Brief Case Study

The Impact of Disney+ and an Over Saturated Market on Netflix

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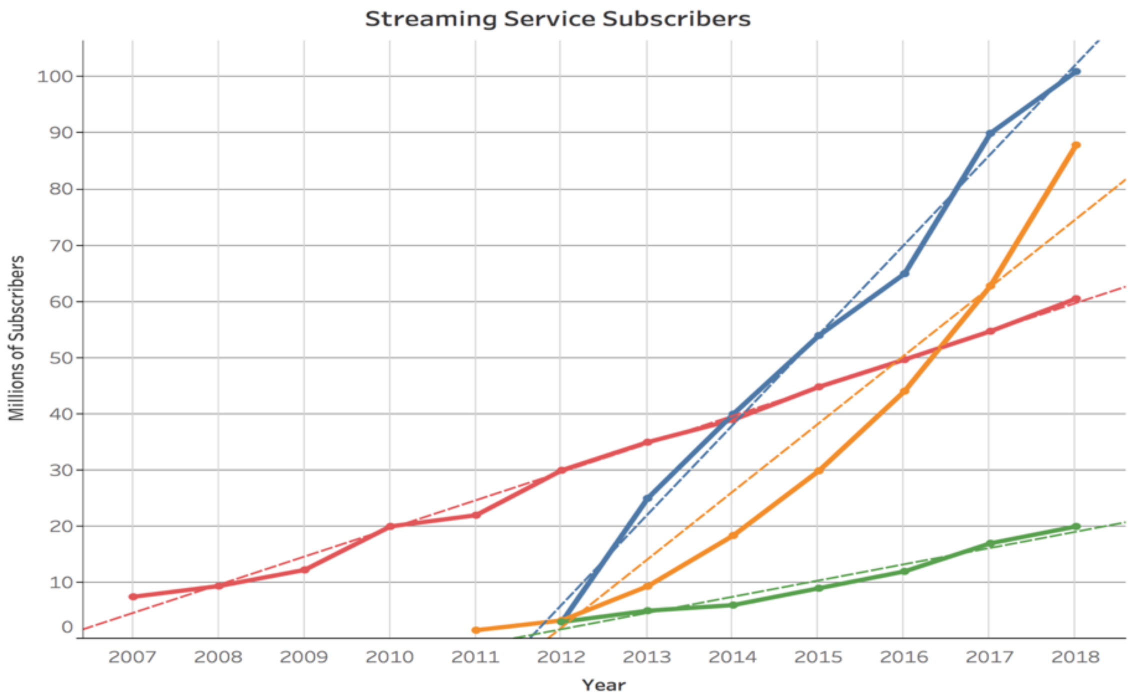
Executive Summary

This brief case study examines the potential impact Disney's 2019 streaming service, Disney+, and an increasingly oversaturated streaming landscape may have on Netflix, and aside from traditional marketing what paths Netflix can take to combat Disney+ and the landscape. The data quickly evaluates the competition by looking at the amount of consumer subscriptions for Netflix, Hulu, (Amazon) Prime Video and the forecast for each, what Netflix is losing access to with the launch of Disney+ as well as the short-term and long-term effects this will have on Netflix, the consumer ranking of Netflix categories, and overlapping of consumers subscriptions in streaming services. The case study closes with the suggested research and innovative path, that can be set in motion with a new premium subscription, Netflix should take to capitalize and boost marketing on its most popular content, provide a new and unique human experience, increase user involvement, and attract new consumers.

Subscribers

The Data for subscribers to Netflix are split into 2 trend lines, United States and Global, the Prime Video trend line includes United States and Global subscribers, and Hulu is only available in the United States.



Netflix

Netflix streaming services started in 2007. By the time Hulu and Amazon launched their streaming services in 2012 Netflix already had 30 million United States subscribers and over 2 million global subscribers. Today Netflix total subscribers are over 145 million. [1]

Hulu

Hulu, even though it is well behind the competition, continues to steadily increase its subscribers. Hulu is more focused on TV content and is the only service out of the 3 that offers live TV. Today there are about 20 million Hulu subscribers. [1]

Prime Video

Prime Video has over 100 million subscribers worldwide, is second only to Netflix, and is on an extremely strong upwards trend. [1]

Forecast

Subscription Forecast

	2019	2020	2021	Total
Hulu	22.9	25.8	28.9	**77.6**
Netflix	65.1	68.8	74.1	**208.1**
Netflix Global	112.3	136.7	161.1	**410.0**
Prime Video	117.8	133.7	149.6	**401.1**

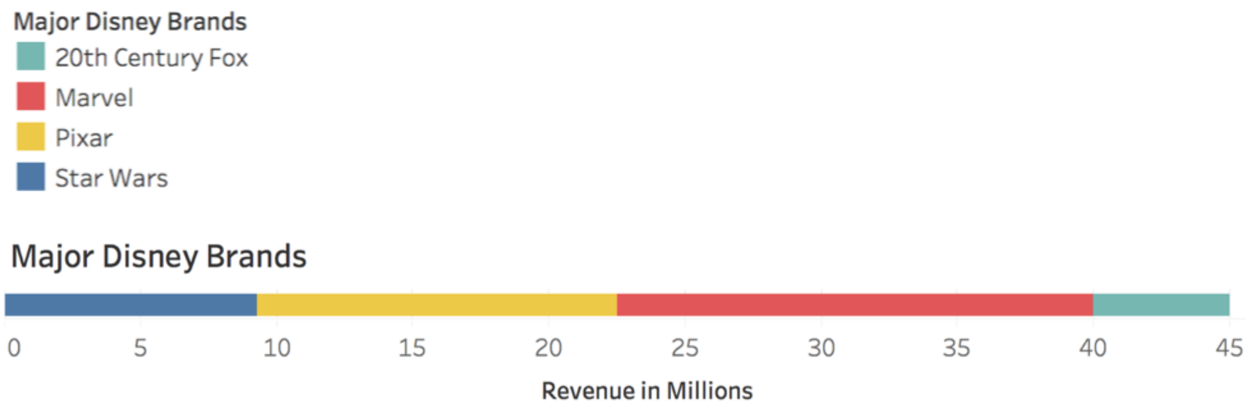
Subscription forecast done in Excel. For the next 3 years Hulu remains at the bottom of these streaming services while Prime Videos subscription growth rate quickly approaches that of the global subscribers growth rate for Netflix.

Cause for Concern

Rather than continue its deal with Netflix Disney is launching its own subscription service, Disney+, in 2019. Netflix will not receive content from 2019 and on although it will be able to keep all of its current Disney content through the end of the year. The content for Disney+ is yet to be confirmed but will likely include the major Disney content as well as the brands and companies Disney owns including: Marvel, Pixar, Star Wars, National Geographic, and the recently acquired 20th Century Fox [2]. Disney also owns Hulu and ESPN, which is the most watched sports network. [3]

What Netflix is Losing

Netflix is losing access to these widely popular brands whose combined top grossing films is over 45 million dollars. [4] [5] [6] [7]



Equally concerning is the top 3 movies from 2016, Top 2 movies in 2017, and top 3 movies in 2018 for Netflix were all from Disney.

Short-term effect. Although both just beginning Netflix stock dropped about 20% around Hulu's public access launch date on March 12th, 2008. Around the launch of Prime Video on February 22nd, 2011 Netflix stock dropped about 25%. Stock price is never a causation with certain events, but it can have a strong correlation. Considering the movie and TV show content, especially since the TV show category is Netflix most popular category, Netflix is losing the right to host with the launch of Disney+ it is a safe bet that Netflix stock will drop.

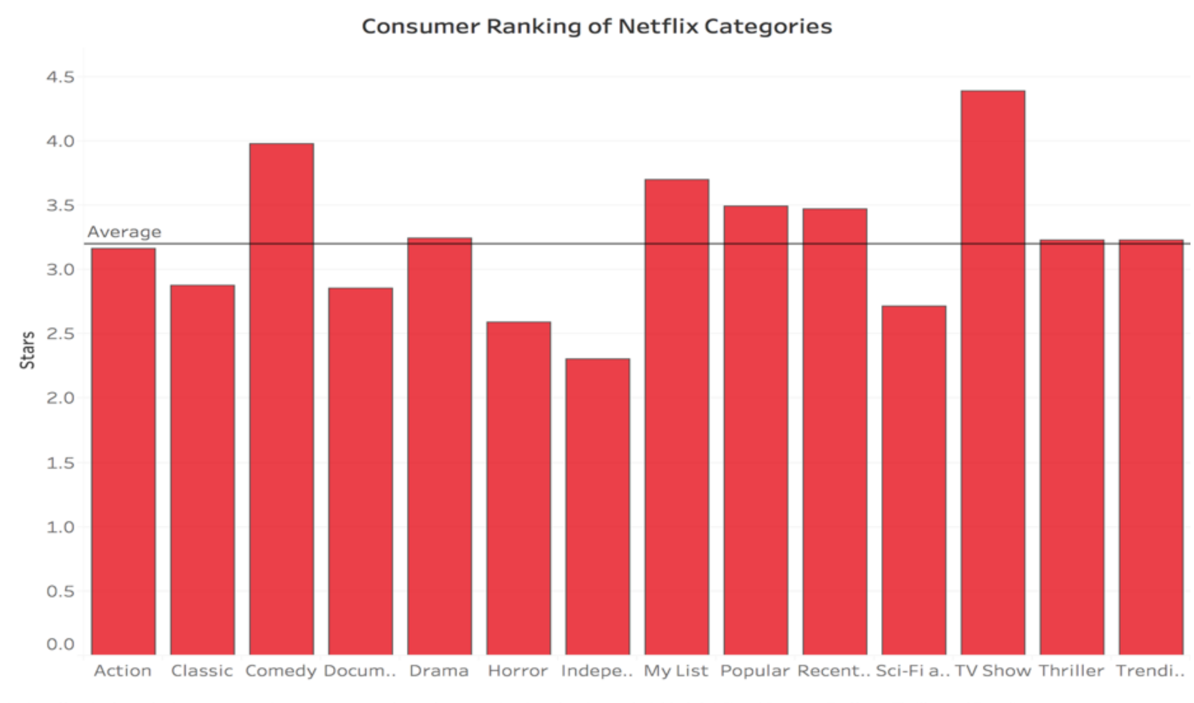
Long-term effect. Netflix still dominates the US market with 27% of all ages, the next highest being 20%, (based on a 2018 survey with 2,500 consumers by Cowen & Co) and in 2017 the number of Netflix subscribers in all US households equaled that of all cable providers at 73% [8] but the market is quickly becoming oversaturated with streaming services including: Hulu, Prime Video, CBS All Access, upcoming streaming services such as AT&T, Apple, NBCUniversal, Disney+, and some providing streaming and live TV like YouTube TV, Sling

TV, DirecTV, among many more. [9] Netflix can expect this landscape to stall its subscription growth rate, which in the United States is already forecast to slow down without any of these circumstances factored in. The need to stand out has never been more prevalent.

Netflix Most Popular Category

Netflix keeps most of its statistics private but the popularity of Netflix Originals movies and TV shows have shined through. Early 2017 14% of streams were Netflix Originals, late 2017 that percent rose 10%, and most recently in late 2018 the number of streams that were Netflix Originals was 37%. [10] Netflix will have to find a way to capitalize on this popularity since the major content its losing with the launch of Disney+.

Based on my online survey done in a Research Communication course at Ohio State designed with Qualtrics and collected with a convenience sampling across 5 different networks to identify the possible improvements for Netflix to increase user experience and attract consumers shows that the most popular Netflix category is TV Shows with an average 4.38 out of 5 stars.



Potential Strikes

For now, the plan is for Hulu, Disney+, and ESPN to remain as separate subscriptions. If these services are combined with a premium subscription or even if two out of the three are combined that may be major concern for Netflix facing a streaming giant that can offer boundless popular content, standard live TV and the most watched sports network. Netflix needs to establish consumers interest in these possibilities by conducting research to gauge this threat.

Aside from traditional marketing campaigns that could focus on advertising content for social media, which has a projected increase in ad spending around 20% for 2019 [11], specifically for the ever more popular social media platform Instagram in which advertisers plan to increase their ad spending by 73% compared to Facebook at 50% [12]; Or focusing on advertising content through an upcoming platform like podcasts, which has a projected yoy growth of 28% for the next 3 years [13]. Netflix can follow 3 major paths to set itself apart from the competition but only one path can capitalize on its most popular content.

Suggested Research

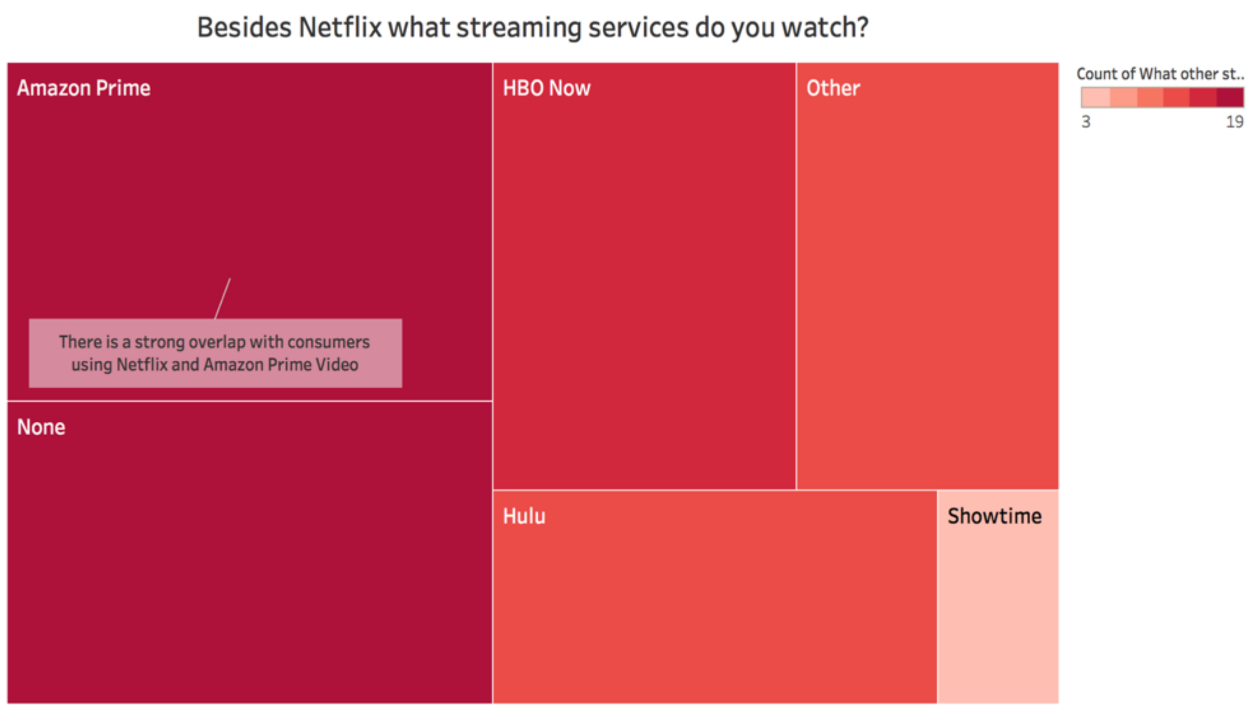
Netflix should conduct an online survey using stratified random sampling to get a good representation of the target population, in this case streaming services subscribers, so a high confidence level can be established from the results. This survey should discover the percentage of consumers that watch ESPN, live TV, and a streaming service, then identify the level of interest consumers have if some or all of these subscriptions are bundled into one and available using one service.

Paths

There are 3 major paths Netflix can follow for a preemptive marketing strike.

Partnership or Ownership. Like Disney, Netflix can seek partnerships or ownerships with major production companies to gain control over more popular content. Although this type of arms race doesn't set itself apart from the competition and may only target niche consumers that love particular movie franchises and content.

Merger. The data from my survey that discovered the most popular Netflix category and also from Statista Global Consumer Survey, 2018 concludes that the overlap of US consumers using Netflix and Prime Video is around 40%.



A merger or deal to show some of the same content across these platforms would potentially give Netflix access to the most used e-commerce website in the world as well as the second most used streaming service. This would open new doors for marketing and attracting consumers. Although Amazon has its own slew of original content and this merger/deal may be too complicated to be practical.

Innovation (suggested). On this path Netflix can gauge the level of interest from consumers by collecting data from an online survey using a stratified random sample like that suggested in the research section. Netflix recent success with its Originals both TV and movie have never been greater. The most recent and most successful Netflix Original, Bird Box, netted 45 million viewers during its first week of release, as reported by Netflix. It was popular enough to get free showings at movie theaters across College campuses. Netflix can capitalize on the Originals and TV show category popularity and offer something no other streaming service has done all while attracting new consumers, increasing the human experience, and boosting the marketing of its most popular content. That being showing its Originals, movie and TV shows, in theaters. This innovation can be set in motion with a new premium subscription.

Premium Subscription

Benefits to Consumers	Benefits to Netflix
Members pay more for a premium subscription but get free theater access.	Increased revenue and ability to predict future revenue by having more subscribers.
Non-Netflix members and non-premium members can have theater access for the traditional movie ticket price.	Attracting them to get a Netflix regular or premium membership while creating more revenue for Netflix to produce content for theaters.
Become aware of upcoming content they are interested in on Netflix.	Advertise upcoming Netflix content with trailers before the movie or show starts creating

	buzz. Also have production companies pay for advertising its content for Netflix on these trailers.
Subscribers and non-subscribers can vote on featured fan content of what is shown next in theaters.	Increases user involvement putting the consumer first and content advertising.
Consumer can watch their favorite Netflix Original TV shows in theaters, providing a truly unique human experience.	Further incentive for consumers to become a premium subscriber.

Conclusion

To maintain its distinction as the Number 1 global streaming service in an ever-crowded landscape with new streaming giants on the horizon Netflix needs to be aggressive and innovative to set itself apart from the competition in order to maintain its status. Netflix has the opportunity to start a new and unique human experience by showing its Originals in theaters across the world.

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