era)	Response to Netflix pivoting to streaming
Blockbuster	DVD Rental, late fees, physical store	Failed to evolve and went bankrupt in 2010
Hulu	On demand Ad-supported Streaming	Partnered with major studios in 2010 and started making original content
Amazon Prime Video	Pay-per-view streaming	Rebranded in 2011 to bundle streaming content
Cable (Various Providers)	Traditional Cable Paid TV	Has continued to decline as streaming has grown

Research & Analysis: Challenges & Risks

Technology Challenges

- High speed internet, smart TVs, streaming software
- Netflix Server capacity

Content

- Acquiring third party content
- Creating original content

Price

- Need to have a subscription price that aligns with content and consumer needs
  - Avoid what happened in 2011 with Qwikster debacle that led to 800,000 subscribers loss

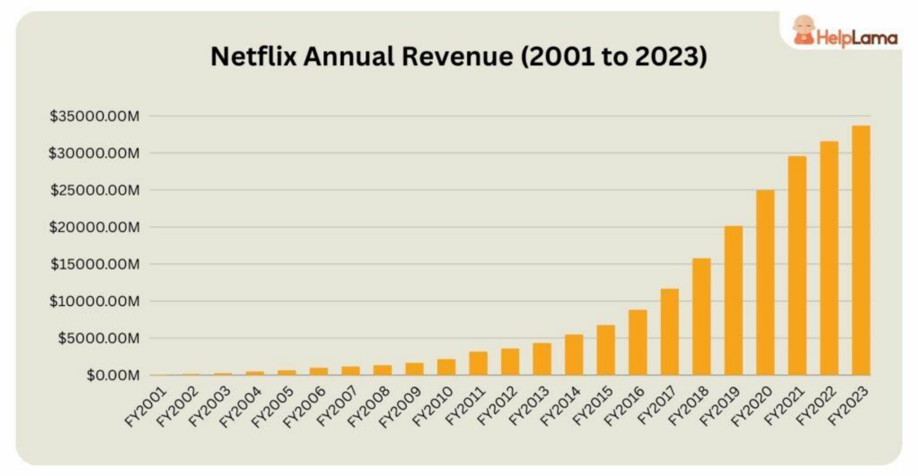
Research & Analysis: Business Model Shift

Subscription Model Changes:

- **Flat monthly pricing:** Encouraged binge-watching and user retention.
- **No late fees:** A key differentiator from Blockbuster.
- **Personalized recommendations:** AI-driven algorithms.
- **Exclusive original content:** House of Cards, Stranger Things, Squid Game.

Impact of New Model:

- Initially there were due to cost of content creation and acquisitions
- However, Long-term gains have grown exponentially due to subscription influx.



Research & Analysis: Successes & Impact

Growth in Subscriber Base

- **2007:** 7.5 M subscribers.
- **2013:** 40M subscribers
- **2020:** 204M subscribers.
- **2025:** 302+M subscribers globally

Disruption of the Entertainment Industry

- Introduced on-demand and ad-free entertainment.
- Changed content consumption habits (binge-watching culture).
- Led to the decline of traditional TV and cable service

Competitor	Response to Netflix
hulu	Focused on original content and TV Bundles
Disney+	Launched own service instead of licensing to Netflix
prime video	Invested heavily on original content
max	Entered the market with their own large back-catalogs of content
peacock	

Project Management Evaluation

Positives in Execution

- **Planning**: Jumped on shift to streaming before competitors.
- **Risk Management**: Took early financial losses for eventual long-term gains.
- **Adaptability/Innovation**: Pivoted from traditional, long-established consumption of digital media to innovate a new way that now dominates the industry.
- **User Experience:** Easy to use interface, with AI-generated recommendation system.
- **Global Expansion:** Expanded world-wide without issue

What Could Be Improved?

- **Qwikster rebrand in 2011** could have led to a major failure
- **Quality over Quantity in Original Content:** Recent Netflix Originals have had quality concerns
- **Balance of content investments and subscription price** so revenue can grow and consumers are happy

Lessons Learned

- **Embrace Innovation Early:** Staying ahead of industry trends allows companies to lead rather than follow. Netflix's early move into streaming positioned it as a dominant force before competitors could catch up.
- **Customer-Centric Decisions Matter:** Understanding consumer behavior and preferences is crucial for retention. Netflix's move to ad-free, on-demand content addressed changing viewing habits and set a new industry standard.
- **Prioritize Quality Growth:** Expansion should focus on maintaining service reliability and content standards rather than just increasing numbers. Rapid growth without quality control can lead to subscriber dissatisfaction and higher churn rates.

Conclusion

Netflix's transition to streaming was highly successful, transforming it into a global entertainment leader with millions of subscribers. By embracing digital innovation early, Netflix not only secured its own dominance but also reshaped how audiences consume content. Netflix's pivot to streaming allowed it to outpace competitors, scale globally, and establish itself as a content powerhouse.

Lasting Impact on the Industry:

- Revolutionized content consumption by introducing on-demand, ad-free streaming.
- Led to the decline of traditional cable TV and the rise of the streaming wars.
- Set new industry standards for personalized recommendations and binge-watching culture.
- Inspired competitors to prioritize original content and direct-to-consumer models.

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