

# How netflix is conquering the world

[Business](#), [Company](#)



Netflix is one of the most well known brands in America and the world. With over 125 million subscribers globally, Netflix accounts for 64.5% of the American digital video viewers. (Statista., 2018) A study by Statista found that Netflix is expected to jump from 125 million to 140 million subscribers by 2020 (2018). To provide a bit of context into Netflix's history of global expansion, let's take a closer look into some of the countries they went to first. Canada became the first foreign country to have live streaming on demand in 2010. Then Netflix entered into South America and the Caribbean in 2011. Then the United Kingdom, Ireland and countries in Scandinavia in 2012, and the Dutch market in 2013 and so on. (Hame., 2014)

As of 2018, Netflix is in over 190 countries around the world. (Netflix) Which begs the question yet again, how did a company that was once about to be sold to the bankrupted BlockBuster for only \$50 million made it to global domination? (Chong., 2017)

When taking a closer look into what were some of the key factors that differentiated Netflix from the herd, we can point out a number of these factors as:

### **Data and algorithm**

The relationship between Amazon Prime and Netflix

Strong original content

Importance of Millarworld acquisition

Data and Algorithm

Netflix has changed the calculus of whether a show or film is worth making. According to Rodriguez (2017), the company has identified some 1, 300 “taste clusters” by watching its subscribers. Analysis of how well a program will reach, draw and retain customers in specific clusters lets Netflix calculate what sort of acquisition costs can be justified for it. It can thus target quite precise niches, rather than the broad demographic groups broadcast television depends on. Decisions about what projects to pursue, and whether to make them, are up to the executives in Hollywood lead by Ted Sarandos, Netflix’s chief content officer, who have the coveted power to green light a project. However, the budget is set by with help of the headquarters in Los Gatos.

Once a show is ready for delivery, it is up to executives in Los Gatos like Todd Yelin, vice president of product, to work out how to get it to the appropriate users and check that they are delighted by it. Netflix customers will scroll through 40 or 50 titles on their individualized homescreen, he says, before they choose a title. The choice can come down to details like the poster art, which Netflix tweaks algorithmically according to the aspects of a film or show that would appeal most to given user.

The combination of personalization and reach makes the Netflix home screen the most powerful promotional tool in entertainment, according to Matthew Ball (2018). It lets the company get better results for a lesser-quality show than its peers can by showing it only to those who will like it. The Kissing Booth, a romantic high school comedy released in past May, was harshly criticized by film critics. However, it has been seen by more than 20 million

households. Millions of teenagers targeted by algorithms seem smitten by its leads, Jacob Elordi and Joey King.

Its quantitative understanding, and personalized marketing, of niche projects has seen Netflix revive cancelled shows with loyal fan bases, such as *Gilmore Girls*, and take up shows others turned down, such as *The Unbreakable Kimmy Schmidt*. Documentaries like *Wild Wild Country* became hot not just by word of mouth, but by being pushed on the homescreen, poster by individualized poster.

### **The Relationship Between Amazon Prime and Netflix**

When the movie service Netflix had suffered a breakdown of a database in August 2008, it was unable to mail out DVDs for three days. That was a serious problem for a shipper of DVD rentals. That incident prompted Netflix to shift its billions of hours of film and TV content to Amazon's cloud and becoming a star customer of Amazon Web Services (Roswell, C, 2018). The relationship between Amazon and Netflix may seem strange. Amazon, which owns Amazon Web Services, along with Amazon Prime Video Service, competes directly with Netflix in the online video streaming market.

After Netflix changing pricing structures for its DVD mail order/online video streaming business in 2011, many subscribers left. Netflix came up with a new plan which is to expand their service into new regions (KRAZIT, T, 2018).

Therefore Netflix expanded their services to countries in Latin America, Eastern Europe and Canada, particularly those experiencing growth in online technology.

During this process, Netflix gets benefits of Amazon's ability to cut hosting costs relative to its competitors (as much as 25%). With these savings, Netflix updated its interface, developed new contracts and licensing deals with movie and television production studios, and plans to continue its expansion efforts.

Comparing Netflix and Amazon Prime, both of them provide free trials. Netflix gives you a free month while Amazon offers a 30-day free trial of its Prime membership. After the free trial, there are several options available for each service. Amazon has the annual membership which costs \$99-a-year and it comes with one-day delivery on millions of items, ad-free music streaming with Prime Music, unlimited photo storage, early access to Lightning Deals, and more. That's great value if you're a regular Amazon shopper as well as an Amazon media consumer. In addition to this, Amazon also offers stand-alone service which costs \$8.99 a month. Netflix on the other hand, offers its subscription options into three categories: basic, standard, and premium. First, the basic costs \$7.99, which only allows for a single standard definition stream. Second, the standard costs \$10.99 and it allows you to watch two screens at the same time. Third, the premium level, you can double up the number of screens you can watch and it costs \$13.99 a month. Now most of current smart TV platforms and smartphones support both Amazon and Netflix (Waniata, R, 2018).

### **Strong Original Content**

After netflix landed on Entertainment industry, they stand strong in this industry with their original content. According to the Todd Spangler, Netflix plans to release over 30 new original films in 2018 (Spangler, T, 2017) not

<https://assignbuster.com/how-netflix-is-conquering-the-world/>

only in the US but also all over the world. Spangler said Netflix ranges anywhere from the million-dollar Sundance hit, all the way up to something on a much larger scale (2017) Netflix is spending way more money than we expect to create their original content, and it makes Netflix originals go on the top of competitive charts, such as traditional TV program. In 2017, Netflix has spent 6 billion for their original contents, but actually that is not a true reflection of the money the company is actually shelling out (Dawson, J, 2018) As opposed to dealing with licensed contents, Netflix has to invest whole expense out of their pocket from day one. That means, the cash cost incurred even before the content is released. Therefore, Jaw Dawson said the Netflix's cash outlay on the content is considerable as less than its total cost revenue specified in company's income statement, it is 25% to 30% higher than the last few quarters (2018.)

Moreover, the chief content officer Ted Sarandos announced the company is planning to spend more and more cash to create original content. That means Netflix will counter the competitor's content with way bigger scaled original content. The great example for this Netflix's aggressive movement for the original content is one of the representative Netflix original content, "House of Cards." The company spent over \$100 million only for the first season's production. Based on the 2017 research, average Hollywood movie filming budget is \$65 million. So, Netflix almost spend twice of the average budget only for the first season. Actually, the money Netflix spent was worthy because House of card series was nominated 212 awards, and won 27 awards. This is how Netflix stand strong in the entertainment industry and counter the competitors.

**Importance of Millarworld acquisition**

Netflix has revolutionized the television business and the biggest source of its success, and the appreciation of its stock price, has been the company's focus on producing original content, which has been the main drive in creating and maintaining a loyal customer base. The streaming giant currently has 130 million subscribers worldwide and is available in 43% of U.S. households, however, in order to continue this aggressive rate of growth Netflix must continue to expand its catalogue of content offerings.

Based on the knowledge that comic book adaptations have historically drawn large audiences on the streaming service, Netflix decided to acquire Millarworld, the comic book publishing powerhouse founded by Mark Millar. Netflix will bring Millarworld's existing portfolio of popular comic book franchises to life through films, television series and children's entertainment which shall be available on an exclusive, worldwide basis to Netflix subscribers. Under the terms of their partnership, Millarworld will continue to develop new stories which shall serve as additional content for production and distribution under the Netflix label.

Another driving factor in the Millarworld acquisition is Netflix's strategy of growing a young subscriber base. Netflix believes that if a company is able to win over audience members when they are young, they are better positioned to secure loyal customers over a long time horizon. Additionally, given the expiration of Disney's license agreement with Netflix and Disney's current plan to launch its own streaming service in connection with its acquisition of 20th Century Fox, Netflix must continue to expand its catalogue of genre content and kid's programming in order to compete for

long term viewers. In fact, the company is experimenting with producing interactive content geared towards children, such as “ The Adventures of Puss in Boots,” where viewers can make choices that affect the story’s outcome.