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**NETFLIX**

A Strategy to Succeed ?

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04/20/13

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# Company Background

- ◎ Year Founded: 1997
- ◎ Headquarter Location: Los Gatos, CA
- ◎ Netflix membership
- ◎ Personalized movie recommendations in 2000
- ◎ Introduced streaming content in 2007



# Early Success

- ◎ Total Subscribers
  - 2004 = 2.6 million
  - 2010 = 20.01 million (669% growth)
- ◎ Revenues grew
  - 2004 = \$500 million
  - 2010 = \$2.16 billion (332% growth)
- ◎ Net Income
  - 2004 = \$21.6 million
  - 2010 = \$160 million (640% growth)

# Price Split/Strategy

## ◎ Split DVD and streaming services in November 2010.

- Charged separate prices for DVD by mail and streaming content subscriptions.
- \$8.99 for both (before split)
- \$7.99 for unlimited streaming (after split)
- \$7.99 1 DVD by mail (after split)

## ◎ Quikster

- ◎ “We believe that DVD will be a fading differentiator given the explosive growth of streaming, and that in order to prosper in streaming we must concentrate in having the best possible streaming service.”

# Price Split Aftermath

- ◎ Total Subscribers (total unique US subscribers)
  - 2010 = 19.5 million
  - 2011 = 24.4 million (25% growth)
- ◎ Revenues grew
  - 2010 = \$2.16 billion
  - 2011 = \$3.2 billion (48% growth)
- ◎ Net Income
  - 2010 = \$160 million
  - 2011 = \$226 million (41% growth)

# The Drop

Netflix (NASDAQ: NFLX)

3:06 PM ET on Nov 3, 2011

Last Price	Change	Open	Day High	52-Week High
<b>89.73</b>	6.34 ↑ (7.603%)	84.13	89.77	304.79
	Volume	Previous Close	Day Low	52-Week Low
	9,067,900	83.39	81.80	74.25



# What's New?

- ◎ International Markets Expansion started in 2010
- ◎ Investment in child programming
- ◎ Facebook for Netflix
- ◎ Investment in original content

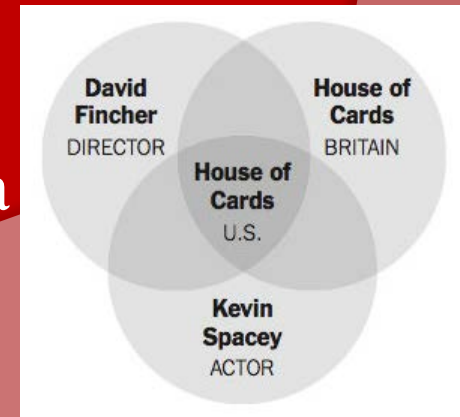


# Investment in Original Content

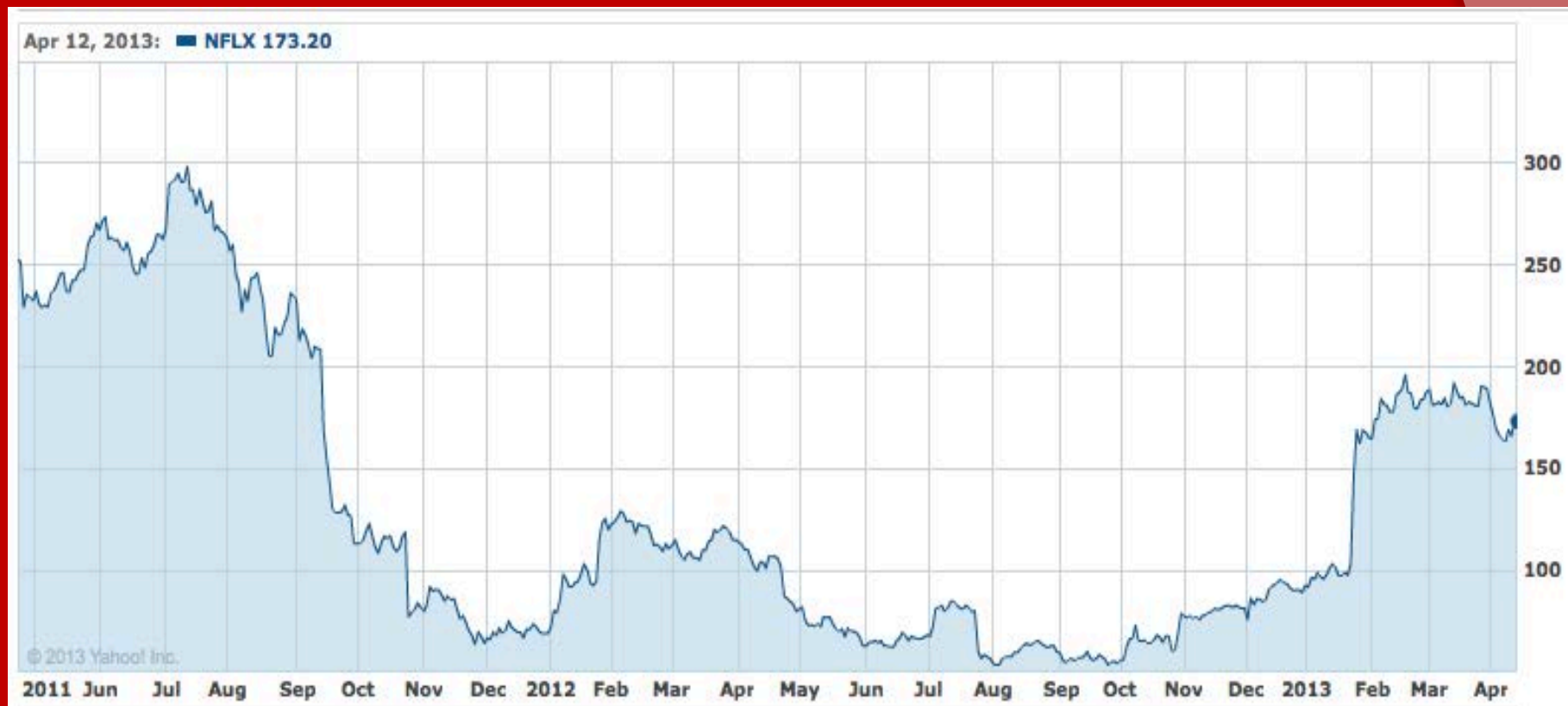
- ◎ January 2012 – started producing original series House of Cards
- ◎ \$3.8 - \$4.5+ million per episode
- ◎ \$100 million (estimated \$50 million per season)
- ◎ Will expand original series (9 series planned)
  - Hemlock Grove – April 19<sup>th</sup>
  - Arrested Development – May
  - Orange is the New Black
  - Derek
  - Lilyhammer

# Strategy Behind Investment

- ◎ Become HBO before HBO becomes Netflix
- ◎ Bringing the future of TV, internet TV
- ◎ “you can figure out what to produce and who to merchandise it to...Selective merchandising is very profitable.” – Reed Hastings
- ◎ Targeting “binge viewing”
- ◎ "We're not programming to the limited shelf space of broadcast television." – Reed Hastings
- ◎ Predetermined success based off viewing data and habits

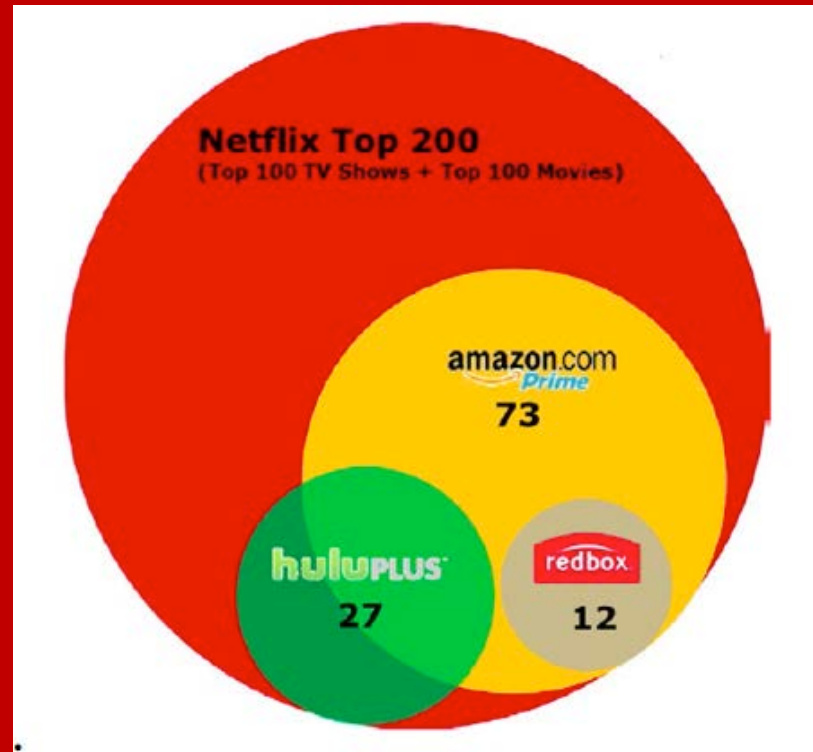


# Battling Back



# Competitors

- ◎ HBO Go
- ◎ Amazon Prime
- ◎ Hulu Plus
- ◎ Redbox





# Future Thoughts for Netflix

- ◎ International expansion slowed...for now.
- ◎ Who doesn't enjoy Disney...and Star Wars?
- ◎ Original Series and Game Changers
- ◎ The constraints of the linear TV grid will fall, one by one.
- ◎ Is another price increase looming?

*Any Questions?*