

**Streaming is the New Black: A Consumer-based Examination of Netflix Inc.  
Original Programming and Streaming Strategy**

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**Abstract**

Streaming is the New Black: A Consumer-based Examination of Netflix Inc. Original Programming and Streaming Strategy

Lindsay B. Strott

Founded in 1997 in the United States, Netflix Inc. was originally a DVD-by-mail service, providing an alternative option to big box rental stores and their accompanying late fees. Foreseeing the potential in over-the-top Internet streaming and the fall of DVDs, Netflix began offering on-demand Internet streaming of licensed films and television programs in 2007 as a free perk for subscribers. By 2010, Netflix's streaming business had grown so quickly that the company transformed from the most rapidly growing customer of the United States Postal Service's mail service to the largest source of evening Internet traffic in North America. That same year, streaming became a separate subscription option from DVD rentals, marking the company's shift in focus towards streaming. In 2014, Netflix further defined its streaming strategy with the stated goal of releasing original content every two and half weeks. This change transformed Netflix from a content aggregator into a major content creator, potentially redefining the company's entire business model and brand image. However, it is unclear if this strategy modification has been successful in customer acquisition and retention as Netflix releases very little subscriber data. It is also unknown if viewers are taking to Netflix originals with the same alacrity as other premium content services known for such content. Though Netflix openly compares itself to HBO, a company known for quality originals, there is no data regarding its originals to back up this comparison. Additionally, in the face of rising content costs diminishing the bottom line at Netflix, it is critical that major

content investments are proven to be stimuli for growth. If originals are proven to be important to users and beneficial to the company, this could legitimize the large budgets of some of the Netflix originals. This thesis examines Netflix streaming users habits, preferences, and opinions on Netflix streaming and original programming via survey to determine how important original programming is for the company and if it will help achieve the company's wider goal of becoming the world's first Internet-only premium content network.





## Chapter 1 : Introduction

### 1.1 Introduction

Entertainment and media proliferation is splintering the traditional television viewing audience and changing what it means to watch TV. The Big 3 broadcast networks (ABC, NBC, CBS) were the only available options for the majority of American viewers in the early years of television (Edgerton, 2007). Even as late as the 1978–79 season, ABC, NBC, and CBS collectively commanded a whopping 91% share of the prime-time audience (Bradley, 2007). Over the following twenty years, however, viewership of the Big 3 declined steadily and significantly due to the rise in accessibility, quantity and quality of cable channels as well as the creation of other broadcast networks. In 2013, the Big 3 claimed less than 35% of the prime time viewing audience (IBISWorld, 2013). However, traditional television (including both broadcast and cable networks) is losing viewers at an increasing rate to a new competitor: new media platforms. New media platforms include apps, mobile devices, OnDemand services, Internet sites like YouTube, subscription services such as Hulu, and DVR (TV broadcasting & cable networks, 2013). According to Leichtman Research Group, 76% of American households have a DVR, subscribe to Netflix or use OnDemand, and 70% of people that have these platforms use them weekly (Leichtman Research Group, 2015). Expanding technology and Internet capabilities allows television viewers to enjoy and even expect concierge-like service: they want to see their programs anytime, anywhere, on any device. Despite new media's advantages, forecasting the demise of broadcast networks is premature. For the foreseeable future, broadcasters remain the best way for advertisers to reach a

broad, diverse audience that advertisers are willing to pay for (eMarketer, 2013).

Additionally, users of new media platforms make up traditional television's most avid consumers (Kafka, 2013). Nonetheless, alternative viewing platforms are an entertainment source worth paying attention to as a growing trend and increasing segment of entertainment media.

One of the most prominent forms of new media platforms is over-the-top service. Over-the-top service, or OTT, in the broadest terms is the delivery of any media over the Internet directly to consumers without the participation of a multi-channel video provider such as a cable company (Comcast, Time Warner Cable, Cablevision, etc.) or direct-broadcast satellite television system (DirecTV, Dish Network, etc.) (Smith, 2007). Unlike with IPTV (Internet Protocol television), the Internet provider has no direct responsibility or control over the OTT content and does not use a dedicated managed system, sometimes referred to as a walled garden ecosystem, for delivery (Narang, 2013). Examples of OTT services are Crackle, YouTube, Netflix, Amazon Prime, and Skype. OTT content can be free or paid content, and users can access OTT via a myriad of Internet enabled devices including televisions, computers, smart phones, gaming consuls, Blu-ray players, and dedicated OTT boxes. According to research by The Diffusion Group, as of 2011 there were 90 million households worldwide watching OTT content (Reedy, 2011); by 2016 there will be over 250 million OTT households (Reedy, 2011). The OTT video industry generated around \$2-3 billion in revenue globally in 2011 (Taga, 2012), which is significantly less than the \$468 billion global film, entertainment and television industry (Taga, 2012). However, one estimate suggests revenue will reach \$15 billion

by 2016 (Taga, 2012), and other studies suggest that OTT is growing even faster than this estimate, forecasting 2017 revenues to reach \$37 billion (Informa Media Group, 2012). Because this industry is growing so rapidly and becoming a huge economic force, there is value in examining what is helping OTT become a top entertainment source.

The most successful OTT service based on paying subscribers, international availability, and downstream traffic is Netflix. Netflix ended 2014 with more than 53 million subscribers globally, over 36 million of them being U.S. based (O'Toole, 2014). In comparison, Amazon Prime has an estimated 40 million subscribers globally as of September 2014 (Hanley Frank, 2014). However, while the company reports that membership is steadily rising thanks to new products like Amazon Fire TV and an ever-expanding video library, it is estimated as few as one third of these subscribers actually utilize the video service aspect of the membership (Thomas, 2013). Hulu has about 6 million paid subscribers as of April 2014, but it also benefits from an unknown number of free users through advertising revenue (Perez, 2014). In terms of actually using OTT services, Netflix members spend much more time on the service as measured by Internet traffic. According to Sandvine Inc., a broadband service company, in 2014 Netflix accounted for 34.2% of all downstream Internet traffic in North America (Stenovec, 2014). The website of any kind that comes closest to that downstream rate is YouTube, which consists of a much smaller 13.9% of traffic (Stenovec, 2014). As far as direct competitors go, Amazon Prime Video comes in at 1.9% and Hulu is slightly lower at 1.74% (Stenovec, 2014). While some of Netflix's downstream data demands may be attributed to its adding Super HD

content, which is 50% larger than the previously available 1080p content, Netflix still commanded over 31% of North American downstream data in November 2013, before Super HD content was available (di Graza, 2013). And while Netflix has only been available in the United Kingdom and Ireland since 2012, in two years it became the second largest source of traffic during peak evening hours and accounted for over 17% of downstream fixed access traffic (Sandvine, 2014). In other words, not only are more consumers using Netflix domestically and internationally than competitor services, they are watching significantly more content on the service for longer periods of time.

## **1.2 Statement of the Problem**

While the majority of Netflix content consists of licensed material sourced from various television networks and film studios, Netflix began releasing its own original programming in 2012 and announced a goal of releasing at least five original series per year starting in 2013 (Hastings & Wells, 2013). Speculation suggests the reasons in doing so are to combat subscriber churn and grow the company's subscription base. However, the business move is more radical than many realize. The original programming strategy transforms Netflix from a merely a content aggregator into content creator, potentially redefining the company's entire business model and brand image. Nevertheless, it is unclear if this strategy change has been successful in customer retention and if it will achieve the company's wider goal of becoming the world's first Internet-only premium content network. In fact, Netflix CEO Reed has openly voiced that the company strives to become "the HBO" of the over-the-top space (Daly, 2013), meaning it would like to be known for engrossing

original programs in addition to its quality re-packaged content library. Taking the idea one step further, Netflix Chief Content Officer Ted Sarandos said, “The goal is to become HBO faster than HBO can become us,” (Hass, 2013). The urgency of this goal was heightened after the October 2014 announcement that HBO will be offering a stand-alone streaming service in 2015 called HBO Now, but consumer response alone will decide its success.

Consumer response and program achievement in media is typically measured by audience ratings. However, as a company, Netflix has repeatedly stated it has no reason to release ratings. This is because, as Netflix has no commercials, there are no advertisers to impress with audience numbers. Additionally, in terms of Netflix’s content-buying model and philosophy, it does not really matter how many people watch a given program if the investment price and license period are appropriate. Occasionally Netflix will release relative statements to sate curiosity such as the announcement that *Orange is the New Black* ended 2013 as Netflix’s most watched original series (Hastings & Wells, 2013), but the company refrains from releasing hard numbers.

With the lack of direct data, investors, journalists, and media researchers have resorted to external popularity measurements to estimate original programming success, namely via social media measurement. In a Q3 2013 letter to shareholders, Hastings and CFO David Wells themselves credited domestic net subscriber additions being 11% higher than the prior year Q3 to original content’s press coverage, social buzz, and Emmy nominations (Hastings and Wells, 2013). But in the same letter, Hastings and Wells admit that a bigger percentage of overall Netflix viewing is

generated by exclusive complete season-after series (Hastings and Wells, 2013). Nonetheless, Twitter, Facebook, blogs, and other websites are continually monitored for mentions of Netflix, its original programs, characters, and actors, especially before and after premieres and award shows. But does this actually translate into subscriber growth? Do these measurements reflect all consumers or just the vocal few? Netflix believes the chatter has some value, at least in terms of advertisement and brand awareness. In its April 22, 2013 statement to investors, Reed cited the creation of buzz as the primary reason for releasing entire original series at once. "Our decision to launch all episodes at once created enormous media and social buzz, reinforcing our brand attribute of giving consumers complete control over how and when they enjoy their entertainment," (Netflix Inc., 2013). This tactic clearly helps create a deluge of talk and perhaps saves the company some advertising dollars, but when looking at actual data, consumer social interactions based around Netflix original programming are dwarfed by traditional television shows that get the same or less media attention.

According to research firm NetBase, in a review of multiple social media sites there were 51,045 social media mentions for *House of Cards* (68% positive, 32% negative) in the 30 days leading up to its February 1, 2013 premiere, and *Arrested Development* garnered 170,431 social mentions (77% positive, 23% negative), in the 30 days leading up to its premiere (Spangler, 2013). However, high-profile traditional TV shows have generated even more talk. For example, in the month before HBO's *Game of Thrones* season 3 premiere, NetBase tallied 1.23 million interactions (71% positive, 29% negative). AMC's *Mad Men* premiere had 288,605 social

mentions (37% positive, 63% negative) in the 30 days before the season 6 debut (Spangler, 2013). Comparatively, the Netflix buzz does not produce the same level of social media response as traditional TV programs.

Looking at another company's research, Nielsen's measurement of Twitter buzz found Netflix's December 2014 original *Marco Polo* garnered 2,400 tweets throughout the full day it debuted on the streaming service (Ramachandran, 2014). In comparison, an HBO original series *The Leftovers* premiered in June 2014 to 19,000 tweets in just the three hours before and after live airing. *Blackish*, an ABC comedy, inspired 72,000 tweets for the series premiere in September 2014, while HBO's *Game of Thrones* season 4 premiere had 300,000 tweets during the three hours before and after live broadcast (Ramachandran, 2014). While any amount of buzz is helpful to the brand, Netflix social buzz is not proving to measure up to its television counterparts. Whether or not social mentions can be considered an accurate reflection of viewership, it is not reason enough alone for the original programming investment.

Netflix's first ventures into original programming have certainly garnered critical attention. In 2013 alone, the company was nominated for 14 Primetime Emmy awards in all, winning three of them, and was nominated for 6 Golden Globe awards, winning one. This marked the first time that a web-based television series had been nominated for, let alone won, a Primetime Emmy (Sharma & Cheney, 2013). The original programs have been nominated for other awards including Producers Guild of America Awards, Satellite Awards, Screen Actors Guild Awards, People's Choice Awards, Golden Reel Awards, Television Critics Association Awards, Writers Guild of America Awards, Directors Guild of America Awards, Peabody Awards, and

BAFTA TV Awards. Clearly, critics, viewers, and industry members acknowledge the quality of the original programming and are recognizing Netflix for it, but awards cannot be monetized and do not pay the expenses of such shows.

The best measure for the effectiveness of Netflix's original programming strategy is its overall effect on subscriber relationship: subscriber growth, subscriber value perception, and the prevention of subscriber churn, the metric that measures how many of a service's users cancel in any given month. If original programming can be proven to improve Netflix's membership, then it should be considered an important part of the company's strategy and a worthwhile investment. Industry analysts have speculated positive results regarding original programming, citing that Netflix doubled its year-over-year investment in such content for 2014 (Meyers, 2013). While this sounds like a glowing endorsement of the strategy, 2014's original content investment represented less than 10% of the company's global content expense (Meyers, 2013). Compare this to HBO, the standard to which Netflix openly strives, which has a 40% budgetary investment in original programming (Daly, 2013). Netflix's approach to the strategy now appears to be much more cautious and fledgling. So while it is growing exponentially, original programming still does not prove a significant expenditure for the company. Yet to truly compete with a company like HBO and expand subscriber growth, it might need to be.

### **1.3 Background**

Established in 1997 as a DVD rental service by Marc Randolph and Reed Hastings, Netflix, Inc. started its digital distribution service and subscription-based model in 1999 (Netflix, Inc., 2013). The following year, the company launched the



personalized movie recommendation system that uses members' ratings to predict viewing suggestions. On May 22, 2002, Netflix made its initial public offering on Nasdaq under the ticker "NFLX" while having 600,000 members. For the next several years the company experienced incredible subscriber growth, usually increasing over 60% year over year (Timeline, N.d.). Netflix progressively rolled out digital streaming in 2007 as a complimentary service included in membership with a small initial offering of 1,000 titles (Anderson, 2007). The number of hours per month allowed for online streaming was limited by plan: those with the \$5.99 subscription were allowed 6 hours of streaming while those with the \$17.99 plan were allowed 18 hours of streaming (Anderson, 2007). At the time of the announcement, CEO Reed Hastings said, "While mainstream consumer adoption of online movie watching will take a number of years due to content and technology hurdles, the time is right for Netflix to take the first step. Over the coming years we'll expand our selection of films, and we'll work to get to every Internet-connected screen, from cell phones to PCs to plasma screens," (Anderson, 2007). The inclusion of streaming as part of the Netflix subscription proved to be a popular bonus with consumers.

By 2010, Netflix's streaming business had grown so quickly that the company had transformed from the most rapidly growing customer of the United States Postal Service's first-class mail service to the largest source of Internet traffic in North America in the evening (Arango & Carr, 2010). That year, the company began offering a stand-alone streaming subscription that allowed unlimited streaming for \$7.99 a month (Arango & Carr, 2010). Netflix also began its international expansion in 2010 by launching in Canada. It subsequently launched in Latin America, the

Caribbean, the United Kingdom, Ireland, the Nordics, and the Netherlands (Timeline, N.d.). As of 2015, American Netflix members can watch unlimited content, anytime, anywhere, on nearly any Internet-connected screen in SD for \$7.99 per month or HD for \$8.99 per month (Overview, 2015). Netflix has over 53 million subscribers in nearly 50 countries watching more than two billion hours of TV shows and movies per month (Overview, 2015). On its investor relations website, Netflix now calls itself “the world’s leading Internet television network,” signaling a new era and loftier aims for the company (Overview, 2015).

It is difficult to find any investor relations letter or interview where Reed Hastings does not compare Netflix to HBO or voice his desire to surpass that company’s success (Daly, 2013). But to understand what it means to be “the HBO of OTT” (Daly, 2013) one must examine HBO’s brand identity. And as pop culture analyst Alyssa Rosenberg said, “what really makes HBO the thing we understand it to be today is the decision to expand its scripted original programming slate in addition to its movie library,” (Rosenberg, 2013). With HBO’s decision to enter original programming, it became known as a network that was willing to take risks and trust its creative talent. The reward for these risks was quality programs for a discerning and exclusive audience, over 127 million subscribers globally as of 2014 (Home Box Office core stats, 2015).

HBO was founded in 1972 as a premium cable channel and began with a programming library of mainly films and sporting events (Mair, 1988). HBO aired for nine hours each day during its first nine years of existence and did not expand to a 24-hour schedule until December 28, 1981 (Mair, 1988). HBO’s first venture into

original content was in 1983 with the first ever made-for-pay-TV movie *The Terry Fox Story* (Mair, 1988). That year also saw the premiere of the first original children's program on the channel: *Fraggle Rock*, an international collaboration of British regional ITV franchise-holder Television South (TVS), Canadian Broadcasting Corporation Television, and Henson Associates (later Jim Henson Productions) (Mair, 1988). The network expanded its original programming offerings in the following years, experimenting with drama, comedy, anthologies, and game shows. The new original programming was found especially to be a boon in 1988. That year, the Writers Guild of America went on strike, leaving the broadcast networks with only reruns to air while HBO had new programming (Rosenberg, 2013). HBO's subscriber base expanded greatly as a result.

HBO did not gain a strong reputation for daring original programming offerings until the early 1990s. During that period, original series such as *Tales from the Crypt*, *Tracey Takes On...*, *Mr. Show* and *Arliss* gained critical and popular attention (Edgerton & Jones, 2009). Debuting in 1992, *The Larry Sanders Show* arguably became HBO's flagship series in that decade. Although it was not as popular as shows on the Big Three networks and Fox, the show did enjoy a cult status, critical acclaim and received nominations and wins for many major awards (Edgerton & Jones, 2009). The series ranked #38 on *TV Guide's 50 Greatest TV Shows of All Time*, becoming the only HBO comedy to make the list (Cosgrove-Mather, 2002). The show's influence can be seen in subsequently aired programs on HBO such as *Curb Your Enthusiasm*, *Extras*, and *Entourage*.

Besides the numerous Emmy Award nominations and wins, the original programs that HBO has developed since the early 1990s have transformed the network image from a film distributor to the birthplace of high quality, daring and innovative television. This is partially possible because of the networks pay model. Since HBO is a subscription-only service that does not rely on commercial advertising, the network is relieved from pressures from the FCC and advertisers to tone down controversial aspects of its programs, leaving it free to experiment with formats. This allows for explicit content to air, such as graphic violence, sexual situations and profanity. The network took full advantage of this freedom with the 1997 launch of its first one-hour dramatic narrative series *Oz*, remarkable for its strong language, portrayal of drug abuse, and male nudity (DeFino, 2013). Although *Oz* was critically acclaimed, it was not until *The Sopranos* premiered in 1999 that the premium network hit its stride in achieving both critical mass and Emmy success. *The Sopranos* received 111 Emmy nominations during its six-season run, resulting in 21 wins, two of them for Best Drama (IMDB, 2015). In 2002, HBO debuted *The Wire*, which although not surpassing *The Sopranos* in viewership success, did match its critical acclaim over its five-season run and further cemented HBO's reputation as being a network that produces quality programming (DeFino, 2013). Today, the network maintains this reputation with lauded programs like *Game of Thrones*, *True Detective*, and *Veep*.

Similarly to HBO, Netflix first ventured into original programming with a multinational coproduction. In 2011, Netflix, along NRK from Norwegian Rubicon TV AS and German-owned distributor Red Arrow International, commissioned

*Lilyhammer*, a one-hour drama about a New York gangster trying to start a new life in isolated Lillehammer in Norway (Greene, 2013). The program premiered on Norwegian NRK1 on January 25, 2012 with a record audience of 998,000 viewers (one fifth of Norway's population), and premiered on Netflix in North America on February 6, 2012, with all eight episodes being available in full for streaming on the service (Greene, 2013). While the effort garnered extensive media attention, the series received mixed reviews.

On February 1, 2013, Netflix released its first exclusive original series *House of Cards*, for which it paid \$100 million in a 26-episode, 2 season commitment (McNeill, 2011). The streaming company out bid several major cable networks for the airing rights, including HBO and AMC. Later in 2013, Netflix released several other originals including *Orange is the New Black*, *Hemlock Grove*, the return of *Arrested Development*, *Bad Samaritans*, and season 2 of *The Problem Solverz* (di Grazia, 2013). While most of the series attained popular success, *House of Cards* became the first Internet TV series to win an Emmy Award without ever airing on a broadcast network or cable channel (Hastings & Wells, 2013). *Arrested Development*, *Hemlock Grove* and *House of Cards* earned a combined 14 Emmy nominations. *Orange is the New Black* missed the Emmy cutoff for that year, but it ended 2013 as Netflix's most watched original series ever and reportedly maintains an audience comparable with successful shows on cable and broadcast TV (Hastings & Wells, 2013).

The series announced in 2013 included *Turbo: F.A.S.T.*, the first original product of Netflix's highly publicized deal with DreamWorks Animation; *Sense8*, an

adult sci-fi series created by The Wachowskis (*The Matrix*) and J. Michael Straczynski (*Babylon 5*); *Narcos*, a drama series that will chronicle the life and death of Colombian drug lord Pablo Escobar; an Untitled psychological thriller from *Damages* creators Todd A. Kessler, Daniel Zelman, and Glenn Kessler; and *Marco Polo*, originally developed at Starz before the cable network returned the series to The Weinstein Co. due to concerns over rising costs (Mentel, 2013b). Netflix also announced a blockbuster deal unparalleled in scope and size with Walt Disney Co.'s Marvel Entertainment to bring four original series and a miniseries to the streaming service (Mentel, 2013a). The four series will focus on Marvel superheroes Daredevil, Jessica Jones, Iron Fist, and Luke Cage while the mini series will be a *The Defenders* event (Mentel, 2013a). The series are expected to unfold over multiple years of original programming.

Shortly before the second season began streaming in February 2014, *House of Cards* was renewed for a third season to air in 2015 (O'Connell, 2014). On March 7, 2014 Disney/ABC Television Group, Lucasfilm, and Netflix Inc. announced the debut of the sixth and final season of the Emmy Award-winning series *Star Wars: The Clone Wars* exclusively to Netflix members in the US and Canada. In April 2014, Netflix signed a multi-year original programming deal with Mitch Hurwitz and The Hurwitz Company (Andreeva, 2014). 2014 saw the release of four original animation productions: *BoJack Horseman* (geared towards adults), *Star Wars: The Clone Wars* season 6, *VeggieTales in the House*, and *All Hail King Julien*. Additionally, the company released over 20 original comedy specials and documentaries (Deadline Team, 2014). Future announced originals include *The Magic School Bus 360°*, an

unnamed Chelsea Handler talk show, the Judd Apatow produced comedy series *Love, Wet Hot American Summer: The Series*, a French-language political drama, a Spanish-language soccer comedy, and a show based off of the popular book collection *A Series of Unfortunate Events* (Levin, 2015). At a media conference, Netflix Chief Content Officer Ted Sarandos announced it is the company's long-term goal to premiere original content every two and a half weeks, or about 20 new programs/seasons per year (Luckerson, 2014).

Traditionally, programing success is measured by viewership as this directly impacts the rate at which advertising is sold. Though Netflix and HBO do not sell advertising, it is important to understand the rating system and why the television industry is desperate for OTT viewership data. While there are many companies with different methods of measuring audiences, Nielsen Media Research has been the industry standard since Arthur Nielsen first released TV program ratings in 1950 (Balvanes & Regan, 2011). Nielsen results are reported in two measurements: ratings and shares. A single national ratings point represents one percent of the total number of television households in the United States (Eastman & Ferguson, 2013). For example, if there is an estimated 120 million television households in the market, a single ratings point for a program in that market would equate to 1.2 million households watching that same program. A single national share point, on the other hand, equals one percent of the total number of television households *watching television at that time* (Eastman & Ferguson, 2013). So while there may be 120 million television households, perhaps only 80 million are in use at that give time. The 1.0 rating translates to a 1.5 share. Shares are typically higher than ratings

because it is unlikely that all televisions are ever in use at the same time. Nielsen collects audience data through manual diary keeping (which requires active viewer participation), Local People Meters (a more passive and automated system), and Global Television Audience Metering (a technology that measures multiple platforms like Internet and DVR) (Webster, 2008). Survey participants are randomly selected through multi-stage area probability sampling to represent a cross-section of the market demographics (Gunter, 2000). Additionally, because of time-shifted viewing, ratings are collected over several periods of time: live, live and same day playback (live +SD), live plus 3 days playback (C3), and live plus 7 days playback (C7) (Eastman & Ferguson, 2013).

Many question the accuracy of Nielsen ratings. The Council for Research Excellence (an independent research group which includes some Nielsen executives) found that only 11.3% of diaries are within the accepted 10% error margin, survey participation can be very inconsistent, and the company has difficulty in recruiting young people, minorities, and low-income households (Li, 2014). While people meters are typically more accurate than diaries, they are only used in major markets and still have the same demographic participation issues (Eastman & Ferguson, 2013). Nielsen ratings also do not account for any group TV-viewings in settings like bars, dorm rooms, and airports (Eastman & Ferguson, 2013). There are even more concerns regarding Nielsen's ability to accurately track DVR, IPTV, and OTT usage. NBC's President of Research and Media Development Alan Wurtzel underscored this issue. "Ratings are a currency, so they're just as important now as they were ten years ago. It's how we get paid. But in this new media environment, do these numbers



reflect accurately how many people are viewing this content? The answer is no," (Herrman, 2011). There are other companies with different methods of measuring audiences (such a Rentrak) that claim to solve some of these issues, but so far no product offered is competitive enough to unseat Nielsen's domination.

As mentioned earlier, the entire purpose of audience measurement is to put a value on commercial airtime during programs. Broadly speaking, the higher a program's rating is, the more people there are watching it, and the more money a station or network can charge to advertise during that program. However, more recently the quality of viewers is becoming as important as the quantity. In the 1950's a hit television program might average around 45 rating points an episode, thus commanding top dollar for advertisers to reach that 45% of households with televisions (Eastman & Ferguson, 2013). With the successive splintering of TV audiences, a 12 rating is a runaway hit in 2015, typically only seen at episode premieres or finales. However, shows that average a lower rating around 2 are able to stave off cancelation because the niche demographics of the viewers are valuable to specific advertisers. By advertising on programs that may have a lower total rating but a high concentration of its target demographic, a company can spend advertising dollars more efficiently and effectively (Eastman & Ferguson, 2013). An early example of seeking particular viewers put to practice in programming can be seen in the "rural purge" of 1969-1972 (Edgerton, 2007). During this time, many highly rated rural-themed shows preferred by older viewers like *The Beverly Hillbillies* and *Mister Ed* were widely canceled across all networks in favor of shows that would appeal to the wealthier young, modern, and urban demographics (Edgerton, 2007). The mass

cancelations directly followed the release of research that showed the younger demographic was more attractive and worth more money to advertisers. While the replacement programs were not nearly as niche as programs airing after 2005, the rural purge shows the evolving thinking regarding ratings and in-demand demographics.

Though Nielsen announced in November 2014 that the company would begin tracking Netflix and other OTT companies viewership in order to keep the greater industry informed on media trends, Netflix has no use for Nielsen ratings (Hagey & Vranica, 2014). Like all other OTT services, being web based allows Netflix to independently and accurately monitor viewership and usage of its service. Additionally, because Netflix's revenue model is subscription-based rather than advertising-based, there is no need to release audience numbers for individual programs, series, or movies. There are no advertisers paying Netflix based on the number or type of viewers it is attracting. In terms of gross income, it simply does not matter to the company what is being watched because that is not a basis for generating revenue. The retaining subscribers and the ability to attract new subscribers is far important to Netflix. But most media analysts and business managers consider ratings a common currency for evaluating programs, and they have been relying on them to conduct business since the beginning of television (Herman, 2011). Without this currency, many are at a loss of how to quantify Netflix's success.

Industry insiders disappointed with the lack of ratings may point to premium cable channels like HBO that are similarly subscription-based yet still release ratings

for original programs. However, it must be pointed out that Netflix has a unique characteristic that makes public ratings undesirable. Even with DVRs and On Demand viewing, the typical broadcast and cable channel ratings measurement timeframes (live+ SD, C7, etc.) are applicable to premium cable channels and their viewers' habits. They are on a level playing field: though broadcast, cable, and premium cable channels earn revenue through different means, their viewers behave essentially in the same TV-set timeframe manner. Additionally HBO, Starz, Showtime, et al, do get a benefit from sharing high ratings: the announcements act as a form of advertising and a sign of subscriber satisfaction to potential subscribers and investors. This benefit cannot apply to Netflix because it has an entirely different approach to providing content. Having no foundation in linear viewing, there is no "live" airing of Netflix programs; entire series are released at once to be viewed at subscribers' leisure whether that is the same day or a year later. There are no expiration dates on Netflix's original content and its acquired content usually has contracts spanning years at a time. This gives the service's content a much longer value timeframe. A subscriber enjoying a program on Netflix at anytime, no matter how old it is, is returned value on the company's purchase of that content. So while a program on a linear television network is mainly amortized over the 7-day ratings timeframe, Netflix content is amortized over its multi-year contract or, in the case of original content, indefinitely. It is impossible to fairly compare audience numbers between a broadcast or cable program and a Netflix program because the two content forms depend on entirely different time scales.

The Netflix business model essentially follows the “Long Tail” theory as popularized by Chris Anderson. Principally, the theory states that in an era without the constraints of physical shelf space, narrowly targeted goods and services can be as economically attractive as mainstream products (Anderson, 2014). Companies no longer need to focus on a relatively small number of "hits" but instead obtain a huge number of niches and still be economically successful. TV has traditionally been an industry that survives off of hits (Wei-Skillern & Marciano, 2008), but the bulk of Netflix’s content catalog does not fall under that descriptor. As the company’s Chief Product Officer Neil Hunt said, “There are no bad shows, just shows with small audiences,” (Roettgers, 2014). That is not to say Netflix ignores hits: big titles enhances overall product appeal and attract mainstream users.

#### **1.4 Purpose of the Study**

Netflix is a trendsetter in the OTT space, and its most recent step into unexplored territory is original programming. The purpose of this study is to define the value of Netflix original programming in terms of subscriber value, retention, and opinion, discern the amount of original programming spending appropriate for the company, and identify the types of original programming best suited for the company’s goals and growth. This study specifically focuses on Netflix because its large subscriber base provides a potentially larger pool for survey than other services, its aggressive yet varied approach to original programming offers a wide range of content to explore, and its popularity for being discussed in trade, media, and business publications. Additionally, Netflix’s open goal to become an OTT network has caused insiders to wonder whether such a business model is the future of the

television industry. This study examines how consumers are reacting to the changing entertainment ecosystem and if they are willing to adhere to this model.

The study's data was collected through a survey of Netflix users, including those who have unsubscribed. Participants were contacted via the snowball method, various social media sites such as Facebook and LinkedIn, and the discussion board website Reddit. Specifically on Reddit, the survey link was posted on the subreddits /r/samplesize, /r/netflix, and /r/NetflixBestOf. Of the 807 people who began the survey, 535 completed it. The collected information was expected to expose that while original programming is helpful in subscriber growth and retention, there is a limit to original programming's benefits; the balance between original content and licensed content should weigh heavily in licensed content's favor. It was also this study's goal to prove that certain genres of content, namely children's programming, dramatic series, and foreign language productions, are more efficient original programming investments for Netflix than others.

### **1.5 Research Questions**

- R1: Who are Netflix's streaming consumers?
- R2: How do consumers access Netflix and what inspires them to join or leave Netflix?
- R3: How often consumers use Netflix streaming and what do they watch?
- R4: What features and activities do Netflix streaming users value most?
- R5: What do Netflix streamers think about Netflix original programs?
- R6: How do Netflix users feel about Netflix's original programming in comparison to other content providers' original programming?

- R7: Do consumer viewing habits warrant a reallocation of Netflix's content budget towards spending more on original programming?
- R8: If it is a good investment, what genres and forms of original programming should the company pursue for the most efficient use of capital?

## **1.6 Significance to the Field**

As previously stated, OTT services are a rapidly expanding segment of the television industry and a major revenue stream. However, all of these services release very little if any usage data to the public. Most inferences that appear in trade publications regarding reasoning behind the wave of original programming in OTT are based on speculation and conjecture. There have been a few Netflix studies conducted by major marketing and research companies that are available for fees upwards of several thousands of dollars, but none are a deep-dive into consumers' relationships with original programming specifically. Better understanding consumer response to original programming offerings at Netflix will help identify areas for improvement and potential for growth across the field. By collecting and interpreting new consumer research in this area, this study will provide more concrete insight into the decision-making process of original OTT programming and suggestions for future strategy in this growing industry. This report illuminates an under-served area of study.

## **1.7 Definitions**

The term original programming is used to describe any content available on Netflix streaming that is at least partially produced for or funded by Netflix, and it must have a national premiere on the company's streaming service in at least one of

its operating regions. This includes series that initially air on broadcast or cable television but are subsequently renewed by Netflix, but only the additional seasons of content created exclusively for the streaming service. For example, the previously mentioned program *Lilyhammer* qualifies for this description because the program was co-produced by Netflix and premiered in the United States exclusively on streaming even though it first premiered in Norway on traditional broadcast channel NRK1 (Green, 2013). The revived series *Arrested Development* and *The Killing* qualify because the fourth seasons of both shows were commissioned by Netflix and are exclusive to its streaming. The program *Peaky Blinders* conversely does not meet the criteria of this definition because although it exclusively airs on Netflix in the United States, it was commissioned for BBC Two. Many series and programs displayed with “Netflix” banner in the Netflix catalog fit into this latter category and are instead referred to as Netflix exclusives within the study. Additionally, language-localized programs that Netflix has exclusive streaming rights over, such as the Japanese anime series *Knights of Sadonaia*, are not considered original series. Netflix has no direct influence over these productions as the company merely presents re-recorded audio with regional translations. (See Appendix A for a list of all Netflix originals according to this definition as of March 2015.)

Subscriber is used to describe any person who uses the Netflix streaming service whether as the payer of the subscription or as a profile on someone else’s subscription account. Currently Netflix has three different subscription plans allowing for viewing on one, two, or four screens simultaneously, thus allowing for multiple people to use the same subscription at the same time. Netflix also allows the creation

of up to five viewer profiles per subscription account. Each profile allows individualized personalized content suggestions, “Recently Watched” list, ratings and reviews, taste preferences, and streaming queue. While not necessarily being a paying consumer, these users are included in this study because they still may influence the account payer’s reason for subscribing and perceived value of the service.

Churn, or churn rate, is the term used for the measure of subscriptions canceled in a given period of time. This is particularly important for any business with a subscriber-based service model as it is a possible indicator of customer dissatisfaction, cheaper and/or better offers from the competition, more successful sales and/or marketing by the competition, or reasons having to do with customer life cycle. Knowing churn rates can illuminate whether a company is relying on new customers to maintain subscriber numbers or is able to retain existing customers. Netflix formerly reported churn rates in filings and investor reports but halted the practice in 2011 despite the SEC’s and analysts’ recommendations against this. Netflix reasons that churn is not an important metric because the ability to easily cancel an account is part of its consumer-friendly ethos, does not reflect consumer acceptance, and many customers rejoin the service within the same year (Savitz, 2011). Nonetheless, analysts maintain that subscriber churn is useful data, and investors can interpret the hiding of such information as a red flag (Savitz, 2011). Additionally, Variety reported in 2013 that a RBC Capital Markets survey found original programming to be an important factor influencing subscribers’ decision to keep the service and establishes expectations about future potential offerings (Spangler, 2013).



## **1.8 Limitations**

All survey participants were volunteers and not monetarily compensated for their time. Though the survey was open to all Netflix subscribers across the globe, the survey was only distributed in English and therefore restricted to those who understood English. Additionally, as the survey was distributed via the Internet, only people with web access were able to participate. As the survey was done without the participation of Netflix, there is no way to determine if the respondent demographic percentages reflect Netflix streaming subscriber demographics. The survey's validity is entirely dependent on the accurate and honest answers of survey responders.

## **1.9 Ethical Considerations**

This study did not include a minimum participant age. While some of the Netflix programs included in this survey are not appropriate for all ages, they are mentioned in name only. The survey did not include any program content or direct references to explicit content. The youngest participants were 14 years old. All survey participation was anonymous.

## Chapter 2 : Literature Search

### 2.1 Introduction

It is clear that Netflix internally has massive amounts of data regarding user content preferences and habits. As Todd Yellin, VP of Product Innovation at Netflix, said, "We own the Netflix customer experience from the moment they sign up, for the whole time they are with us, across TV, phone and laptop. We climb under the hood and get all greasy with algorithms, numbers and vast amounts of data. Getting to know a user, millions of them, and what they play. If they play one title, what did they play after, before, what did they abandon after five minutes?" (Sweney, 2014). Cindy Holland, Head of Original Content, echoed the sentiment saying, "We can identify subscriber populations that gravitate around genre areas, such as horror, thriller and supernatural. That allows us to project a threshold audience size to see if it makes for a viable project for us," (Sweney, 2014). Netflix has revealed that this exact user data was what led to green-lighting *House of Cards*. While this show has been a major success for Netflix, Holland admits the similarly successful original series *Orange is the New Black* had no such specific data to indicate it would work (Sweney, 2014). So while Netflix holds its proprietary data close to the chest, the Netflix user data has limited use in original programming decisions. There are many other data sources that may provide better insights depending on the particular consumer segment sought. This is especially true regarding original programming strategy in terms of subscriber acquisition. Therefore, it is important to look at the online video market as a whole in terms of user identity, trends, and voids. However,

as shown by the research that follows, the publicly available data lacks completeness, thoroughness, and consistency.

## **2.2 Who online video users are**

According to the Mintel November 2012 Online and Streaming Video report, Netflix reached 32% of Internet users aged 18 and up and 47% of Internet users 18-24 that year (Hulkower, 2012). Followed up by a Mintel December 2013 *Streaming Media: Movies and Television* report, the survey found that streaming subscription usage has reached 46% of Internet users 18 and up (Hulkower, 2013). The 2012 report found 32% of Internet users aged 18 and up use the Internet to watch full-length TV shows or movies monthly. The amount of time watching online video decreases with age—18-24 year olds spend the most time watching, viewing 3.7 hours of content per week on average, compared to 1.6 hours per week among seniors (Hulkower, 2012). The 2013 report supports this trend, claiming that age is the central driver for usage: 75% of 18-34s in the 2013 online survey watched a professionally produced movie or television show online in a given month, and usage drops dramatically in each subsequent age bracket (Hulkower, 2013). According to these surveys, similar trends are seen in the amount of content viewed by age group – even where older age groups do watch streaming movies, they consume far less of it than those aged 18-34 (Hulkower, 2013). These findings concur with the Pew Research Center Online Video 2013 report. This Pew study found that 76% of online adults 18-29 watch videos online as compared to 64% for 30-49 year olds and 34% for online adults 50 years and up (Purcell, 2013). Despite these two research groups agreeing that online video users skew younger, the 2014 Nielsen Cross-Platform Report claims

that 40% of online video users are aged 35-54 as opposed to only 12% being aged 18-24 and a much larger 30% being aged 55 and up (Nielsen, 2014). These disparities may be the result of differences in survey technique and specific wording of questions, but nonetheless provide an unclear image of the online video consumer market.

Both Mintel reports delve deeper into what demographics show higher levels of penetration and consumption. The 2013 survey found that households with children under 18 are 1.5 times more likely to use a digital video service in a given month (60% vs. 40%) (Hulkower, 2013). It also found that Internet users in these same households are more likely to be heavy streaming video users (6 or more hours) (Hulkower, 2013). The Mintel study credits Netflix's "family plan" option (previously discussed in background) that allows up to four simultaneous streams for \$11.99/month as taking advantage of this information. In the case of users with children, multiple profiles prevents child viewing from skewing the adult's viewing suggestions, ensuring the company's suggestion algorithm achieves maximum value and effect. The Netflix Profiles feature also allows parents to set parental controls on individual profiles or set a profile to be "kid friendly," which permits access only to content appropriate for children aged 12 and younger.

The 2013 Mintel survey also found men to be more likely to use streaming video in a given month than women (53% vs. 40%) (Hulkower, 2013). Compounding this, 27% of men are daily streaming video users as opposed to 19% of women (Hulkower, 2013). However, this conflicts with the 2014 Nielsen Cross-Platform Report, which states that 53% of online video users are actually women (Nielsen,

2014). The 2012 Mintel survey suggested that because Asians show substantially elevated levels of ownership of hardware that facilitates usage of online video and show a unique engagement with online video on par with 18-24 year olds in general, video service providers should pay special attention to the group's needs and preferences (Hulkower, 2012). And while not on par with Asians, English-language Hispanics utilize online video at levels far greater than those seen for non-Hispanic whites and non-Hispanic blacks, also permitting them special attention (Hulkower, 2012). Nielsen initially does not support this information, reporting that 18-24 year olds on average watch 1 hour and 32 minutes of online video weekly, while Asians watch 1 hour and Hispanics watch 48 minutes (Nielsen, 2014). It is important to note, however, that the Nielsen survey definition of "online video" may be more limited in scope than the other companies'. Nielsen lists "Watching Video on a Smartphone," "Using any App/Web on a Smartphone," "Using a Multimedia Device," and "Watching Timeshifted TV" as other survey options, all of which could potentially fall under the general activity of watching online video. The overlapping categories may have confused survey respondents, resulting in diverging information. Later, the Nielsen survey does support heavier streaming video usage among Asians and Hispanics. It reports that the top quintile of Asians streaming averages 35.4 minutes daily and the top quintile of Hispanics streaming average 24.5 minutes a day, while the top composite quintile of streaming averages 22 minutes a day (Nielsen, 2014). This section of the Nielsen report also provides data that African Americans are heavier streaming video users, with the top quintile streaming and average of 27 minutes daily (Nielsen, 2014).

The three research groups diverge in regards to the distribution of income levels among online video viewers. The 2012 Mintel study did not ask survey participants any information about income, but the 2013 study did and reported, “No significant trends are seen by household income, suggesting that it is not a useful segmentation for understanding the [online video] market,” (Hulkower, 2013). The Pew survey, on the other hand, says that online adults in high-income households (above \$75,000) are more likely than those in middle or low-income households to watch online videos (Purcell, 2013). Specifically, the study states that 86% of adults in high-income household watch online video as opposed to 72% of online adults in low-income households (\$30,000 or less) (Purcell, 2013). The Nielsen report once again disputes the other surveys’ information, reporting that users residing in households making \$75,000 consist of only 38% of online video users (Nielsen, 2014).

The 2013 Mintel study did however make conclusions regarding household income and specifically subscription streaming services. It found Netflix maintains a dramatic lead among any other subscription services across all household income groups, with three times as many respondents using it, as compared to the penetration for any other service. Amazon’s service performs best among the highest-income groups, with this group likely seeing an Amazon Prime account as a valued product as related to its shipping prices for tangible purchases on the website and other service inclusions (Hulkower, 2013). Of note as well is that the survey found subscription streaming services in general perform best in the middle-income group of \$75K-99K (Hulkower, 2013). This is most likely because this group has the

discretionary income to afford multiple subscriptions, while also lacking the ability to buy all the programming they would like to see a la carte (Hulkower, 2013).

Interestingly, the 2013 Mintel report found that across every type of subscription surveyed, those who subscribed to one service were substantially more likely to subscribe to every other listed type of subscription (Hulkower, 2013). This is especially true with Netflix; out of Netflix users polled: 59% use HBO Go, 74% use Hulu Plus, and 65% use Amazon Prime (Hulkower, 2013). The data suggest that the most valuable marketing tool a brand could have are leads from other subscriptions and that marketing on a streaming site, whenever possible, will be a high value purchase. Despite a market sentiment of competition, subscription brands may do well to create partnerships, potentially providing a discount to new subscribers who sign on to multiple services all at once (Hulkower, 2013). The Nielsen April 2013 Advertising Audiences State of the Media report found that while Hulu (including both the free Hulu service and Hulu Plus) had 14.3 million unique viewers per month compared to Netflix's 10.8 million, users spent almost twice as much time on Netflix, averaging 7.4 billion monthly minutes versus Hulu users' 4.2 billion monthly minutes (Nielsen, 2013). While users may go to both services for long form content, Netflix keeps users' attention for longer on average.

### **2.3 What online video users watch**

The Pew study delves into discovering popular video genres among online video users, finding that comedy and education videos are the most widely viewed, with 57% of all online adults saying they watch comedy/humorous videos and 50% of online adults saying they watch educational videos (Purcell, 2013). Music videos

showed the largest growth in viewership between 2009 and 2013 from 32% to 50% of all online adults now watching this type of video (Purcell, 2013). Measuring how-to videos for the first time, the 2013 survey found that 56% of online adults are watching how-to videos (Purcell, 2013). This report also found that among adults who watch videos online, different genres appeal to different demographic groups. For instance, online video watchers age 18-29 are more likely than those age 50 and older to watch music videos (81% v. 39%), comedy videos (82% v. 61%), and animation videos (47% v. 20%) (Purcell, 2013). More male than female online video watchers view sports videos (49% v. 23%), political videos (40% v. 30%), and adult videos (25% v. 8%) online (Purcell, 2013). However, the 2012 Mintel noted that the younger the internet user, the more likely he or she is to watch every category of online video, including how-to videos, news, home videos (Hulkower, 2012).

It is very difficult to find any research in regard to what specifically Netflix users are watching as the company releases no data on this subject. What little information there is on Netflix user viewing preferences has been garnered from independent surveys and analysis of ISP data; however, much of the information tends to be projected due to incomplete or unavailable research. In 2012, Nielsen research found that 47% of Netflix users watch movies most often, while 19% favor TV shows and 35% watch the two formats equally (Nielsen, 2012). The survey shows that both media formats are heavily used on the service, but there is a marked preference for movies. Nevertheless, Nielsen compared the 2012 survey to a 2011 survey concerning the same questions and found that the preference for movies has declined by 6% and the preference for TV shows has risen by 8% (Nielsen, 2012).



While the rise in preference to TV shows coincides with Netflix's release of original programming (at the time of the survey, *Lilyhammer* was available for streaming and several other original shows had been announced), there is no indication whether this is the cause of or effect of original programming. Just as changing subscriber tastes could have informed Netflix's decision to pursue original programming, the documented rise in preference for TV shows on Netflix could have equally signaled acceptance and encouragement for the new original shows. Nonetheless, these figures still show a stark contrast to Hulu users, of whom 73% were found to favor TV shows in 2011 (Nielsen, 2011). Although there appears to be a rising trend for preference of TV Shows among Netflix users, the percentage is far behind Hulu.

Nielsen's 2012 Cross-Platform Report provides a little more insights as to what streaming subscribers are watching (or not watching). It indicates that 60% of Spanish speaking U.S. Hispanic consumers feel there is a lack of Spanish-language content on subscription services like Netflix, and the same group's most valued content include music videos and TV shows (Nielsen, 2012b). Considering previously cited data marking Hispanics as an important demographic in online video usage, this is a huge gap.

While it is unclear what Netflix users are watching, it is known that they are watching a lot of it in one sitting, "binging." Conducted online by Harris Interactive on behalf of Netflix among nearly 1,500 TV streamers (online U.S. adults who stream TV shows at least once a week), the survey found that 73% of those polled define binge watching as watching 2-6 episodes of the same TV show in one sitting and 61% of the respondents do it regularly (PR Newswire, 2013). The survey also found that

binge watching isn't necessarily a solo experience. Among those who stream multiple episodes of a TV series in a row, more than one-third (38%) most like to do so solo; however, a combined 51% prefer to watch with at least one other person (PR Newswire, 2013). A cultural anthropologist who worked with Netflix on the study, Grant McCracken believes the practice of binge watching is due to "the perfect storm of better TV, our current economic climate and the digital explosion of the last few years," (PR Newswire, 2013).

According to a 2014 survey conducted by TiVo, the most binge-watched shows on any platform are *Breaking Bad* (35%), *House of Cards* (29%), and *Game of Thrones* (25%) (Bradley, 2014). *Breaking Bad*, while originally airing on AMC network, is available on Netflix. In fact, the service is often credited with buoying the show's later season ratings thanks to viewers' catch-up watching on Netflix. *House of Cards*, as previously mentioned is a Netflix original, and *Game of Thrones* is on HBO, Netflix's prime network competitor. Other notably binged shows included *Walking Dead*, *Downton Abbey*, various *Star Trek* versions, *Homeland*, *Mad Men*, *Doctor Who* and *NCIS*, of which many are currently or previously available on Netflix (Bradley, 2014). A number of study participants said they binge-watched to keep up with a show, to be able to participate in conversations in their social circle, because their scheduled only permitted watching at certain times, and also because watching so many episodes at once makes complicated plotlines easier to follow (Bradley, 2014). So while there is little data as to what exactly Netflix viewers are binge-watching, it can be conjectured that there is some crossover of content with the TiVo study.

Based on another 2014 TiVo survey, analysts determined heavy (6 or more hours of viewing per month) Netflix users' favorite *pay TV* networks and shows. The most favored networks were, in order: AMC, Comedy Central, Nick, Fox, Lifetime, CNN, PBS, BBC America, HGTV, and Food. The most favored programs were, in order: *On the Case with Paula Zahn* (Investigation Discovery), *Washington Week with Gwen Ifill* (PBS), *Great Performances* (PBS), *Futurama* (Comedy Central), *Independent Lens* (PBS), *Project Runway* (Lifetime), *The Mindy Project* (FOX), *Parks and Recreation* (NBC), *The Thundermans* (Nick), and *The Haunted Hathaways* (Nick) (Harvey & Petrilli, 2014). While this survey is measuring exclusively what Netflix viewers are watching on traditional television, the top indexing series are a very telling indication of what type of original or licensed programming might work for the streaming service. The survey also puts the same questions to Hulu and Amazon users and finds diverse viewing preferences between the three services. Only two networks fall on three lists, Lifetime and FOX. Only *Washington Week with Gwen Ifill* is in the top 10 series for all three services, and only *Independent Lens* is on both Amazon's and Netflix's list. The rest of the given preferences are not repeated between services (Harvey & Petrilli, 2014). The cross-comparison of subscriber preferences not only indicates how to best oblige a given service's audience, but also how a service might expand its audience to the competitors' consumers.

According to statements by Amazon, children do a large amount of binge-watching and repeat watching on its service. In 2013 the company announced that 65% of the most-replayed programs on its streaming service are shows for children

(Stetler, 2013). Nearly half of all video views are second-, third- or fourth-time views for the Amazon Kindle's subscription service FreeTime Unlimited, geared towards children ages 3 to 8 (Stetler, 2013). Other major media companies have also experienced this trend. Albert Cheng, the Disney-ABC Television Group's digital media chief, noted that while the Watch Disney Junior app has been downloaded five million times, it has had 650 million video views from June 2012 through October 2013 (Barnes, 2013). According to GFK media analyst David Tice, popular children's programs can be a driver for use and subscriber loyalty (Stetler, 2013). GFK market research has shown that families with children are more likely to subscribe to Netflix and Amazon Prime than those without (Stetler, 2013). Netflix is reportedly taking such observations into account during licensing deals, realizing that it does not need to license every episode of a hit children's show as long as it has enough episodes to satisfy its youngest viewers. In a deal with PBS, for example, Netflix licensed 20 episodes of *Arthur* produced from 2009 through 2011 out of a total of 195 episodes (Stetler, 2013).

## **2.4 How users find content**

The Mintel 2013 study does extensive research into how online video users are finding content. It said about a third of respondents browsed for movies when they are looking for something to watch, while about a third only go online to find content when they have a specific title in mind (Hulkower, 2013). This means that recommendation systems are a powerful way to show the value of a content library for one third of online video consumers. This also means that the number of potential titles that consumers might want to watch is likely more important than the

total size of the library. The report surmises that heavy users (6 or more hours viewing weekly), who average nearly a movie or a TV show on a daily basis, are more likely to be browsers and are also more likely to agree that recommendation services work for them (Hulkower, 2013). This indicates that an effective content recommendation is crucial to maintaining user satisfaction and retaining heavy users. Netflix itself refers to its recommendation system as one of its most valued assets, estimating that 75% of viewer activity is related to its recommendation system (Hulkower, 2013). However, it is also possible that heavy users are interested in a wider variety of titles, enabling them to successfully find programming they want to watch. Nonetheless, the Mintel 2013 study suggests that, considering the uniqueness of Netflix's success in the market, competitors can hardly afford not to mimic the services that may have made it popular. Not building an internal cutting-edge proprietary recommendation system may simply be too large of a risk in a service arena where multiple of the world's largest technology firms are adding offerings (Hulkower, 2013).

Mintel also found that heavy, medium (3-5 hours viewing weekly), and light users (1-2 hours viewing weekly) are more likely to be in a discourse with friends and family regarding desirable titles than solely traditional TV viewers (Hulkower, 2013). The Mintel 2012 survey findings also support this, saying younger online viewers 18-44 are much more likely to tout the videos they enjoy to friends and family, but heavy viewers (5 or more hours viewing weekly) regardless of age are also central to creating marketing buzz around content (Hulkower, 2012). 44% of the heaviest users tell friends in person or over the phone about videos they have watched (Hulkower,

2012). Additionally, the 2013 survey contends that content discovery app usage and social television usage rises even higher among heavy users of streaming video: one in four heavy streamers use a mobile app for content discovery, and one in five post the shows they are watching to a social medium (Hulkower, 2013). This suggests content providers and streaming video distributors can effectively reach their most important audience through ads on social networks and relevant apps.

Despite these various ways to discover programming, content discovery remains an issue with ever increasing library sizes. Younger viewers and light to medium viewers reportedly have the most trouble finding content to watch. About one in five streamers aged 18-34 and 38% of light and medium viewers have trouble finding content they want to watch (Hulkower, 2013). This appears to be a substantial opportunity for vendors to base marketing on the size of their library to attract. However, the Mintel 2013 report notes that as the market matures, it may increasingly encompass later adopters who have more narrow tastes in programming, favoring providers not with the largest absolute library size, but rather with the largest number of premium titles relevant to the user considering subscribing (Hulkower, 2013).

## **2.5 Netflix Content Spending**

According to the company, improvement in Netflix's online content has been the cornerstone of its subscriber growth since 2013. However, increasing content costs put pressure on Netflix's margins. As Hastings and Wells said in the Q4 2014 review letter to investors, "We will continue to grow the percentage of our content spending dedicated to originals for the next several years. This will mean more cash usage, which means more debt," (Hastings & Wells, 2015). But in the same letter,

they also state that the 2014 original content was some of the company's most efficient content (Hastings & Wells, 2015). According to the company's Investor Relations website, Netflix measures efficiency by comparing cost per hour viewed against other similar content, looking for high engagement (Top investor questions, 2015). However, it is unclear what "some" of the most efficient content actually means. This could refer to a few select episodes, a few series and programs, or just one very popular series. It is important to know how efficient original content is because it is replacing rather than being added to licensed content spending (Top investor questions, 2015). If originals, or certain types of originals, are found to be inefficient, their investment should be halted and replaced by other licensed material. All forms of content spending are under particular scrutiny for Netflix as it is a continually rising expenditure with which investors are vocally concerned. A financial reporter for the Wall Street Journal called the quickly rising expense Netflix's "albatross" (Jakab, 2014), and analysts continually downgrade the company's stock valuation due to content costs minimizing contribution margins (Treadis Team, 2013) (Levine-Weinberg, 2014) (Zacks Equity Research, 2015). According to Netflix's third quarter 2014 results, streaming content obligations increased more than \$1.6 billion in the first nine months of 2014, from about \$7.2 billion at the end of 2013 to more than \$8.8 billion as of September 30, 2014 (Hastings & Wells, 2015). Content expenses are the largest cost component for Netflix and account for over 70% of the total expenses (Hastings & Wells, 2015). The effect of increasing content costs is especially seen in the international segment, which has not been profitable on a contribution basis as of year-end 2014 (Hastings &

Wells, 2015). Some of the rising costs are due to the company's move away from non-exclusive bulk content towards exclusive and curated content in an effort to create a differentiated service (Top investor questions, 2015). However, it is unclear if this strategy is successful.

The following Netflix original programming costs are estimations, but they are numbers released by lawyers, agents, and actors involved in the productions. Though *House of Cards* supposedly initially cost Netflix \$100 million for the first two seasons (or about \$3.8 million per episode) (McNeill, 2011), executive producer David Fincher has reportedly raised costs to well over \$4.5 million per episode (Wallenstein, 2013). *Orange is the New Black* and *Hemlock Grove* are said to have both cost just under \$4 million per episode (Wallenstein, 2013). As Reed Hastings announced *Orange* was the most watched Netflix original in 2013 (Hastings & Wells, 2013), it is likely to be one of the more efficient original programs. These examples are above average according to the 2011 estimate of 1-hour network dramas costing \$3 million per episode (Carter, 2010), but inflation accounts for some of the difference in cost. Many Netflix originals, like its stand-up specials and several of its documentaries, are designed to have niche audience appeal and have a lower cost to validate this spending (McDuling, 2015). But Netflix took on a huge expense with *Marco Polo*, released December 12, 2014 and costing \$9 million per episode (Ayers, 2014). It is one of the most expensive TV programs ever, let alone at Netflix (Ayers, 2014). Such a huge cost demands a mainstream, large audience, but there is doubt about the show delivering.



*Marco Polo* was expected to be Netflix's answer to HBO's fantasy series *Game of Thrones*, but critical response has been unenthusiastic at best, one reviewer calling it “the most gorgeous thing you’ll ever fall asleep to,” (Venable, 2014). While poor reviews do not necessarily mean a small audience, as previously mentioned Nielsen reported a small U.S. Twitter response on the premiere date (Ramachandran, 2014). The show might be building an audience over time through word of mouth and the internal recommendation system, and international audiences might take to it more strongly. The company seems to be betting on this as Chief Content Officer Ted Sarandos announced at the Television Critics Association's winter press tour the commission of season 2 (Goldberg, 2015). However, Netflix has a tendency of ordering second seasons for its shows regardless of the response they generate (Treafis Team, 2014). The company can allow a show more time to grow an audience due to the company’s advantageously small opportunity cost. If a customer does not like a TV show on Netflix, he or she can always move on to another program. A pay-TV channel by contrast dedicates a particular time slot to a TV show and faces a much bigger opportunity cost. Compare this to HBO, which cancelled six shows in their first season from 2012-2014 for disappointing viewership (Treafis Team, 2014). The lack of a programmatic schedule allows Netflix to take more chances with its content and give its content more time to grow an audience. There is minimal additional opportunity cost for keeping a middling or unpopular original show in its catalog. However, However, Netflix has stated that it no longer amortizes original programming on a straight-line basis and has accelerated the amortization schedule based on the company’s experience with TV series from other networks (Top investor

questions, 2015). This puts the two forms of content on more level evaluation terms. Nonetheless, it is impossible to be sure about the rationalization behind *Marco Polo* and its big budget without any subscriber insight.

Not all of Netflix's original programming deals are estimated to be as costly. The company's five-season deal with Marvel Television to produce four live action superhero series and a mini-series is expected to cost Disney around \$200 million to produce (Spangler, 2014). While that number is not an estimate of what Netflix actually paid for the partnership, it is unlikely to come anywhere near *Marco Polo*'s \$90 million bottom line. Securing rights for the second-run of hit broadcast shows appears to fall in between these two price points. According to Deadline, Netflix signed a deal with Warner Bros. Worldwide Television Distribution to broadcast the show *Gotham* for a reported \$1.75 million per episode (Andreeva, 2014b). Other top shows are reportedly being priced in the same range, such as NBC's *The Blacklist* at \$2 million per episode and AMC's *The Walking Dead* at \$1.35 million per episode (Kissell, 2014). The license period of these specific agreements are unknown, but the length of the license period effects cost efficiency and amortization.

## Chapter 3 : Data Presentation

### 3.1 Introduction

This chapter presents the data collected from the respondents. The complete survey is attached at Appendix B. The survey completion rate was 66% (535/807).

### 3.2 Respondent demographics

#### 3.2.1 Ethnicity and gender

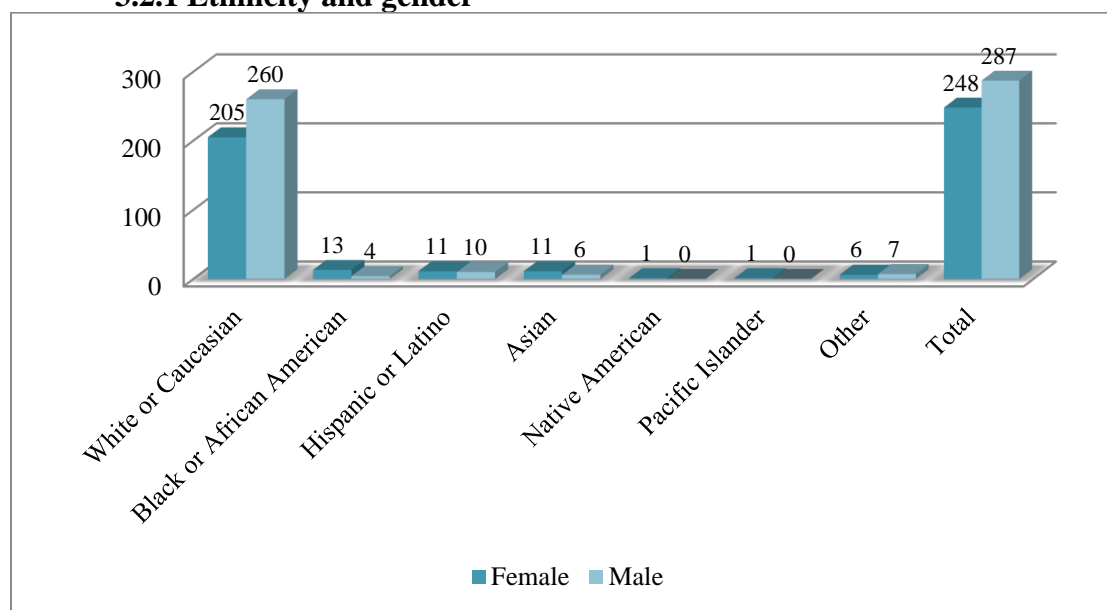


Figure 1

### 3.2.2 Location and gender

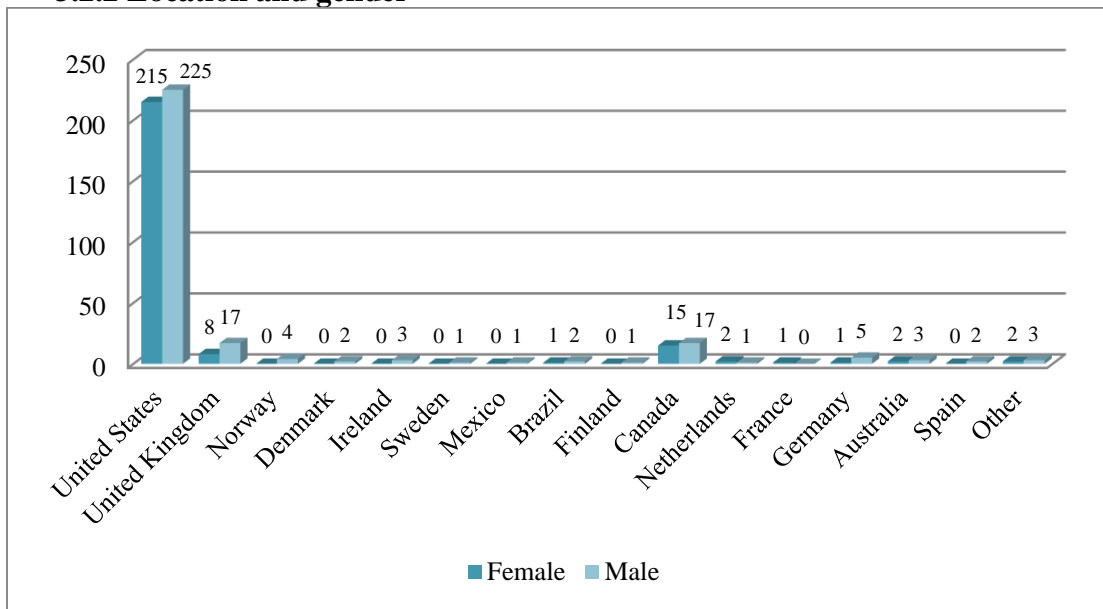


Figure 2

### 3.2.3 Respondent ages

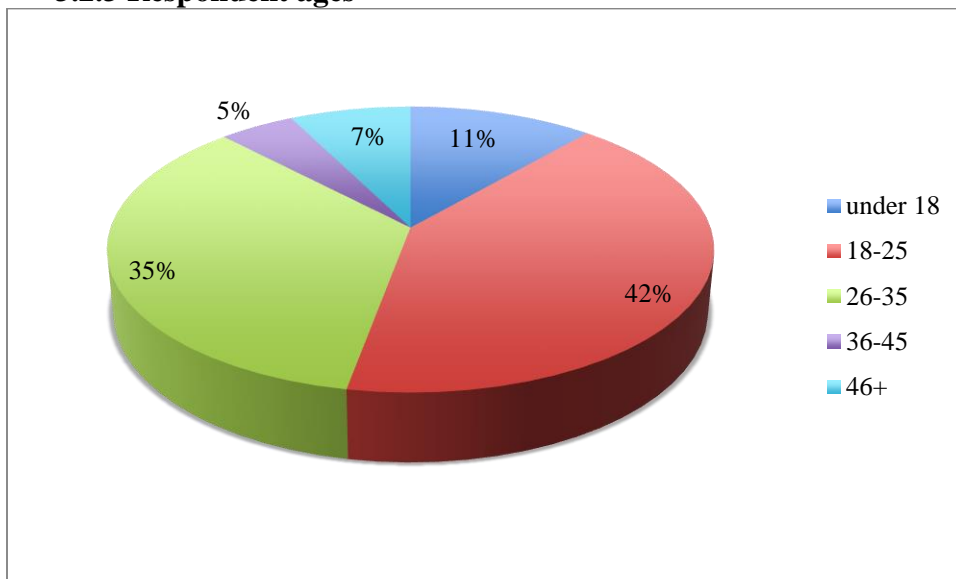


Figure 3

The 77% of respondents were 18-35 years old. The youngest respondent was 14 and the oldest respondent was 76. The average respondent age was 27.3 years old and the most common respondent age was 23.

### 3.2.4 Respondents with children under 16 in their household

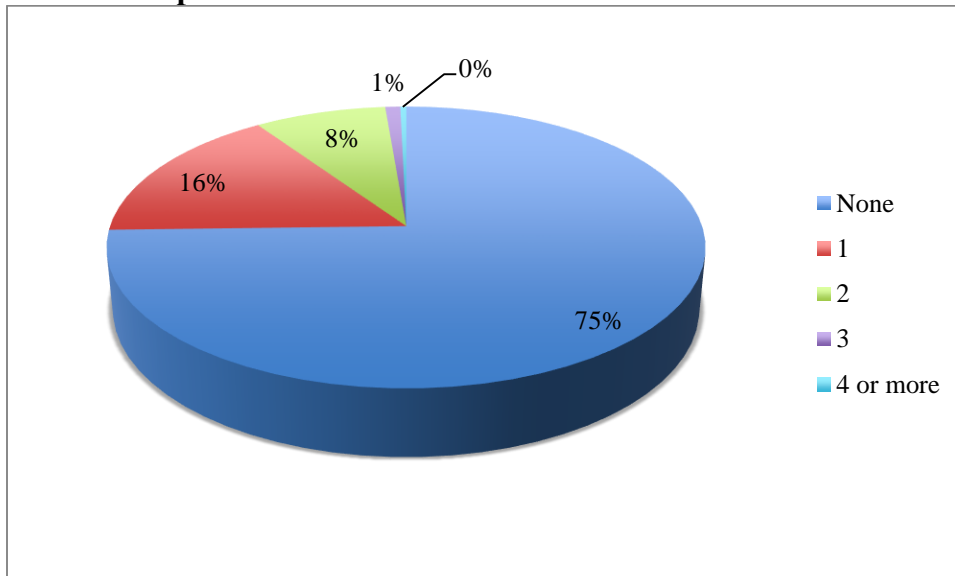


Figure 4

The 75% of respondents did not have children under the age of 16 in their household, and only 9.5% respondents had multiple children in their household.

### 3.2.5 Respondent household income in US dollars

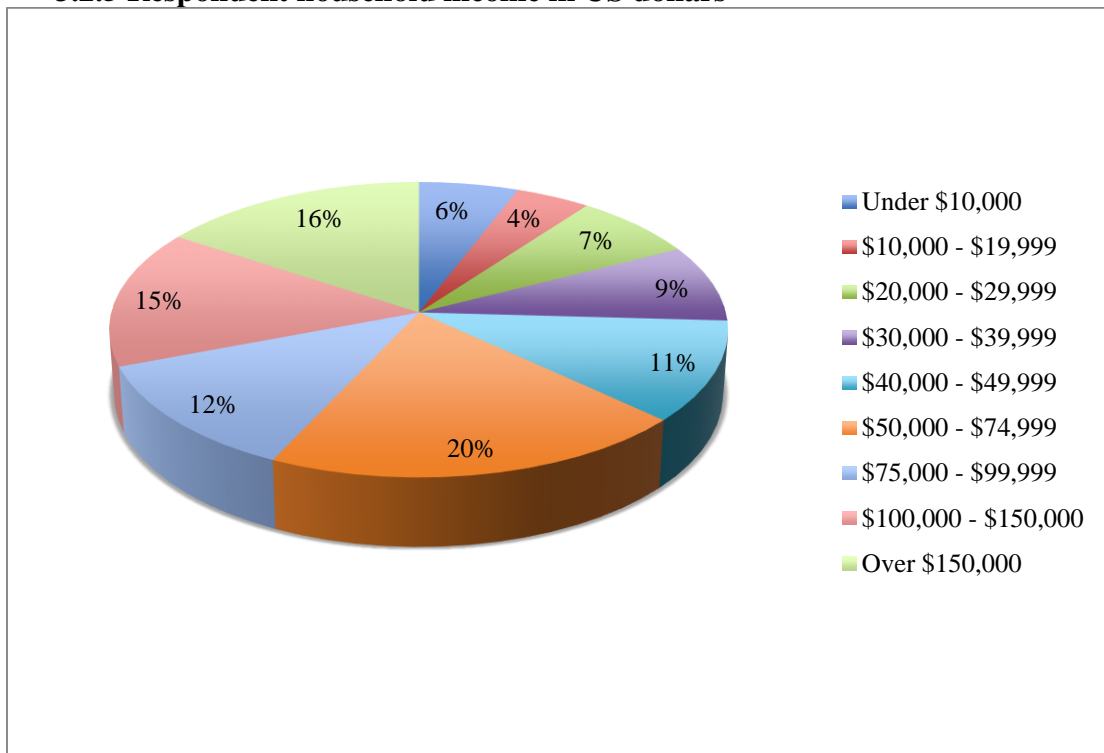


Figure 5

Only respondents who indicated their current location as the United States (440) were asked their annual household income in US dollars. Respondents were also given the option to opt out the question. This graph displays the income breakdown out of the respondents who chose to not opt out (344).

### 3.2.6 How respondents paid for Netflix access

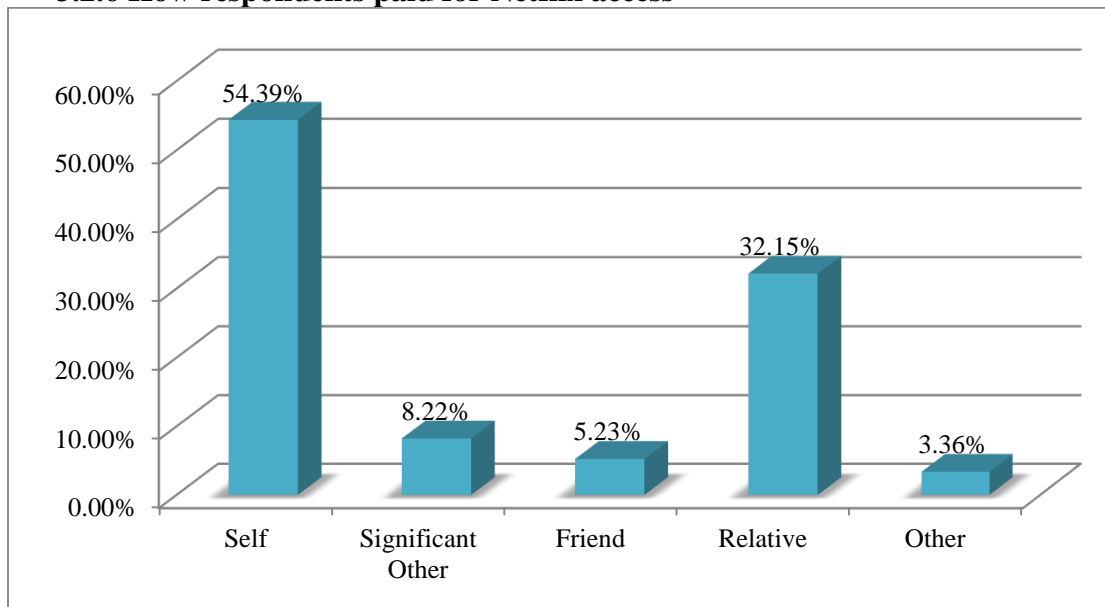


Figure 6

A majority of respondents paid for Netflix streaming themselves, followed by 32% sharing a subscription with a relative who was the main account holder. Respondents were able to make multiple choices to reflect if they changed their access method over time or if they had access to multiple accounts.

### 3.3 Netflix usage

#### 3.3.1 Total respondents' frequency of Netflix streaming use

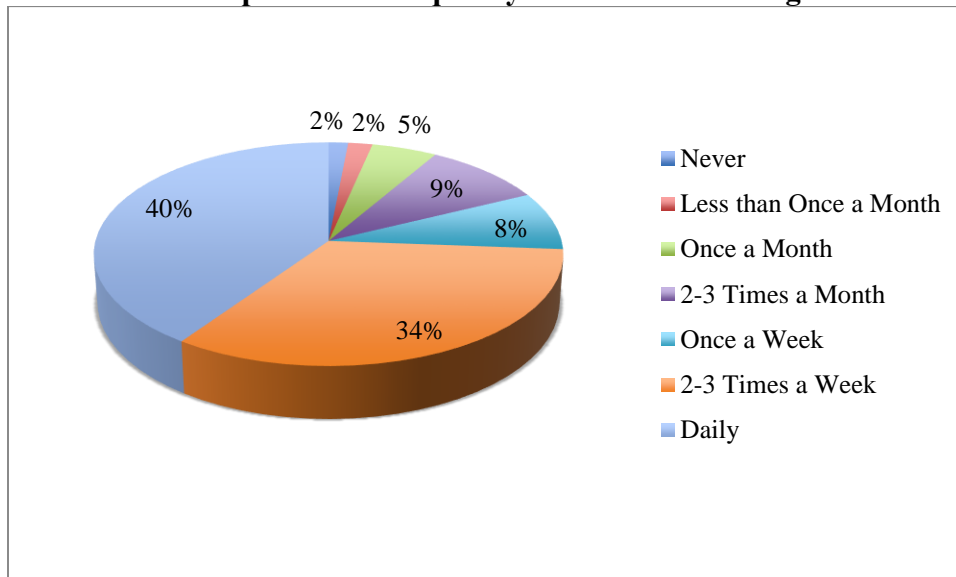


Figure 7

A majority of respondents were frequent Netflix streamers with 82% using Netflix streaming at least once a week. The largest subset of respondents was daily streamers at 40%. The smallest subset was those who never streamed at 2% (8/535) closely followed by those who streamed less than once a month at 2% (10/535).



### 3.3.2 How long ago respondents first used Netflix streaming

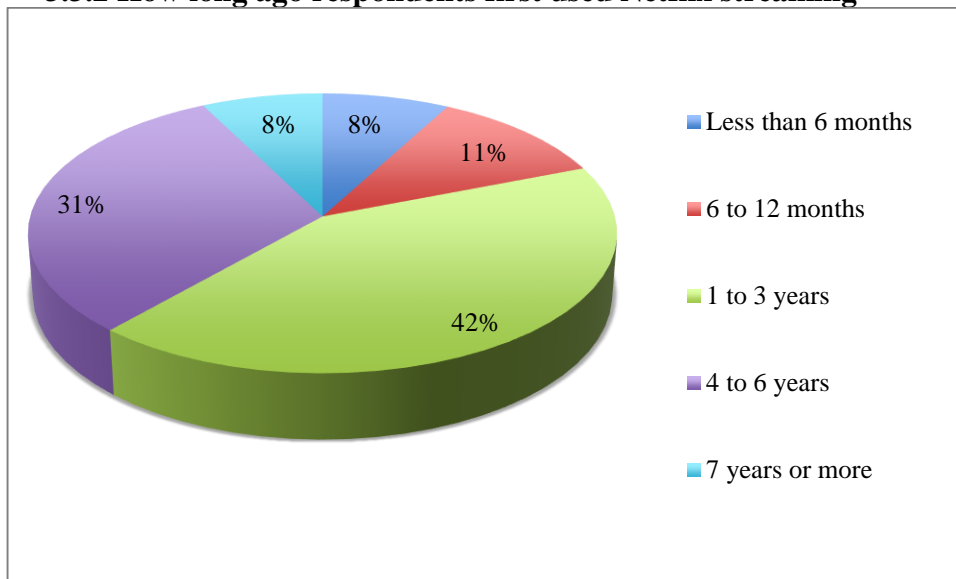


Figure 8

Most respondents first used Netflix streaming 1 to 3 years ago at 42%, and 81% of respondents began using Netflix streaming at least a year ago.

### 3.3.3 Frequency of Netflix streaming use arranged by how long ago Netflix streaming was first used

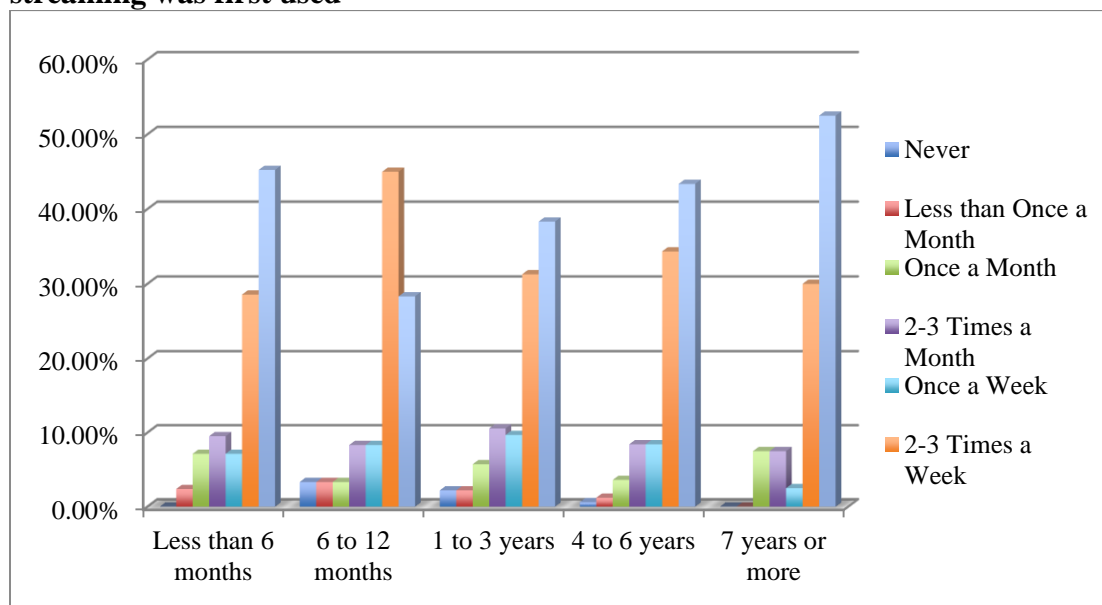


Figure 9

The subset with the highest percentage of respondents who used Netflix streaming multiple times a week was “7 years or more” at 83%. The subset with the lowest percentage of respondents streaming multiple times a week was “1 to 3 years” at 70%. In general, long time Netflix streaming respondents (more than 4 years) and the newest streaming respondents (less than 1 year) were the most avid streamers. However, no matter how long ago Netflix streaming was first used, the majority of each subset was streaming multiple times a week.

### 3.3.4 Frequency of use for children under 16 in respondent’s household

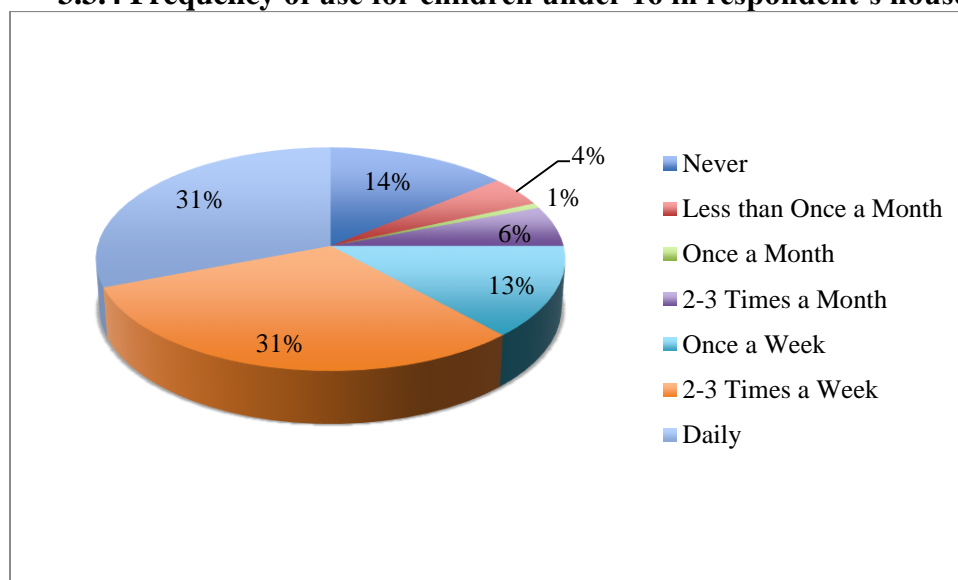


Figure 10

For respondents who have children under 16 in their household (136), 74% of the children used Netflix at least once a week, 11% were infrequent streamers and 14% never used streaming.

### 3.3.5 Why respondents first began using Netflix

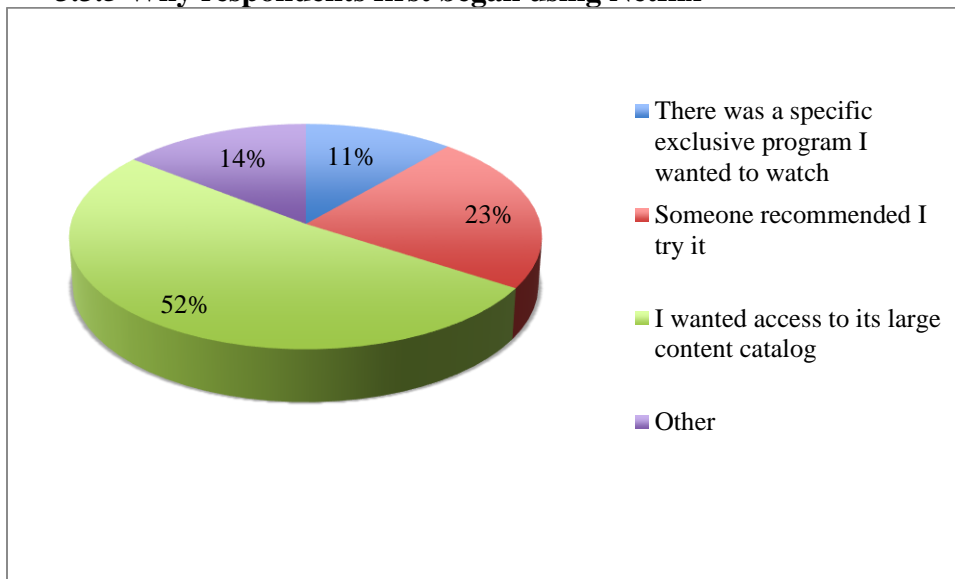


Figure 11

Out of all respondents, the 52% of users began using Netflix for its catalog size. Only 11% (61/535) began using Netflix because of a specific program. Of the 11%, 46% (28/61) of the stated programs were Netflix original programs: *House of Cards* (13), *Orange is the New Black* (11), *Arrested Development* (3), and *Aziz Ansari: Buried Alive* (1). The remaining 54% (33/61) consisted of programs that were non-exclusive licensed content. Netflix originals were responsible for initiating streaming use for 5% (28/535) of all respondents.

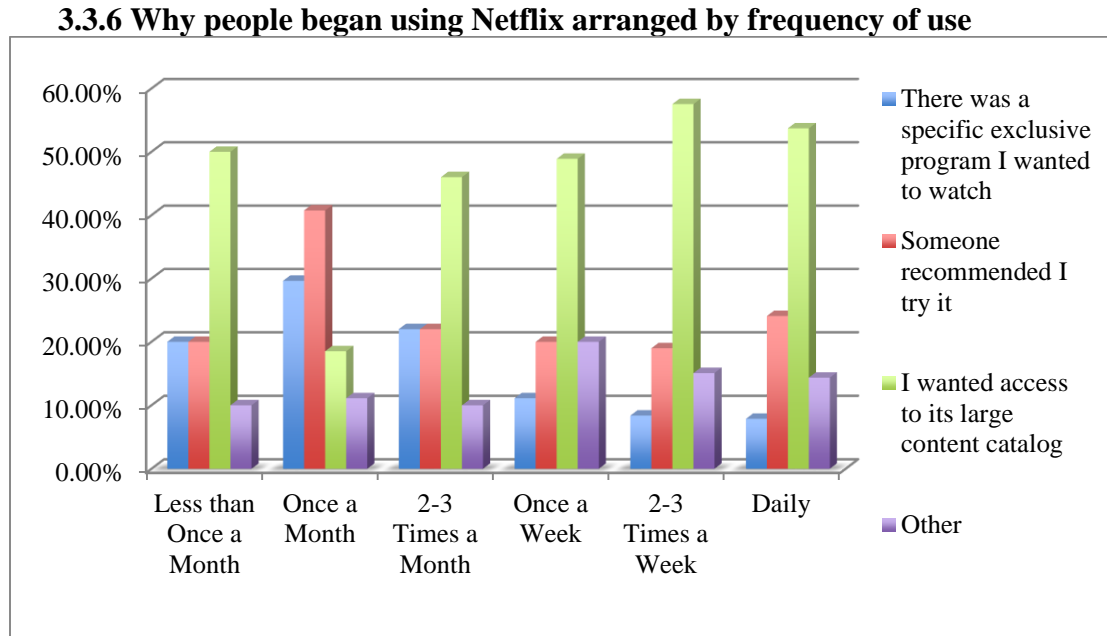


Figure 12

Wanting access to its large catalog was the number one reason for beginning to use Netflix across all except for “once a month,” where it was third to recommendation and a specific exclusive title. The “2-3 times a week” category had the highest percentage of respondents choosing the large catalog at 58%. The “once a month” category had the highest percentage of respondents indicating that a specific program inspired his or her Netflix usage at 30% while the “daily” category had the lowest at 8%. The “once a month” category had the highest percentage of respondents choosing recommendation at 41% and “2-3 times a week” had the least at 19%.

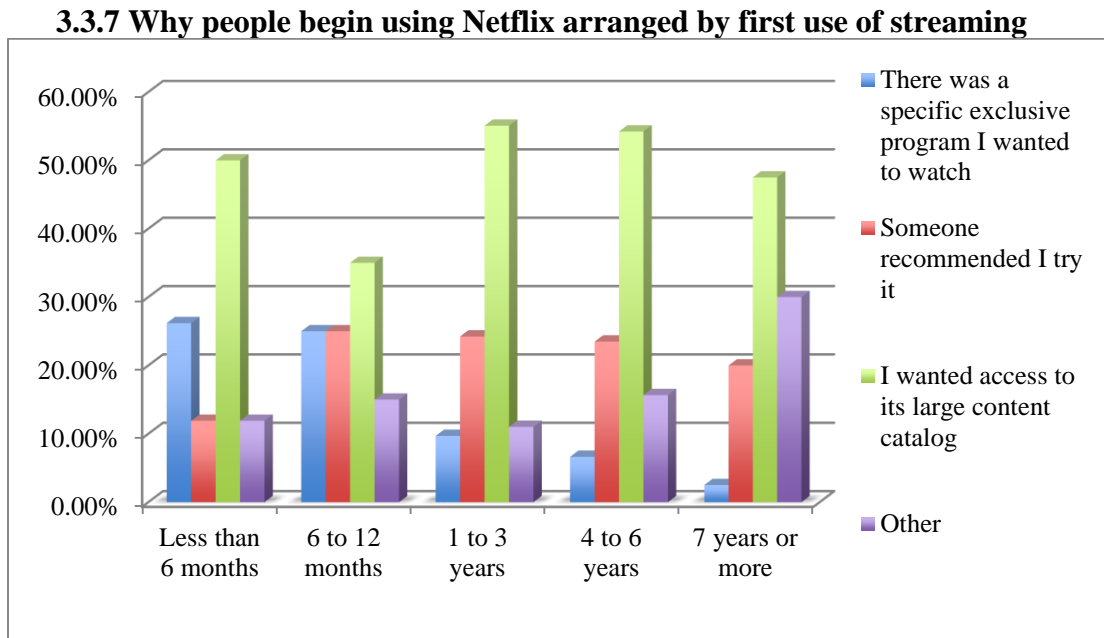


Figure 13

Respondents who were the newest Netflix users had the highest percentage that began to use Netflix due to a specific program. “Less than 6 months” had the highest percentage at 26% and “6 to 12 months” had 25%. Only 3% of “7 years or more” respondents chose this option, but this number more than doubled to 7% for “4 to 6 years” and increased to 10% for “1 to 3 years.” The highest percentage of respondents who chose recommendation was from those in the “6 to 12 month” category at 25%, closely followed by the “1 to 3 years” category at 24%. The newest Netflix streaming users had the lowest percentage of respondents who chose recommendation at 12%.

### 3.3.8 Reasons for suspending Netflix usage

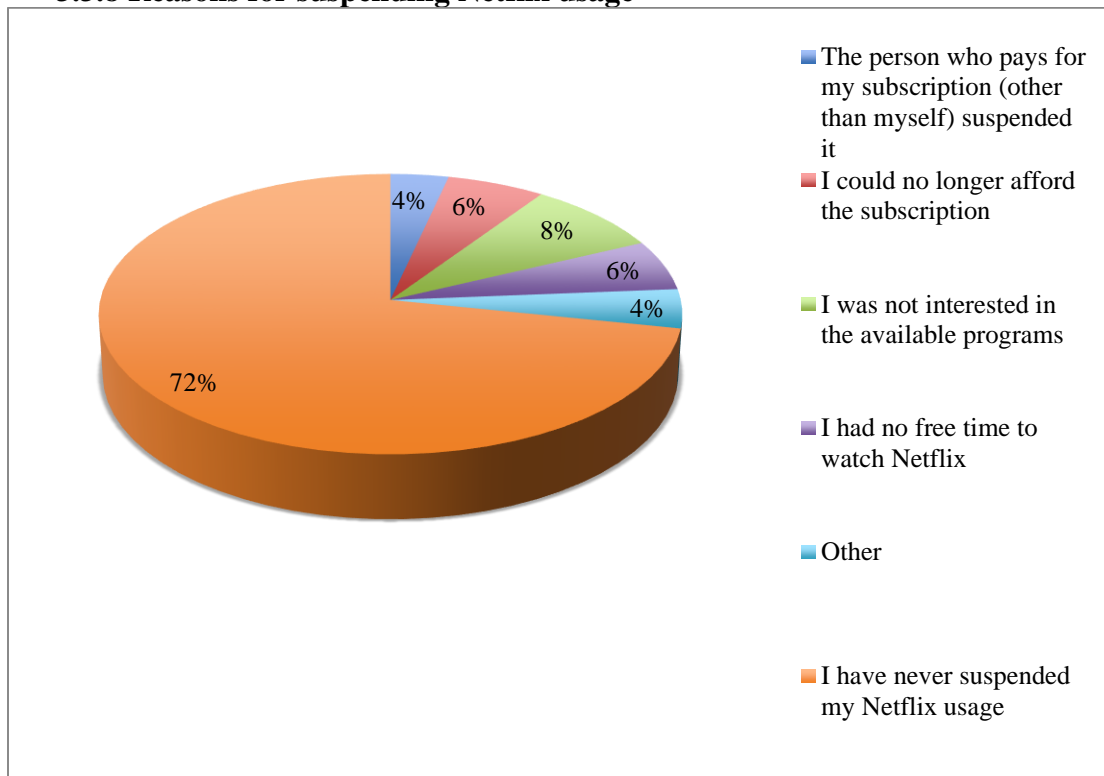


Figure 14

72% of respondents have never suspended their Netflix usage. The most commonly selected reason for Netflix usage suspension was lack of interest in available programs, but over 16% of respondents indicated suspending usage due to a lack of a necessary resource rather than disinterest in the service.

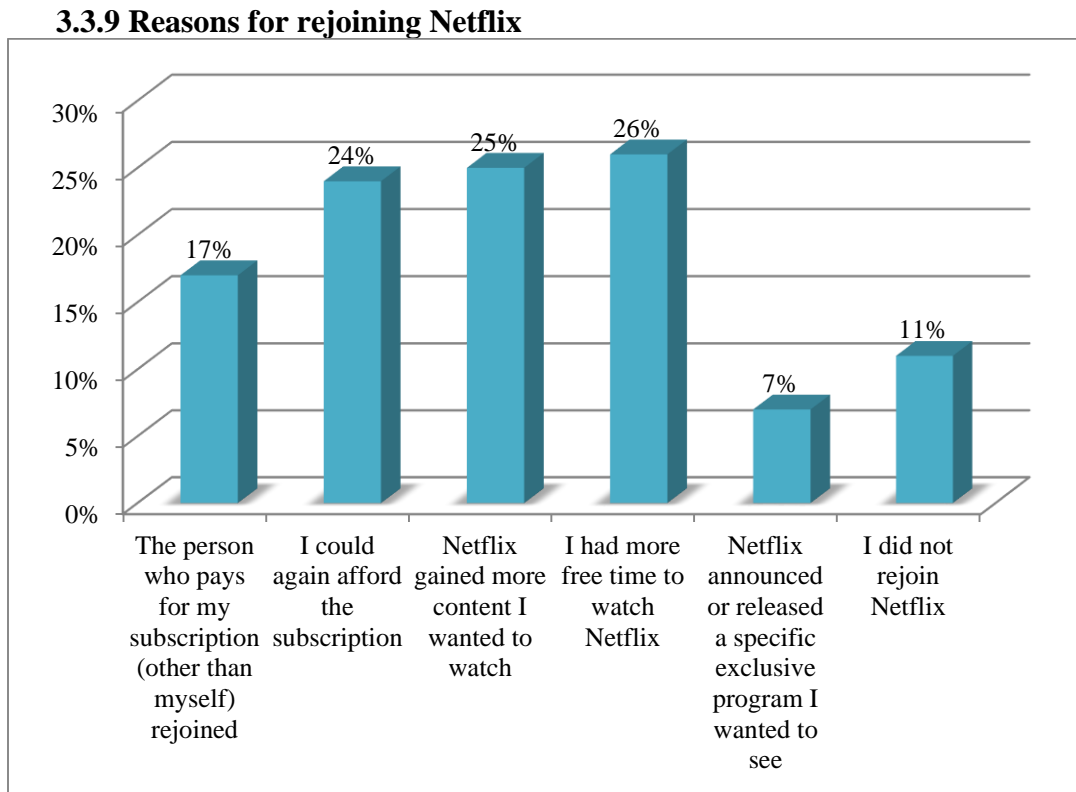


Figure 15

Respondents were able to choose multiple reasons for rejoining Netflix streaming in case they rejoined multiple times or had multiple factors for doing so. 89% of respondents who suspended their usage eventually returned to the service. 25% of those who suspended Netflix usage rejoined due to content expansion in general while 7% rejoined due to a specific title. For that 7%, 6 out of the 11 stated programs were Netflix originals and none were regional exclusives. And though they rejoined for a specific program, 73% did not suspend their usage of streaming again immediately after finishing that program.

### 3.4 Usage and Opinion of Other Content Sources

#### 3.4.1 Number of premium content services used in addition to Netflix

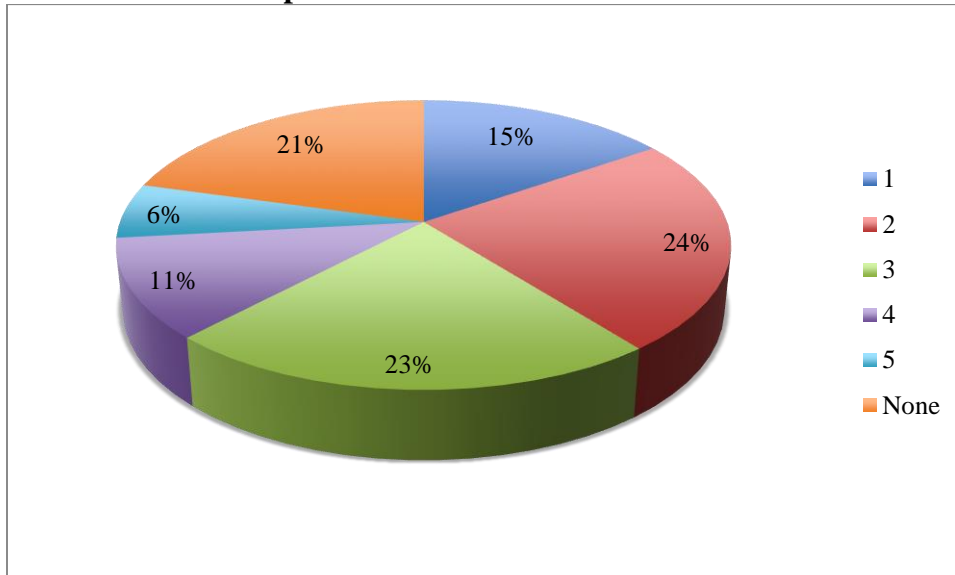


Figure 16

79% of Netflix subscribers used at least one additional premium content service. A substantial portion of Netflix users surveyed were heavy consumers of premium content services, with 40% using 3 or more services in addition to Netflix.



### 3.4.2 Which other premium content services respondents used

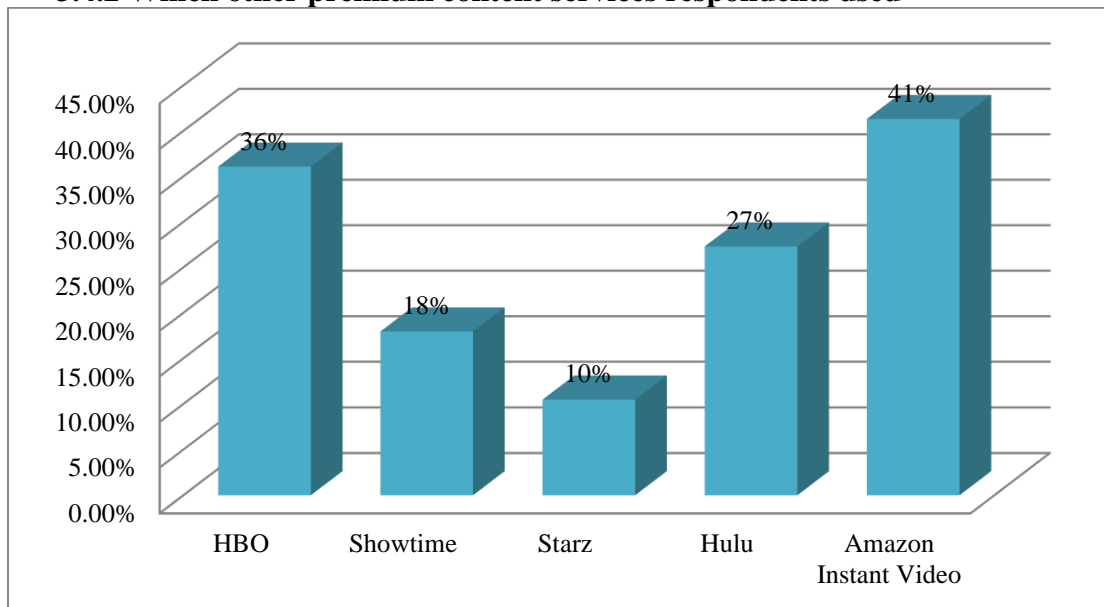


Figure 17

Out of all respondents, Amazon Instant Video was the most popular service, followed by HBO.

### 3.4.3 Percentage of users subscribing to other content services arranged by first Netflix streaming use

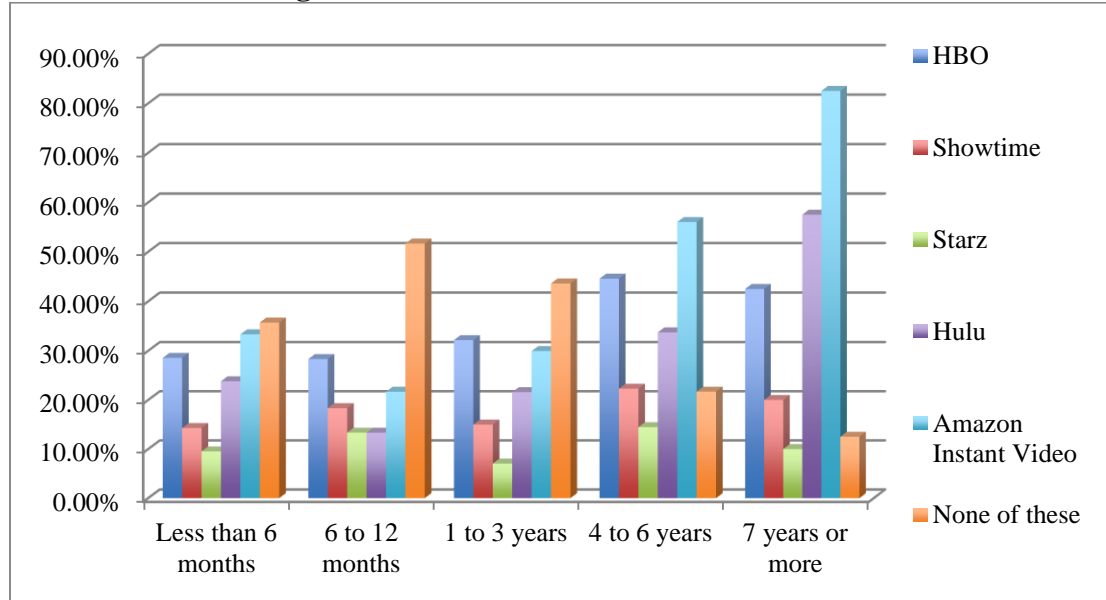


Figure 18

Early adopter respondents were most likely to use another content service in addition to Netflix, with 88% of respondents in the “7 years or more” category and 78% in “4 to 6 years” using at least one additional premium content service. Amazon Instant Video was used most by early adopters at 83% in “7 years or more” and 56% in “4 to 6 years). HBO was the most used content service among “1 to 3 year” respondents at 32%, but its highest penetration was among “4 to 6 year” respondents at 45%. Hulu’s highest percentage of use was in the “7 years or more” category at 58%, but it dropped over 20 percentage points in its next highest category, “4 to 6 years” at 34%. Starz was consistently the least used service in each respondent category with a high of 14% in “4 to 6 years” and a low of 7% in “1 to 3 years.”

### 3.4.4 Percentage of respondents subscribing to other content services arranged by streaming frequency

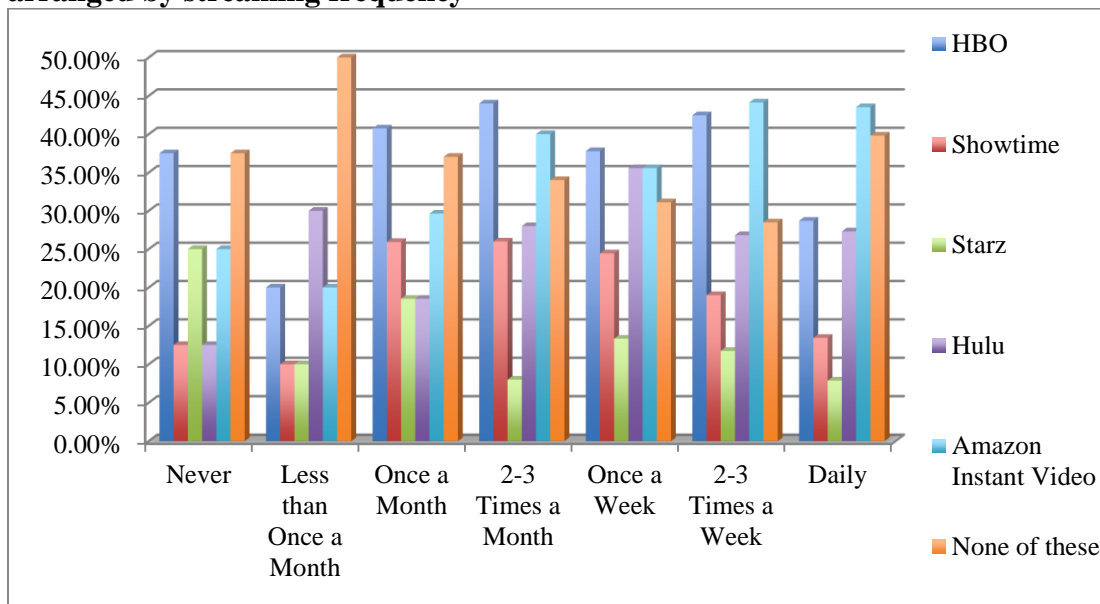


Figure 19

### 3.4.5 Respondents' opinion of premium content providers

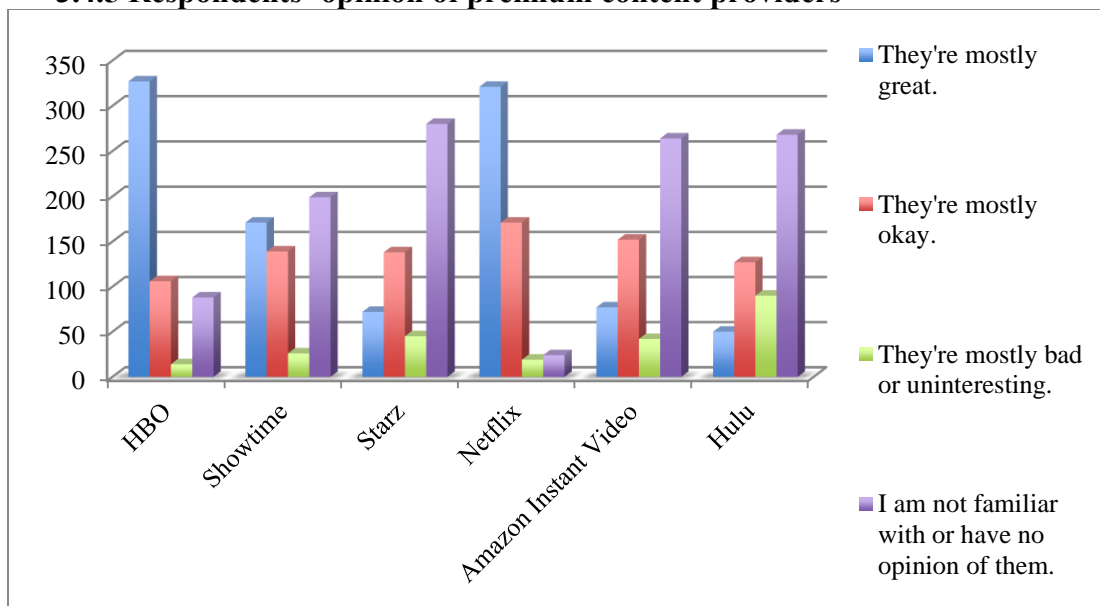


Figure 20

Respondents were asked to rate the available content on premium content services, including Netflix. HBO had slightly more respondents who regard the content as “mostly great” than Netflix (327 vs. 321) and less negative responses (14 vs. 19). Netflix had more positive responses (an answer of “They’re mostly great” or “They’re mostly okay”) overall than HBO (492 vs. 433). Disregarding those who were not familiar with or had no opinion of the content services, positive opinion of the available content ranked as follows: HBO with 97%, Netflix with 96%, Showtime with 92%, Amazon Instant Video with 85%, Starz with 82%, and Hulu with 66%. Out of OTT services, Netflix had the most favorably viewed content and was nearly on par with HBO.

#### 3.4.6 Domestic respondents’ opinion of broadcast and basic cable content in comparison with Netflix

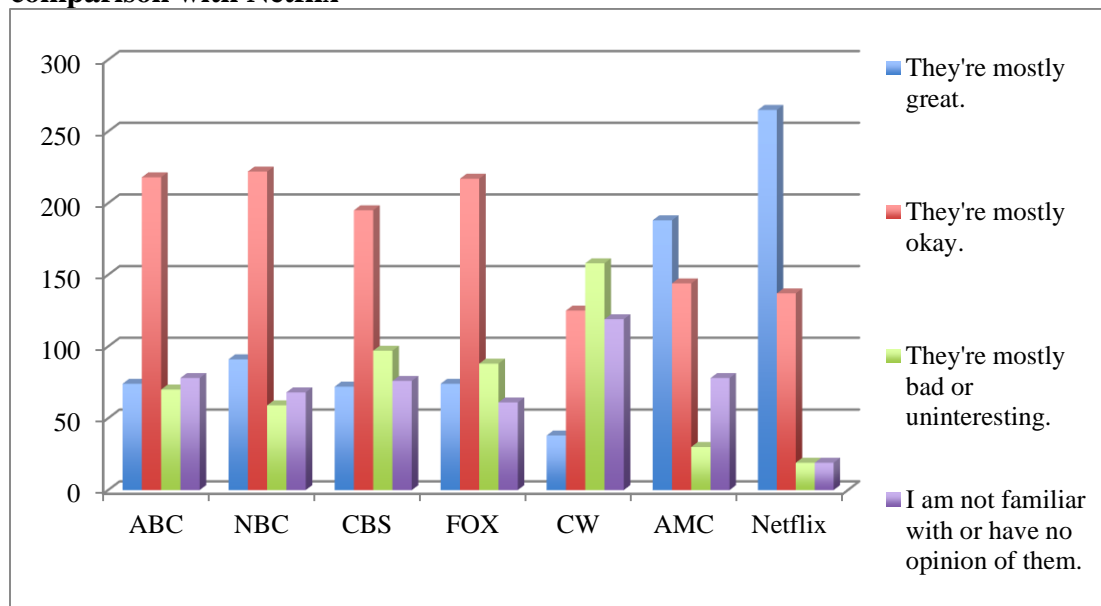


Figure 21

The CW was the least popular network, with about 63% of respondents being unfamiliar with the network, having no opinion of its content, or a negative opinion on its content. Respondents favored NBC the most out of broadcast networks, having had the most “mostly great” responses at 21% and the least “mostly bad or uninteresting” responses at 13%. Respondents viewed the cable network AMC’s content much more favorably than broadcast networks’ content, with about 51% of respondents familiar with the network designating its content as “mostly great” and 40% calling content “mostly okay.” Still, Netflix’s domestic scorings were well above the domestic broadcast and basic cable channels’ scorings both in terms of familiarity and positivity.

### 3.5 Viewership and opinion of content genre and forms

#### 3.5.1 Respondent viewership of content forms

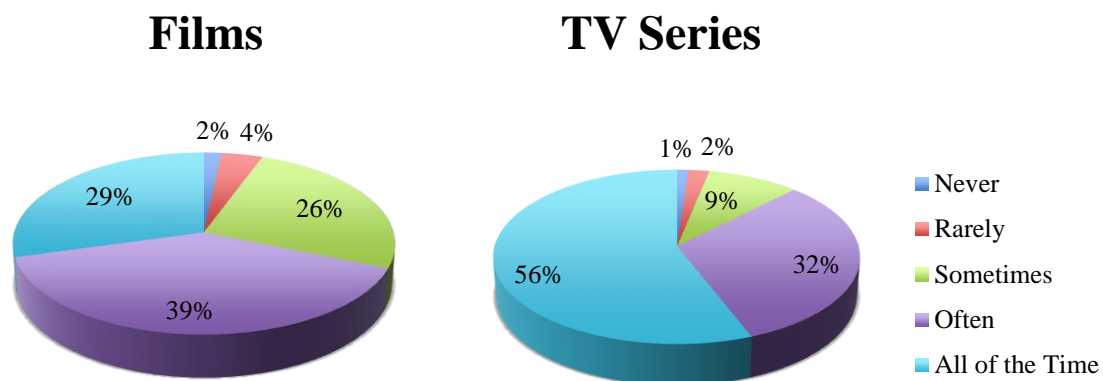


Figure 22

Table 1: Female respondent viewership of TV series and films

Content Form	Min Value	Max Value	Mean	Standard Deviation	Responses
TV Series	1	5	4.39	0.72	248
Films	1	5	3.97	0.92	248

Table 2: Male respondent viewership of TV series and films

Content Form	Min Value	Max Value	Mean	Standard Deviation	Responses
TV Series	1	5	4.39	0.81	287
Films	1	5	3.86	0.92	287

Respondents showed a clear preference for TV series, viewing them much more frequently than films. Still, respondents were not unwelcoming towards films, with only 6% of respondents saying they “never” or “rarely” watch them. Female respondents showed a slightly greater frequency of watching films than male respondents, with a coded mean of 3.97 vs. 3.86 where “all of the time” coded as a 5 through “never” coded as a 1. Both genders showed equal frequency of TV series viewing at a coded mean of 4.39.

### 3.5.2 How often respondents watched specific content genres

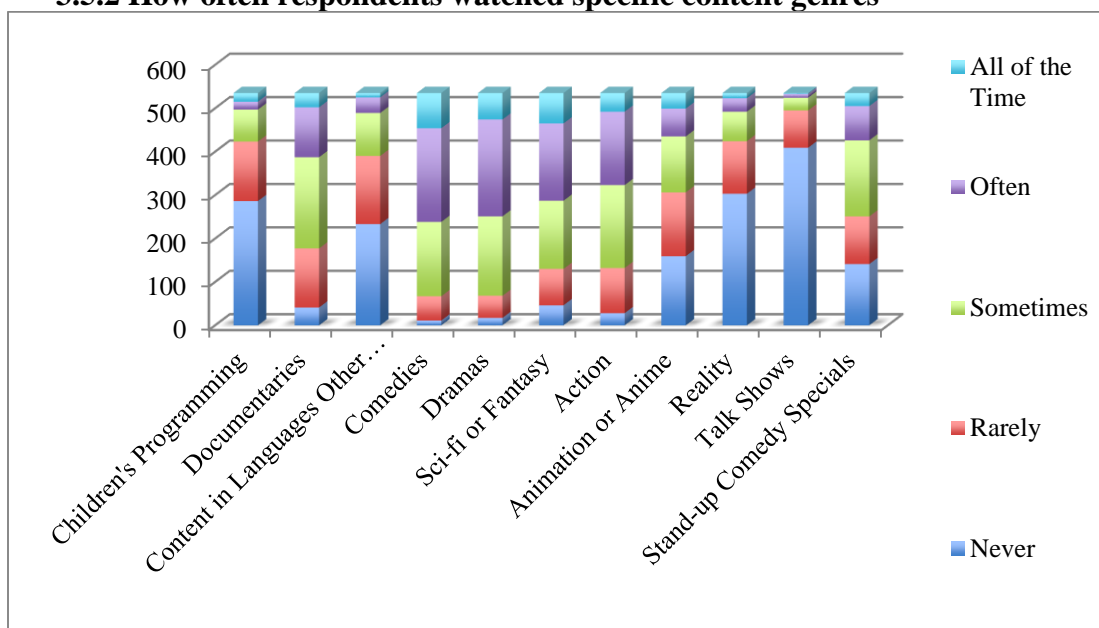


Figure 23

Table 3: Respondent average genre viewership

Genre	Min Value	Max Value	Mean	Standard Deviation	Responses
Children's Programming	1	5	1.78	1.05	535
Documentaries	1	5	2.93	1.01	535
Non-English content	1	5	1.94	1.03	535
Comedies	1	5	3.56	0.94	535
Dramas	1	5	3.49	0.93	535
Sci-fi/Fantasy	1	5	3.27	1.14	535
Action	1	5	3.18	1.01	535
Animation/Anime	1	5	2.39	1.22	535
Reality	1	5	1.74	1.03	535
Talk Shows	1	5	1.33	0.69	535
Stand-up Comedy Specials	1	5	2.53	1.19	535

Using the same coding method in 3.5.1, comedy content was most popular with a mean of 3.56, closely followed by drama content at 3.49. Talks shows were the

least popular form of content with a 1.33 mean followed by reality with a 1.74 mean and children's programming with a 1.78 mean.

### 3.5.3 How often respondents watched specific content genres by gender

Table 4: Female respondent average genre viewership

Genre	Min Value	Max Value	Mean	Standard Deviation	Responses
Children's Programming	1	5	1.91	1.07	248
Documentaries	1	5	2.92	1.04	248
Non-English content	1	5	1.89	1.00	248
Comedies	1	5	3.61	0.91	248
Dramas	1	5	3.58	0.89	248
Sci-fi/Fantasy	1	5	3.04	1.18	248
Action	1	5	2.99	0.99	248
Animation/Anime	1	5	2.26	1.19	248
Reality	1	5	2.00	1.18	248
Talk Shows	1	5	1.34	0.70	248
Stand-up Comedy Specials	1	5	2.44	1.18	248

Table 5: Male respondent average genre viewership

Answer	Min Value	Max Value	Mean	Standard Deviation	Responses
Children's Programming	1	5	1.68	1.02	287
Documentaries	1	5	2.94	0.98	287
Non-English content	1	5	1.99	1.05	287
Comedies	1	5	3.52	0.97	287
Dramas	1	5	3.41	0.95	287
Sci-fi/Fantasy	1	5	3.46	1.06	287
Action	1	5	3.34	1.00	287
Animation/Anime	1	5	2.49	1.23	287
Reality	1	5	1.52	0.82	287
Talk Shows	1	5	1.33	0.68	287
Stand-up Comedy Specials	1	5	2.60	1.20	287



Female respondents showed a greater preference for children's programming (1.91 vs. 1.68), comedy (3.61 vs. 3.52), drama (3.58 vs. 3.41), and reality (2.00 vs. 1.52) while male respondents showed a greater preference for sci-fi or fantasy (3.46 vs. 3.04), action (3.34 vs. 2.99), animation or anime (2.49 vs. 2.26) and stand-up comedy specials (2.60 vs. 2.44). Preference for documentaries, content in languages other than English, and talk shows were comparable between genders.

### 3.5.4 Whether or not Netflix needs to add additional content to its catalog by content forms

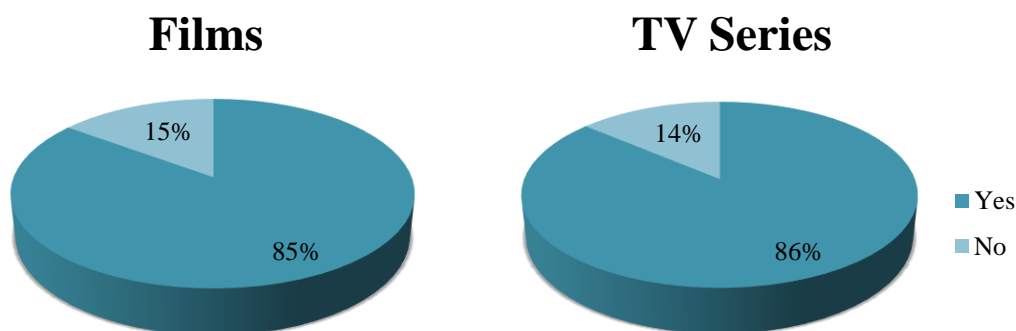


Figure 24

Table 6: Female respondents on forms of content additions

Content Form	Yes	No
Films	87.10%	13.71%
TV series	84.27%	16.53%

Table 7: Male respondents on forms of content additions

Content Form	Yes	No
Films	84.67%	16.03%
TV series	88.50%	11.50%

A large majority of respondents believed Netflix should add more films and TV series to its catalog at 85% and 86%, respectively. Female respondents were slightly more favorable to films while male respondents were slightly more favorable to TV series.

### 3.5.5 Whether or not Netflix needs to add additional content to its catalog by genre

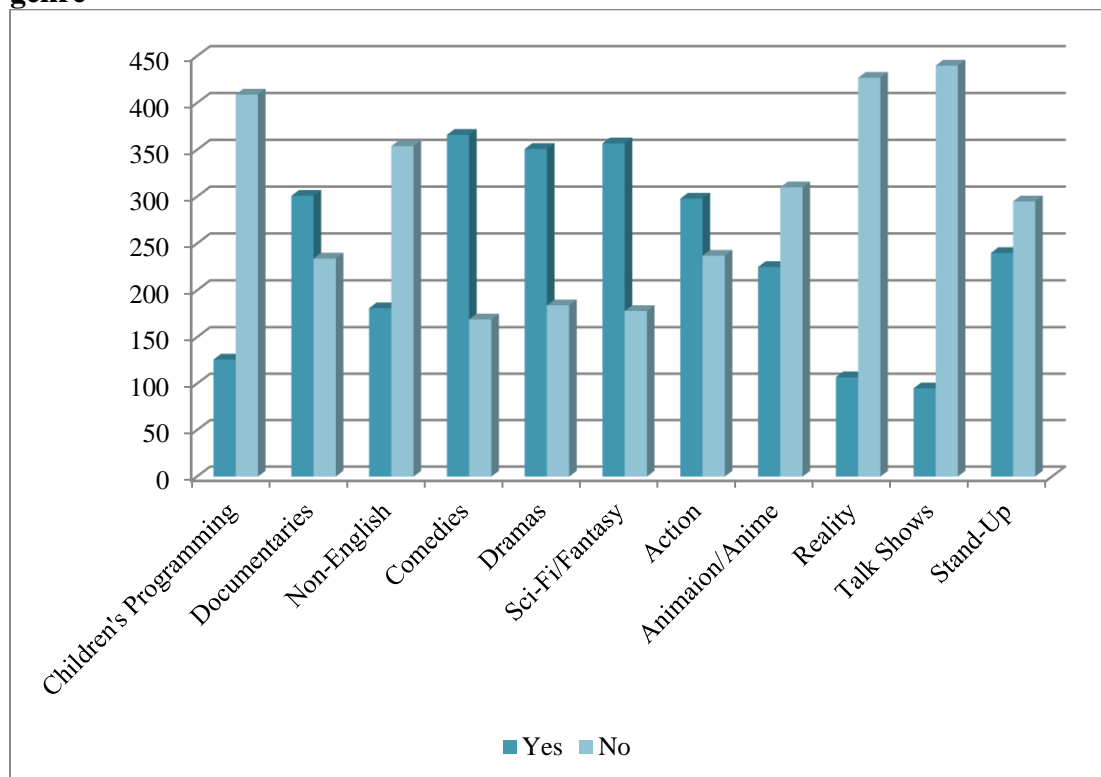


Figure 25

Table 8: Female respondents on genre additions

Content Form	Yes	No
Children's Programming	25.40%	78.23%
Documentaries	60.08%	41.94%
Content in Languages Other Than English	34.68%	66.13%
Comedies	69.35%	32.26%
Dramas	67.74%	33.47%
Sci-fi or Fantasy	55.65%	45.56%
Action	48.39%	53.23%
Animation or Anime	37.90%	63.31%
Reality	24.60%	75.81%
Talk Shows	16.13%	85.08%
Stand-up Comedy Specials	42.74%	58.87%

Table 9: Male respondents on genre additions

Content Form	Yes	No
Children's Programming	21.95%	81.18%
Documentaries	52.96%	48.43%
Content in Languages Other Than English	33.10%	66.90%
Comedies	67.60%	33.80%
Dramas	63.76%	36.59%
Sci-fi or Fantasy	76.31%	24.74%
Action	62.02%	39.02%
Animation or Anime	45.64%	56.10%
Reality	16.38%	85.37%
Talk Shows	19.16%	81.53%
Stand-up Comedy Specials	46.69%	53.66%

The least popular genres for additions to the Netflix catalog were talk shows, reality, and children's programming with only 18%, 20%, and 24% of respondents believing them to be necessary additions, respectively. Even when isolating responses

to people with children under 16 in their household, only 35.3% believe Netflix should add more children’s programming. The most popular genres to add were comedy, sci-fi/fantasy, and drama at 68%, 67%, and 66%, respectively. Though only 34% of respondents would have liked Netflix to add content in languages other than English, when responses were limited to those who do not speak English as a primary language the number jumped to 63%.

### 3.6 Respondent opinion on Netflix original programs

#### 3.6.1 Respondent awareness of select Netflix original programs

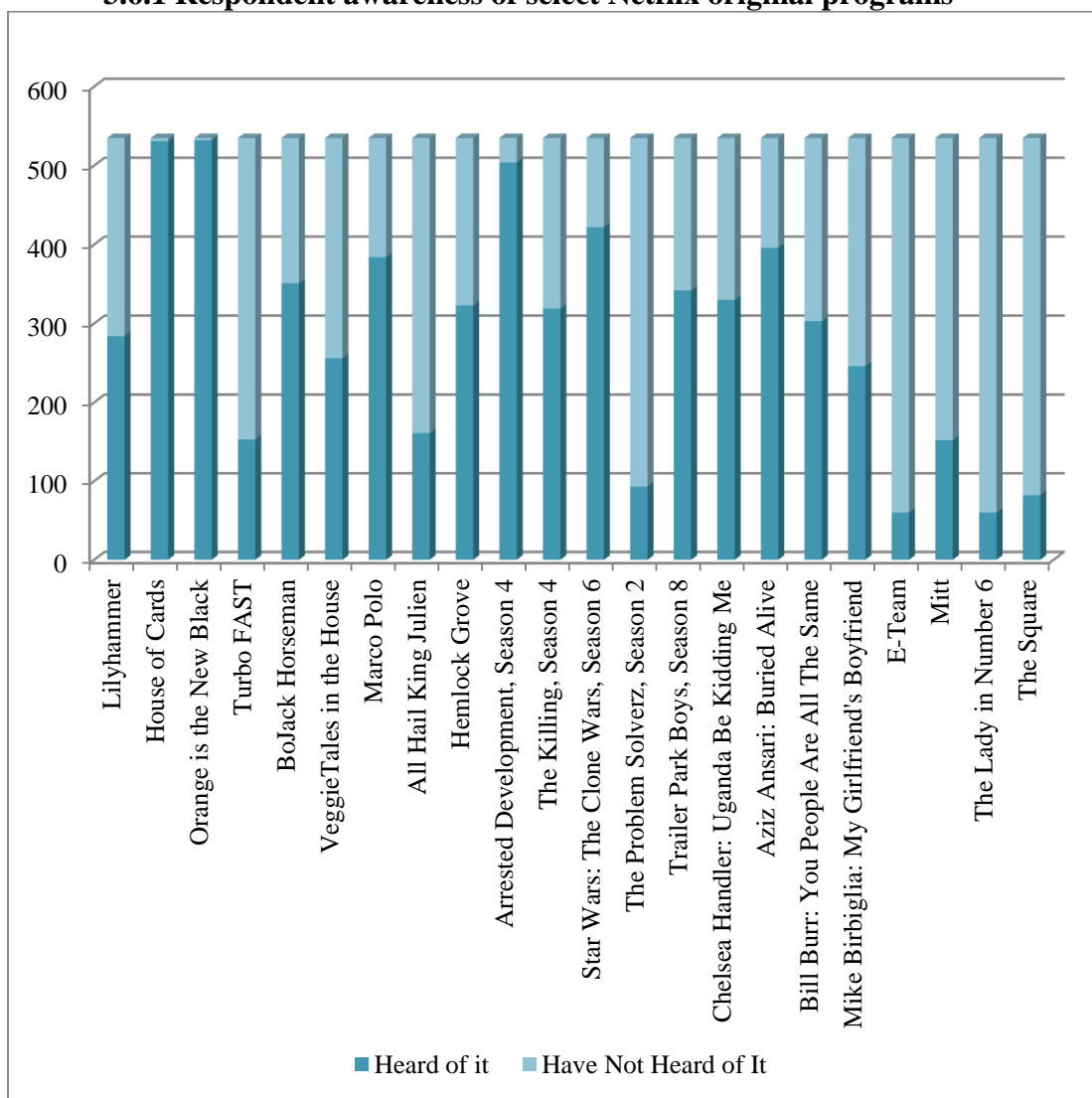


Figure 26

Awareness of Netflix originals reached above 90% among respondents only for three programs: *House of Cards*, *Orange is the New Black*, and *Arrested Development* season 4. The original documentaries (including *E-Team*, *Mitt*, *The Lady in Number 6*, and *The Square*) were the least-known programs. Children's programming (including *Turbo FAST*, *Veggie Tales in the House*, *All Hail King Julien*, and *The Problem Solverz*, Season 6) had the next-highest percentage of being unknown to respondents. This was most likely due to 75% of respondents not having children under 16 in their household. Stand-up comedy (including *Chelsea Handler: Uganda Be Kidding Me*, *Aziz Ansari: Buried Alive*, *Bill Burr: You People Are All The Same*, and *Mike Birbiglia: My Girlfriend's Boyfriend*) had moderate respondent awareness ranging from 74% to 46% being aware of the individual programs. Netflix's oldest original *Lilyhammer* had a 53% respondent awareness.

### 3.6.2 Respondent viewership for select Netflix originals, restricted to those who were aware of the programs

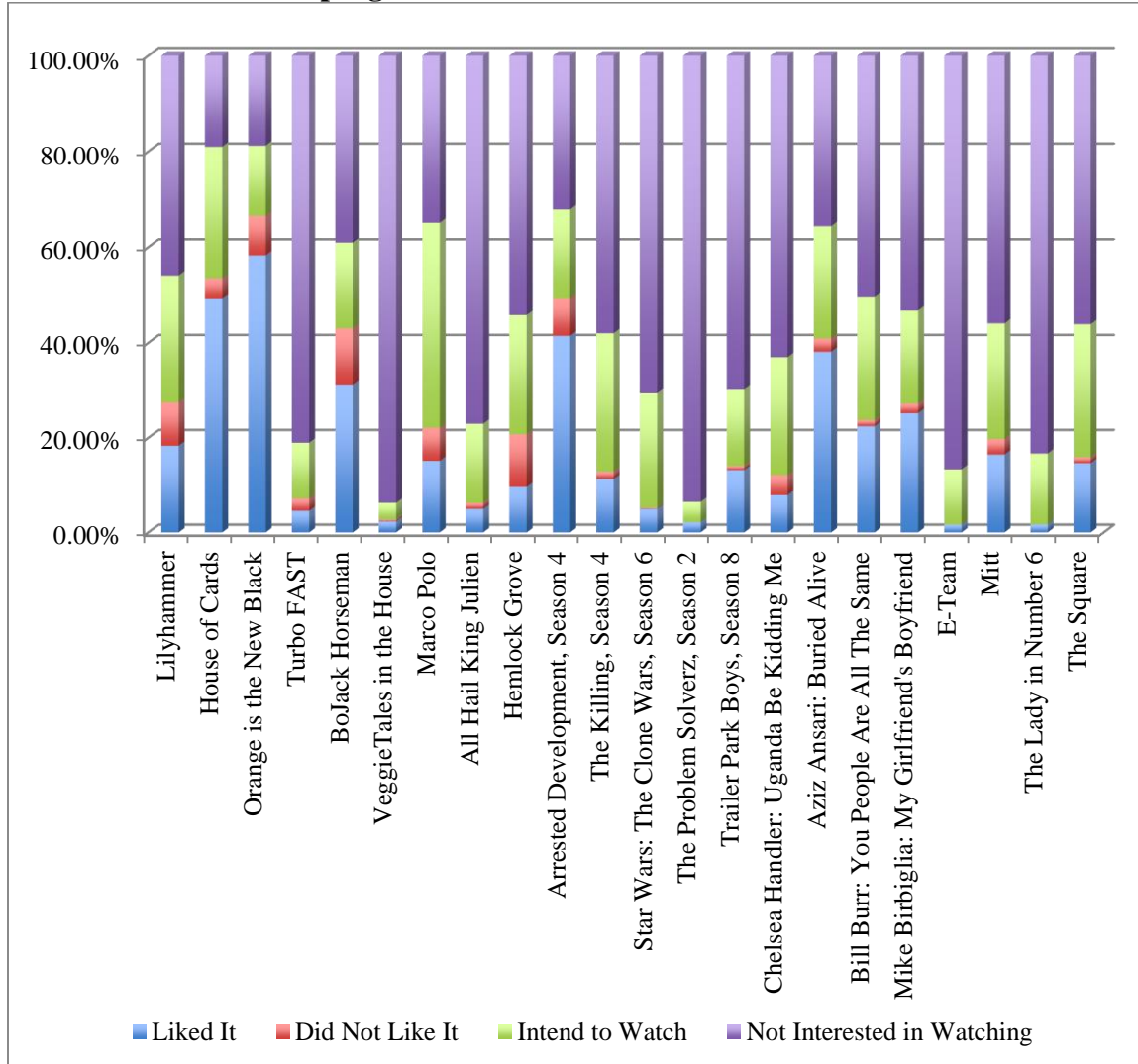


Figure 27

Very few respondents who were aware of Netflix originals disliked the programs. The most disliked originals were *BoJack Horseman* at 12% closely followed by *Hemlock Grove* at 11%. Though nearly 1/3 of respondents who viewed *Marco Polo* did not like the show, the program had the largest percentage and actual number of respondents who intend to watch it at about 43% and 165 respondents.

*Orange is the New Black* had the highest percentage and actual number of respondents who enjoyed the show at 58% and 310 respondents. Children's programming originals had the highest percentages of disinterest averaging at 86%, which is most likely due to only 2% of respondents being under 16 and 25% of respondents having children under 16 in their household. This was followed by documentary originals averaging 71% disinterest and stand-up comedy specials averaging 51% disinterest. The individual program with the largest actual number of disinterested respondents was *Star Wars: The Clone Wars*, season 6 with 298 respondents, which translates to 71% of respondents who are aware of the program.

### 3.6.3 Respondents' rating of Netflix original programming vs. entire content collection

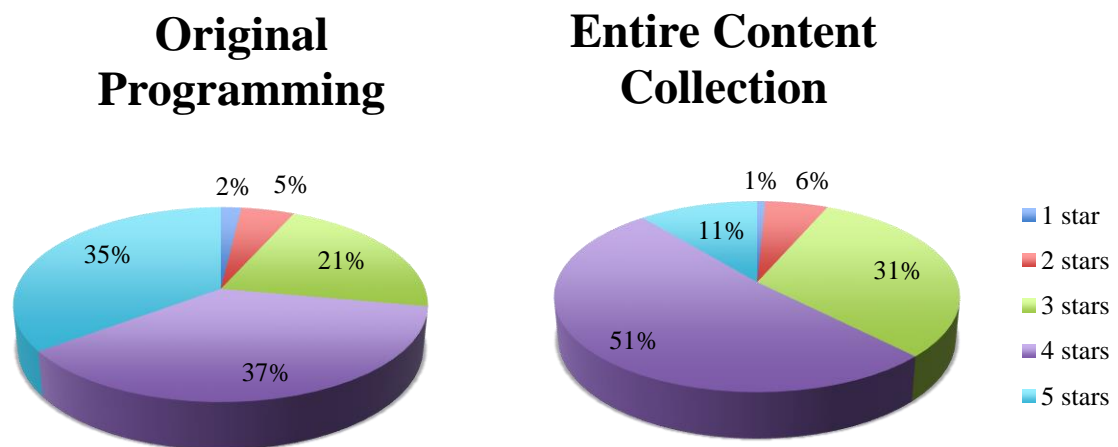


Figure 28

Table 10: Average respondent satisfaction with Netflix content collections

Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
Entire collection	1	5	3.66	0.78	535
Original programming	1	5	3.99	0.96	535

When asked to rate their satisfaction with it on a 5-star scale, respondents rated Netflix original programming an average of 3.99 stars with a 0.96 standard deviation. This was slightly higher than how respondents rated Netflix's entire content collection, which averaged 3.66 stars. However, the entire content collection rating had a slightly lower standard deviation of 0.78. 72% of respondents rated original programming at 4 or 5 stars while 62% of respondents did the same with the entire content collection. Despite the responses for original programming being slightly more varied, survey respondents were overall slightly more satisfied with Netflix original programming than Netflix's entire catalog.



### 3.7 Perceived value of Netflix streaming features

#### 3.7.1 Importance of Netflix features and activities on a 5-point scale

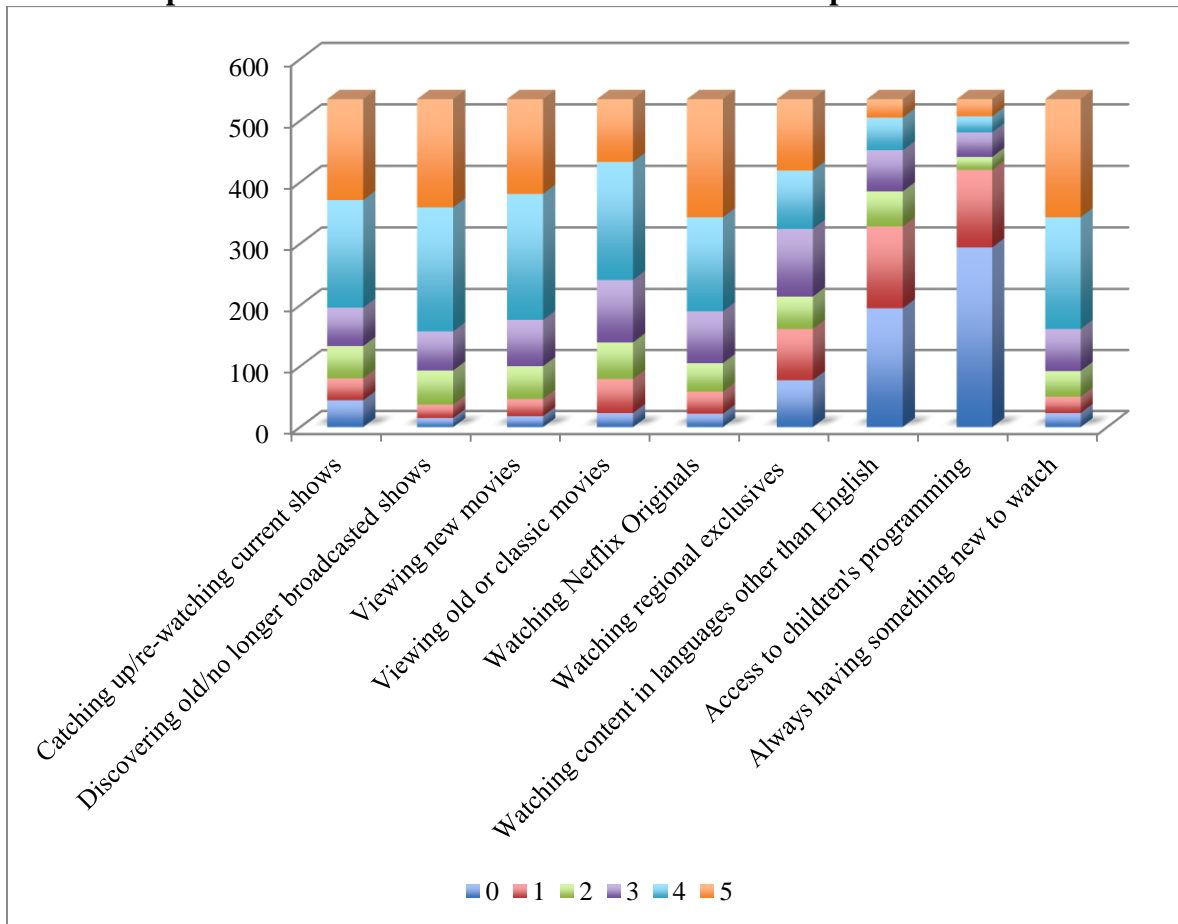


Figure 29

Table 11: Average importance of Netflix features and activities

Answer	Min Value	Max Value	Average Value	Standard Deviation	Responses
Catching up on or re-watching currently broadcasted TV shows	0	5	3.46	1.57	535
Discovering old or no longer broadcasted programs to watch	0	5	3.76	1.28	535
Viewing new movies	0	5	3.65	1.31	535
Viewing old or classic movies	0	5	3.29	1.4	535
Watching Netflix Originals	0	5	3.66	1.42	535

Watching exclusive shows that are not legally available anywhere else in my location	0	5	2.77	1.74	535
Watching content in languages other than English	0	5	1.51	1.58	535
Access to children's programming for the children in my household	0	5	0.99	1.47	535
Always having something new to watch	0	5	3.75	1.37	535

On a scale where 0 is “Not At All Important” and 5 is “Very Important,” respondents rated the importance of specific Netflix features and activities to the value of their Netflix access. “Access to children’s programming” was valued least with an average importance of 0.99. Isolating responses only to households with children under 16, this rose only to 2.18. The next least valued activity was “watching content in languages other than English” with an average value of 1.51, but this activity also had the highest response variation with a 1.58 standard deviation. Isolating responses to those who indicated their primary language as something other than English, the importance value only rose to 1.89. “Discovering old or no longer broadcasted programs” was the highest valued activity with an average of 3.76. “Discovering old or no longer broadcasted programs” also had the smallest response variation with a standard deviation of 1.28. The very close second-most highly rated activity was “always having something new to watch” with an average importance value of 3.75. “Always having something new to watch” and “watching Netflix originals” both had the most number of 5 ratings, 192.

### 3.7.2 Respondents' most important feature to Netflix usage satisfaction

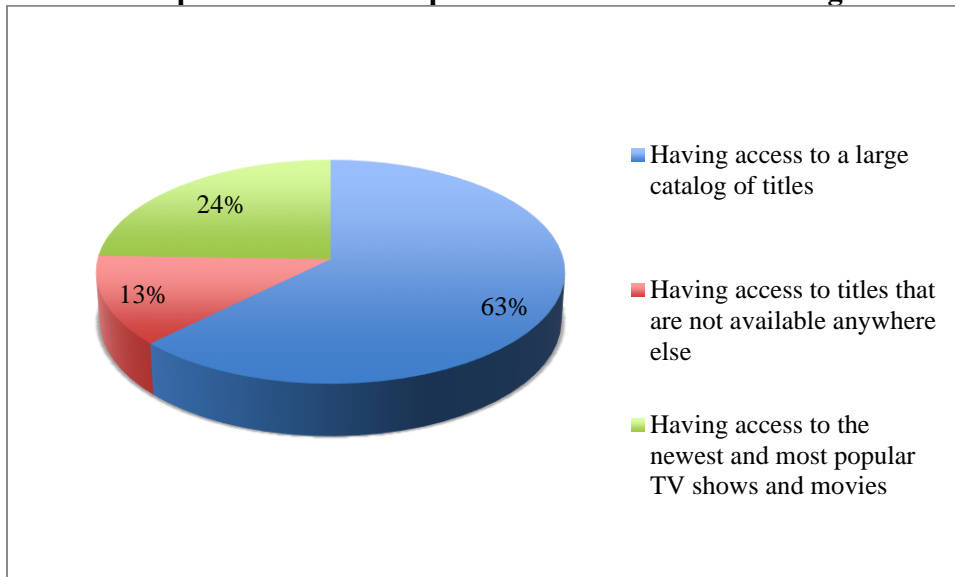


Figure 30

Respondents were given three Netflix features and asked to choose which was most important to their satisfaction with Netflix.

### 3.7.3 Respondents' most important feature to Netflix usage satisfaction by gender

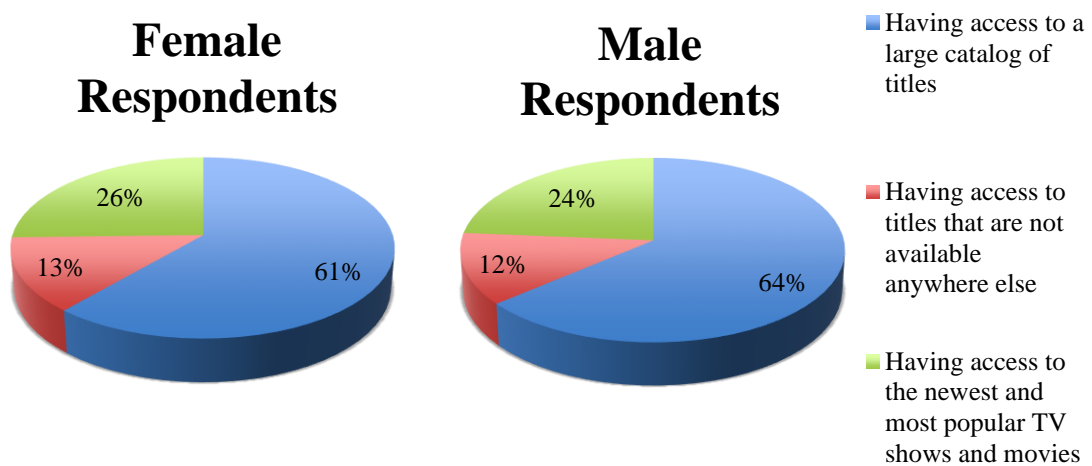


Figure 31

Though female respondents showed a slightly higher preference for exclusive titles (13% vs. 12%) and access to new and popular content (26% vs. 24%), a majority of both genders chose a large catalog as the most important Netflix feature. Access to exclusive titles was the least common choice as the most important Netflix feature.

### 3.7.3 Respondents' most important feature to Netflix usage satisfaction by frequency of use

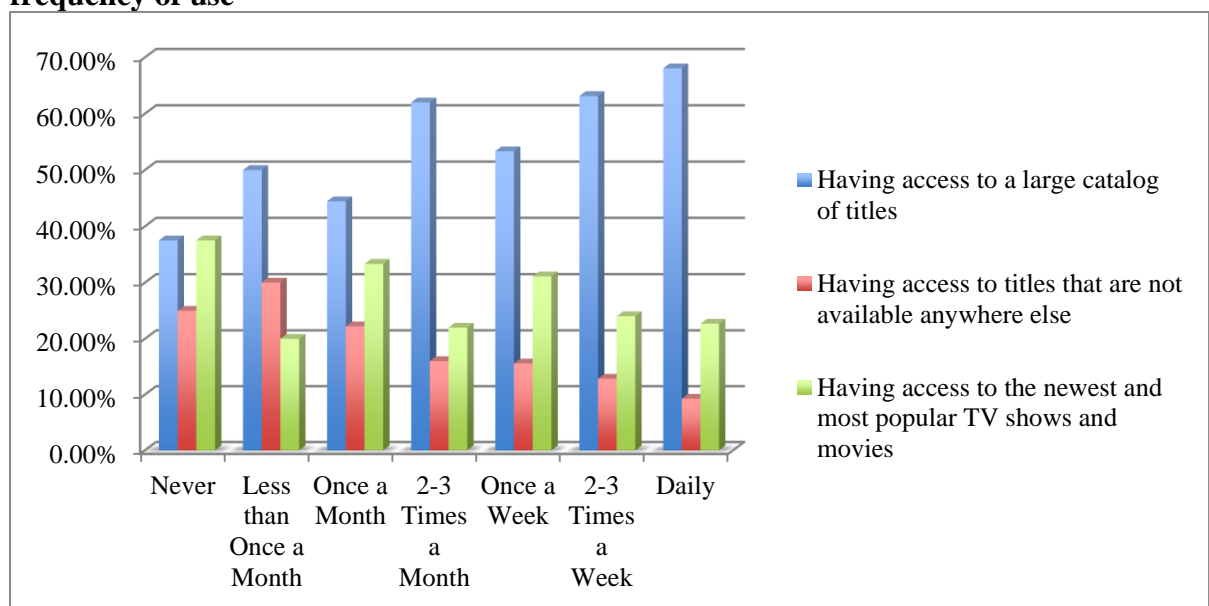


Figure 32

The majority of users in all categories of usage frequency chose a large catalog as being the most important Netflix feature, except for the “never” category in which it tied with access to new and popular content. The more frequently a respondent used Netflix, the less likely it was for title exclusivity to be the respondent’s most valued feature. In all usage categories except for those who use

Netflix less than once a month, access to new and popular TV shows was chosen as the most important feature more often than title exclusivity.

### 3.7.4 Respondents' most important feature to Netflix usage satisfaction by how long ago Netflix streaming was first used

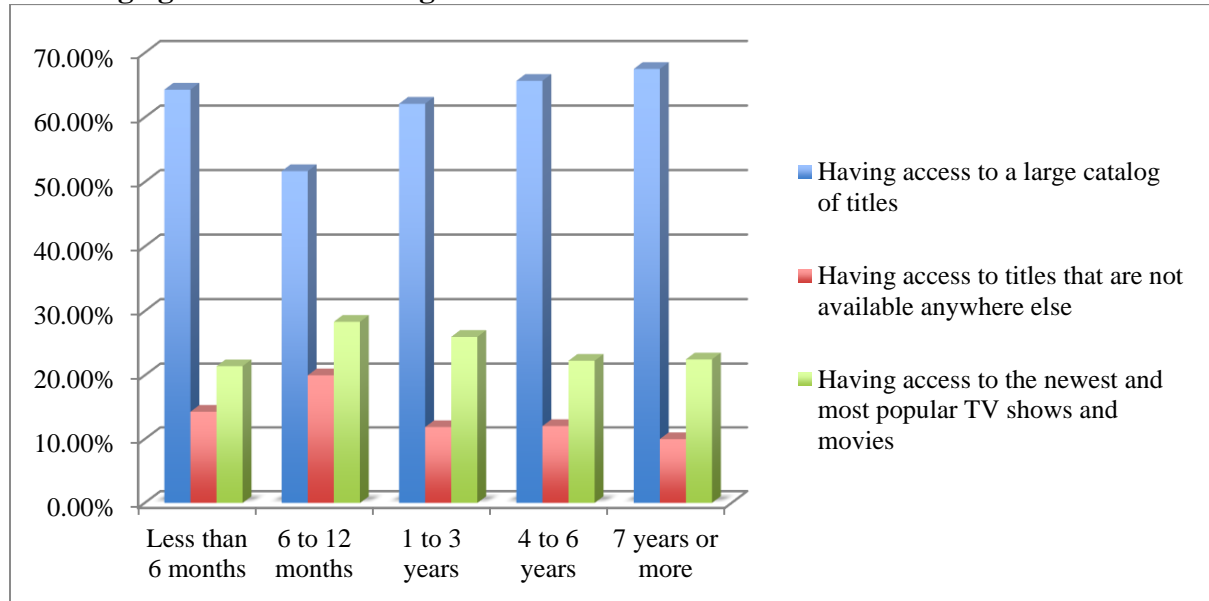


Figure 33

Respondent selection of the most important Netflix feature was very similar across all categories. Respondents who first used streaming 6-12 months ago showed the most variation with slightly more respondents choosing new and popular content and content exclusivity as the most important Netflix feature.

### 3.8 Importance of future Netflix original programming

#### 3.8.1 Whether or not knowing that Netflix is greatly expanding original programming adds value to Netflix access arranged by frequency of use

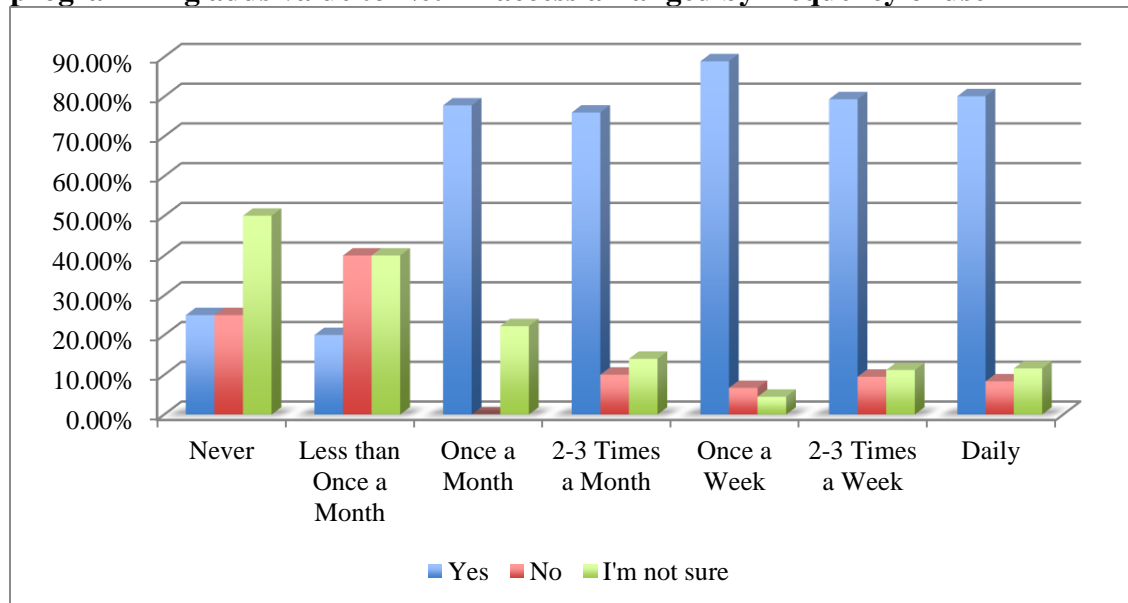


Figure 34

Table 12: Average importance of original programming expansion by streaming frequency

Respondent Group	Min Value (No)	Max Value (Yes)	Average Value	Standard Deviation	Responses
Never	1	3	2	0.76	8
Less than once a month	1	3	1.80	0.79	10
Once a month	1	3	2.78	0.42	27
2-3 times a month	1	3	2.66	0.66	50
Once a week	1	3	2.83	0.53	45
2-3 Times a week	1	3	2.69	0.63	179
Daily	1	3	2.72	0.61	216

A majority of all respondents who used Netflix at least once a month believe that the prospect of future original programming adds value to their Netflix access,

with the lowest percentage for “2-3 times a month” respondents at 76% and the highest for “once a week” respondents at 89%. Those who “never” used Netflix streaming or used it “less than once a month” had the highest percentages of not believing future original programming adds any value at 25% and 40%, respectively. These two groups also had the highest levels of uncertainty regarding the value of future original programming at 50% and 40%, respectively. When coding the responses so that “yes” equaled 3, “I’m not sure” equaled 2, and “no” equaled 1 the “once a week” category of respondents had the highest average, 2.83 and “less than once a month” had the lowest average, 1.80.

### 3.8.2 Whether or not knowing that Netflix is greatly expanding original programming adds value to Netflix access arranged by how long ago Netflix streaming was first used

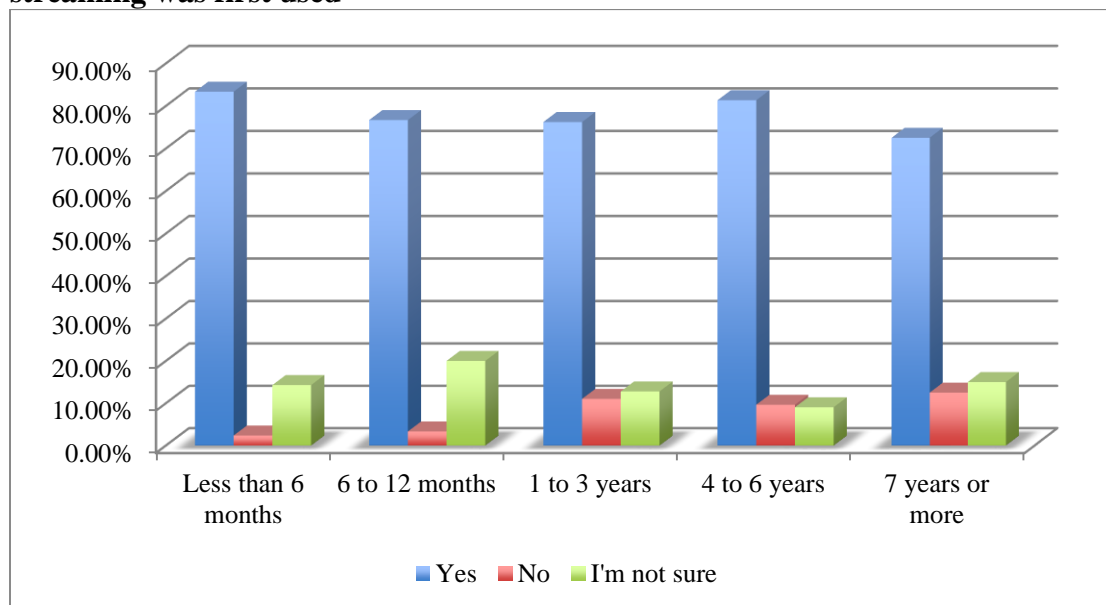


Figure 35

Table 13: Average importance of original programming expansion by how long ago Netflix streaming was first used

Respondent Group	Min Value (No)	Max Value (Yes)	Average Value	Standard Deviation	Responses
Less than 6 months	1	3	2.81	0.45	42
6 to 12 months	1	3	2.73	0.52	60
1 to 3 years	1	3	2.65	0.70	227
4 to 6 years	1	3	2.72	0.63	166
Once a 7 years or more	1	3	2.60	0.61	40

The newest user category had the highest percentage of respondents who believe future original programming adds value to their Netflix access and the lowest percentage of respondents who do not. The oldest user category was a complete reversal: it had the lowest percentage of respondents who believed original programming adds value and the highest percentage of respondents who did not. Respondents who began using Netflix streaming within the last 6 months valued the prospect of future original programming the most at a coded average of 2.81 (using the same coding method mentioned in 4.8.1). Respondents who have used Netflix streaming for 7 years or more valued future original programming the least at a 2.60 average.



### 3.8.3 Importance of the prospect of future original programming to respondents' continued Netflix usage arranged by frequency of use

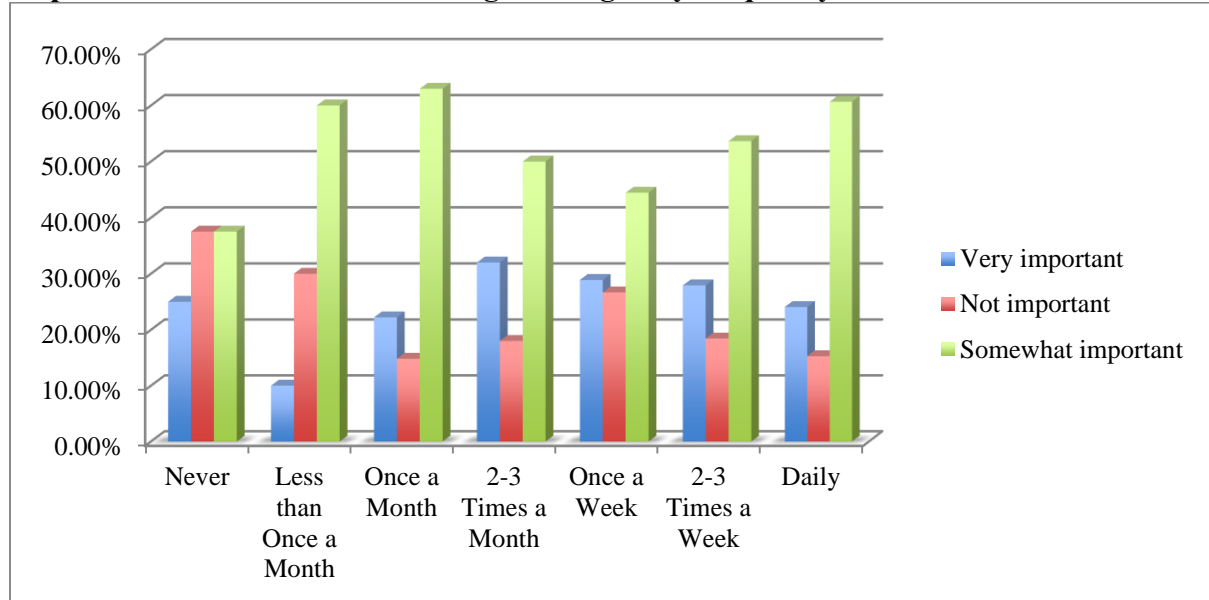


Figure 36

Table 14: Average Importance of future original programming to continued Netflix use by streaming frequency

Respondent Group	Min Value (Not)	Max Value (Very)	Average Value	Standard Deviation	Responses
Never	1	3	1.88	0.83	8
Less than once a month	1	3	1.80	0.63	10
Once a month	1	3	2.07	0.62	27
2-3 times a month	1	3	2.14	0.70	50
Once a week	1	3	2.02	0.75	45
2-3 Times a week	1	3	2.09	0.68	179
Daily	1	3	2.09	0.62	216

Out of all respondents, 82% considered original programming at least “somewhat important” to his or her continued Netflix use while 18% did not. The “never” category had lowest percentage of respondents who consider it at least

“somewhat important” at 63% while the “once a month” category had the highest percentage at 85%. The “2-3 times a month” category had the most respondents who considered original programming “very important” to the respondent’s continued usage at 32%. When coding the responses so that “very important” equals 3, “somewhat important” equals 2 and “not important” equals 1, categories where respondents used streaming at least once a month all average slightly above 2.0 with the highest average being the “2-3 times a month” category at 2.14 and the lowest being “less than once a month” at 1.80

#### 3.8.4 Importance of the prospect of future original programming to respondents’ continued Netflix use arranged by how long ago Netflix streaming was first used

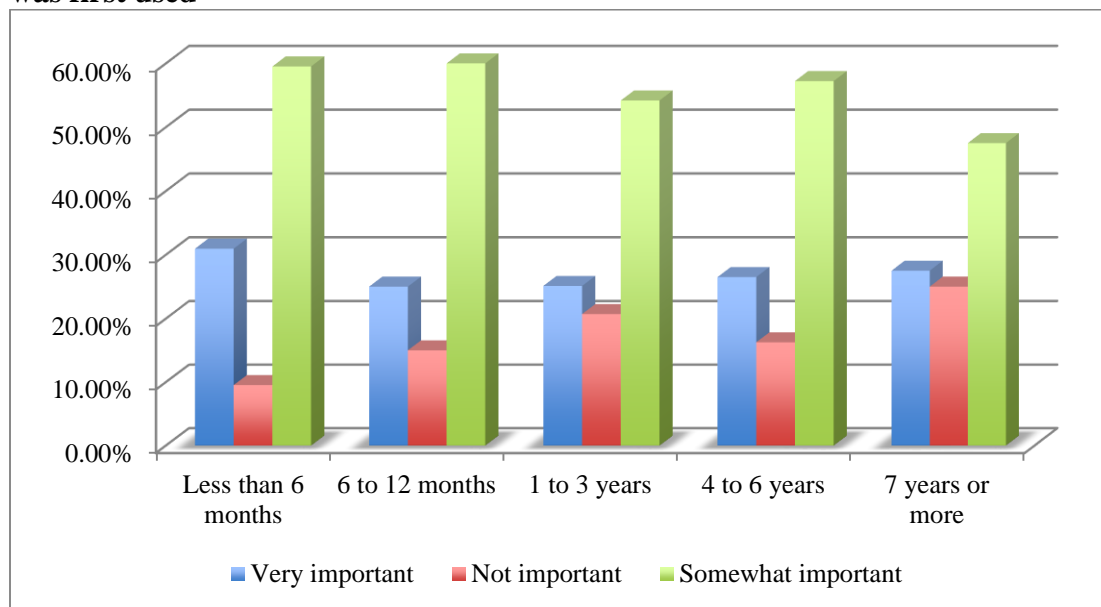


Figure 37

Table 15: Average importance of future original programming to continued Netflix use by how long ago Netflix streaming was first used

Respondent Group	Min Value (Not)	Max Value (Very)	Average Value	Standard Deviation	Responses
Less than 6 months	1	3	2.21	0.61	42
6 to 12 months	1	3	2.10	0.63	60
1 to 3 years	1	3	2.04	0.68	227
4 to 6 years	1	3	2.10	0.65	166
Once a 7 years or more	1	3	2.03	0.73	40

The newest Netflix user category had the most respondents who consider original programming “very important” to their continued Netflix use at 31% and the fewest respondents who considered it “not important” to their continued use at 10%. The “6-12 month” category had the least amount of respondents who considered original programming “very important” at 25% but was only 0.11% below the “1 to 3 years” category. The oldest Netflix user category had the most number of respondents who considered original programming “not important” to their continued use of the service at 25%. Using the same method in 4.8.3 to code the responses, the averages of each respondent category and a very low standard deviation of 0.074 with averages ranging from 2.03 to 2.21.

## Chapter 4 : Discussion

### 4.1 Introduction

Using the collected data, this chapter answers the research questions listed in chapter one, section 1.5.

### 4.2 R1: Who are Netflix's streaming consumers?

Survey respondents were 46% female and 54% male, and 82% were located in the United States. Other respondent countries were as follows: 6% Canada, 5% United Kingdom, 1% Germany, and 1% Australia. The remaining 5% consisted of respondents from Norway, Ireland, Brazil, Netherlands, Denmark, Spain, Sweden, Mexico, Finland, France, Austria, Gibraltar, New Zealand, Belgium, and Cambodia. 95% of respondents indicated that English is their primary language. Nearly 2% of respondents were located in countries where Netflix was not officially available at the time the survey was conducted (Australia, New Zealand, Cambodia, and Gibraltar). Respondents identified their race as the following: 87% white or Caucasian, 4% Hispanic or Latino, 3% black or African American, 3% Asian, and 3% Native American, Pacific Islander or other.

In terms of age, survey response skewed towards millennials, as 77% of respondents were 18-35 years old. The youngest respondent was 14 and the oldest respondent was 76. The average respondent age was 27.3 years old and the most common respondent age was 23. A majority of respondents had no children under 16 years old living in their household at 75%. 16% of respondents had one child under 16, 8% had two, 1% had 3, and 0% (2 respondents) had four or more.

Only respondents who indicated their current location as the United States (440) were asked their annual household income in US dollars. Of those who did not opt out of the questions (344), 31% indicated their household income \$100,000 or above, 12% reported \$75,000-\$99,999, 20% reported \$50,000-\$74,999, 20% reported \$30,000-\$49,999, and 17% reported household income below \$30,000. Household income did not prove to be a significant respondent usage or preference indicator.

### **4.3 R2: How do consumers access Netflix and what inspires them to join or leave Netflix?**

#### **4.3.1 Access**

Out of all respondents, 54% paid for their Netflix access while 32% reported that a relative did. Generally speaking, frequent streamers were more likely to pay for their own subscription while rare streamers were more likely to share access with someone else. Respondents who consider themselves “daily” streamers reported the same percentages, while 61% of “2-3 times a week” respondents said they pay for their subscription. 75% of those who “never” stream indicated someone other than themselves paid for their access as did 60% of “less than once a month” respondents. “Once a month” respondents were nearly split with 52% paying for their subscription and 48% sharing an account.

#### **4.3.2 Joining Netflix**

The more than half of all respondents (52%) began using Netflix streaming due to wanting access to its large content catalog. 23% began using it at the recommendation of another person, and just 11% began using it for a specific

exclusive program. Of the 14% who indicated “other,” supplied reasons included free trial offers, streaming being included for free with their DVD subscription plan, gifted subscriptions, a household member offering to share his or her subscription, and cord-cutting. Of the 11% that joined for a specific exclusive show, 46% (28/61) of the stated programs were Netflix original programs: *House of Cards* (13), *Orange is the New Black* (11), *Arrested Development* (3), and *Aziz Ansari: Buried Alive* (1). The remaining 54% (33/61) consisted of programs that were non-exclusive licensed content: *New Girl*, *30 Rock*, *Fringe*, *Doctor Who*, *How I Met Your Mother*, *Bones*, *Scandal*, *Glee*, *Lost*, *Top Gear*, and others. Though *Breaking Bad* and *The Walking Dead* were cited as impetus programs several times, all respondents of those programs were located in the United States where the shows are not regional exclusives. Out of all respondents, Netflix originals were responsible for initiating streaming use for only 5% (28/535). These results show that a large catalog was most important for new users, and that even when respondents join because of a specific show, more than half the time it is not a Netflix exclusive or original. This points to respondents valuing catalog size and popular shows (no matter the original source) over unique access to content.

#### **4.3.3 Leaving Netflix**

Though 72% of respondents have never suspended their streaming use, respondents were less likely to do so if they were “daily” or “2-3 times a week” streamers. 75% of “daily” respondents and 76% of “2-3 times a week” respondents have never suspended their usage while the same is true for only 13% of “never”

respondents and 30% of “less than once a month” respondents. Not being interested in the available programs was the most common reason for suspending usage at 8% of all respondents. This selection goes as high as 38% for “never” respondents and as low as 6% for “2-3 times a month,” “2-3 times a week,” and “daily” respondents. Though lack of interest in the available content was the most common reason, a majority of respondents indicated suspending usage due to a lack of a necessary resource for permitting access rather than disinterest in the service. Over 16% of all respondents reported suspending usage due to a lack of a time, money, Internet, etc. rather than disinterest in the service. When respondents who selected “other” were prompted to explain, commonly cited reasons were international travel, lack of an Internet connection, and switching to another service.

#### **4.3.4 Rejoining Netflix**

Of those respondents who did at one point suspend their Netflix streaming usage, 89% eventually rejoined the services. Respondents were able to indicate multiple reasons for rejoining Netflix in case of multiple times they rejoined or multiple factors, therefore the total percentages exceed 100%. 26% indicated that they rejoined because they regained free time, 24% because they could again afford the subscription, and 17% gained access to another person’s account. The second most common reason for rejoining at 25% was because respondents believed Netflix’s content catalog improved. Just 7% (11 respondents) rejoined because of a specific program. Of the 11 respondents, 6 mentioned original programs: *Orange is the New Black* (4), *House of Cards* (1), and *Marco Polo* (1). This translates to 4% of

respondents who suspended Netflix streaming reinitiating their Netflix usage because of original programming. This is fairly consistent with the previously stated statistic that only 5% of all respondents started to use Netflix streaming due to an original series and shows that original programming is not a major factor in attracting or re-attracting users.

#### **4.3.5 Summary**

In evaluating whether or not to use Netflix streaming, respondents indicated overall content catalog as the most important impetus to using the service. Influence of friends and relatives was also a significant motivation, whether via recommendation, gifting subscriptions, or sharing access. A very small minority of respondents chose to use Netflix due to a specific program, and less than half of those stated programs were Netflix originals. Though the most active streamers were least likely to suspend their usage, 72% of all respondents have never suspended their usage. Of those who did suspend Netflix streaming usage, the majority did so due to lack of a key resource (time, money, Internet access) rather than dissatisfaction with the service. Additionally, 89% of respondents who cancelled eventually rejoined the service, most commonly because of regaining necessary access resources.

Respondents have proven to be loyal Netflix streaming consumers who value the service in its entirety rather than for a specific program. Even for those respondents who do join Netflix due to a specific program, 73% do not suspend their access immediately after finishing that program.



#### **4.4 R3: How often consumers use Netflix streaming and what do they watch?**

##### **4.4.1 Frequency**

A majority of respondents were frequent Netflix streamers with 82% using Netflix streaming at least once a week. The largest subset of respondents were daily streamers at 40%, and 34% of respondents streamed multiple times a week. The smallest subset is those who never stream at 1.8% closely followed by those who stream less than once a month at 1.5% Male respondents were slightly more likely to be more active streamers. “Daily” streamers were 53% male, “2-3 times a week” streamers were 58% male, and “once a week” streamers were 64% male. “2-3 times a month” streamers were 62% female and “less than once a month” streamers were 70% female. “Never” streamers were split even at 50% and “once a month” streamers were nearly split at 48% female, 52% male.

Respondents below the age of 28 are more likely to stream at least once a week than older respondents. The average age of “daily” Netflix streaming respondents was 25.84, “2-3 times a week” averaged 27.02 years old, and “once a week” averaged 25.93 years old. Meanwhile, “2-3 times a month” averaged 28.5 years old, “once a month” averaged 37.04 years old, “less than once a month” averaged 34.10 years old, and “never” averaged 29.25 years old. International respondents had a slightly higher percentage of users who stream at least weekly at 87% while 81% of domestic users stream at least weekly.

When a respondent has children under 16 in his or her household and is a frequent streamer, the household’s children are likely to match or exceed the respondent’s streaming frequency. For respondents who stream “daily,” 48% said

their household's children also stream "daily." 87% of "daily" streaming respondents indicated that the children in their household stream at least weekly, while only 11% indicated they never stream Netflix. For "2-3 times a week" respondents, 63% indicated that their household's children stream 2-3 times a week or more, and 83% of "once a week" respondents indicated that their household's children stream once a week or more. Conversely, 67% of "once a month" respondents reported their household's children stream less than once a month or never and "less than once a month" respondents reported their household's children stream less than once a month or never at 50%. Those who "never" use Netflix streaming reported their children never stream at 80%.

#### **4.4.2 TV series vs. Films**

Respondents showed a clear preference for TV series, viewing them more frequently than films. 88% of respondents reported that they watch TV series "all of the time" or "often" while 68% did the same for films. Still, respondents are not unwelcoming towards films, with only 6% of respondents saying they "never" or "rarely" watch them (compared to 3% for TV series). Coding frequency responses so that "all of the time" is a 5 and "never" is a 1, female respondents showed a slightly greater frequency for watching films than male respondents, with a coded mean of 3.97 vs. 3.86. Both genders showed equal frequency for TV series viewing at a coded mean of 4.39. "Daily" streaming respondents showed the highest average TV viewership with a mean of 4.7, while only the most infrequently streaming respondents indicated a higher viewership mean for film over TV series. Respondents

who stream “once a month” or “less than once a month” had film viewership averages of 3.67 and 3.9, respectively.

#### **4.4.3 Content Genres**

Respondents were asked to indicate how often they view 11 specific content genres using the same TV/Film scale. The results in order of most commonly to least commonly viewed are as follows: comedy (#1, 3.56), drama (#2, 3.49), sci-fi/fantasy (#3, 3.27), action (#4, 3.18), documentaries (#5, 2.93), stand-up comedy specials (#6, 2.53), animation or anime (#7, 2.39), content in languages other than English (#8, 2.39), children’s programming (#9, 1.78), reality (#10, 1.74), and talk shows (#11, 1.33). Low children’s programming viewership was most likely due to just 2% of respondents being under 16 years old and only 25% of respondents having children under 16 in their household.

Female respondents showed greater viewership of children’s programming (1.91 vs. 1.68), comedy (3.61 vs. 3.52), drama (3.58 vs. 3.41), and reality (2.00 vs. 1.52) while male respondents showed a greater viewership of sci-fi or fantasy (3.46 vs. 3.04), action (3.34 vs. 2.99), animation or anime (2.49 vs. 2.26) and stand-up comedy specials (2.60 vs. 2.44). Viewership for documentaries, content in languages other than English, and talk shows were comparable between genders. Individual respondent categories based on frequency of streaming ranked the content genres similarly to each other. However, the respondent category that “never” streams was the only streaming frequency category to not have comedy and drama content in its top 3 viewed genres. Instead, it favored sci-fi/fantasy and action, both at 3.13.

#### **4.4.4 Summary**

A large majority of respondents stream Netflix at least once a week. The most frequently streaming respondents were slightly more likely to be male than female and on average younger than 28 years old. If respondents had children under 16 in their household and were frequent streamers, those children were very likely to emulate or exceed the respondents' streaming frequency. Respondents on average watched more TV series than films, but very few respondents rarely or never watched either. Female respondents tended to watch more films than male respondents, but both genders favored TV series over films. While there were some differences in preference between genders, all respondents on average watch more comedies and dramas than any other genres. Male respondents showed greater inclinations to watch sci-fi/fantasy, action, anime/animation, and stand-up comedy, but female respondents on average were not disinterested in these genres. Male and female respondents showed equal disinclination to watch talk shows. Though reality shows were not popular with either gender, female respondents showed a slightly higher inclination to watch such programs.

#### **4.5 R4: What features and activities do Netflix streaming users value most?**

##### **4.5.1 Rating the importance of various features and activities**

On a scale where 0 is “not at all important,” 3 is “neither important nor unimportant” and 5 is “very important,” respondents rated the importance of 9 specific Netflix features and activities to the value of their Netflix access.

“Discovering old or no longer broadcasted programs” was the highest valued activity with an average of 3.76. This activity also had the smallest response variation with a standard deviation of 1.28. The very close second-most highly rated activity is “always having something new to watch” with an average importance value of 3.75. “Always having something new to watch” also had the most number of 5 ratings, 192. These two categories being rated the most important streaming activities on average indicates that respondents greatly valued a wide variety of content options that includes the television industry’s back-catalog of older programs. “Watching Netflix originals” had the third highest average at 3.66, indicating that respondents considered original programming somewhat important, but not the most important feature.

Respondents did not rate movie watching as very important to their satisfaction with Netflix streaming. “Viewing new movies” was the fourth highest rated activity and averaged 3.65 while “viewing old or classic movies” was the sixth highest rated activity and averaged 3.29. So while respondents did report that the activities increase their value of Netflix streaming, they do not have as much influence as tv programs. Additionally, though “watching old or classic movies” was rated the fourth least valued activity on average, only 26% of respondents felt it was unimportant to their satisfaction with Netflix streaming. “Catching up/re-watching currently broadcasted shows” had the median average importance at 3.46. Though this activity is often credited with creating ratings boosts for later seasons of broadcast and cable shows (ie, *Breaking Bad*, *Grimm*), respondents on average considered it only slightly important to their perceived value of Netflix.

“Access to children’s programming” was valued least important with an average of 0.99. Isolating responses only to households with children under 16 raises the average to 2.18, but this still fell on the “unimportant” side of the scale. Even if they have children, respondents did not see Netflix as an important source of children’s programming. The next least valued activity was “watching content in languages other than English” with an average value of 1.51. Isolating responses to those who indicated their primary language as something other than English, the importance value only raised to 1.89. This indicates that respondents were not interested in non-English content no matter what their primary language was.

The third least average importance value was 2.77 for “watching regional exclusives,” and each individual respondent group rated “watching Netflix originals” more important than it. However, it is unclear if respondents were accurately differentiating between regional exclusives and original programming. For example, one survey taker shared his disappointment that *Peaky Blinders* was not included by name in the survey because it was the best Netflix original in his opinion. However, *Peaky Blinders* is actually a regional exclusive in the United States as the show was originally produced for BBC Two. Additionally, in another part of the survey where respondents were prompted to provide the name of the specific exclusive program that inspired them to use Netflix, none of the named programs were regional exclusives. They were either Netflix originals or non-exclusive programs widely available on broadcast TV, cable, OnDemand, or other OTT services. If respondents had a clearer understanding of what programs were actually exclusives, they would most likely have rated exclusives as much more important.

The most frequently streaming respondents' averages were consistently rate in each individual category as more important to their satisfaction with Netflix than all other respondents' averages, with "daily" averages ranging from being equal to, to as much as .31 points above the total average. Additionally, "daily" streaming respondents rated "always having something new to watch" as the most important feature at 4.05, followed by "discovering old or no longer broadcasted programs" at 4.02. "Daily streamers" on average rated "Catching up on or re-watching currently broadcasted TV Shows" as the third most important activity at 3.77, closely followed by "viewing new movies" and "watching Netflix originals," both at 3.75. This indicates that respondents who use Netflix streaming more often are more satisfied with its various features and activities than other respondents who stream less frequently.

The heavier streamer the respondent was, the greater he or she valued Netflix original programming. "Never" was the only respondent group to rate "watching Netflix originals" less than a 3 on average, and the more frequently a respondent group streams, the more important it rated "watching Netflix originals" on average. However, "daily" respondents did rate "catching up on or re-watching currently broadcasted TV Shows" as more important on average than "watching Netflix originals."

#### **4.5.2 Choosing the most important feature**

When asked to pick the feature most important to their satisfaction with Netflix streaming out of the following three options, 63% of respondents chose

“having access to a large catalog of titles,” 24% chose “having access to the newest and most popular TV shows and movies,” and 13% chose “having access to titles that are not available anywhere else.” Though female respondents showed a slightly higher preference for exclusive titles (13.3% vs. 12.5%) and access to new and popular content (25.4% vs. 23.7%), a majority of both genders chose a large catalog as the most important Netflix feature. This is consistent with the research’s finding of catalog size being the most common impetus for respondents beginning to use Netflix streaming. This also is consistent with “watching Netflix originals” and “watching regional exclusives” being rated on average less important than “always having something new to watch.”

In analyzing this question in terms of respondent streaming frequency, the majority of users in all categories of usage frequency chose a large catalog as being the most important Netflix feature, except for the “never” category in which it tied with access to new and popular content. The more frequently a respondent uses Netflix, the less likely it is for title exclusivity to be the most important feature. Only 9% of “daily” streamers selected as the most important feature, while each subsequent streaming frequency chose 13%, 15.5%, 16%, 22%, and 30%, respectively. In all usage categories except for those who use Netflix “less than once a month,” access to new and popular TV shows was chosen as the most important feature more often than title exclusivity.

However, it is unclear if respondents were able to connect original programming to the “having access to titles that are not available anywhere else” option. Original programs as well as exclusives are implied in this statement, but



respondents may not have understood that due to the indirect wording. In tandem with a better understanding of what programs are exclusive, using the actual word “original” in the statement might have led more respondents to select it.

#### **4.5.3 Summary**

The top 3 Netflix streaming features rated most important by respondents were, in order, “discovering old or no longer broadcasted programs,” “always having something new to watch,” and “watching Netflix originals.” This indicates that respondents were most interested in a large catalog of content, including both new and old content. Respondents on average did not consider exclusive programs very important, but this might have been affected by respondents not being aware of what programs actually are exclusive. Daily streaming respondents were most likely to rate any Netflix feature on average. Additionally, the more frequently a respondent streamed, the higher he or she valued “watching Netflix originals” on average. When asked to pick one feature as most important to their satisfaction with Netflix streaming, most respondents chose “having access to a large catalog of titles.” Less than half as many respondents chose “watching the newest and most popular TV shows and movies,” and less than half as many of those respondents chose “having access to titles that are not available anywhere else.” The distribution of choice between genders and among the streaming frequencies were fairly similar. However, the more frequently a respondent streamed, the less likely it was for respondents to choose exclusivity as the most important feature. However, it is unclear if respondents understood that original programming makes up a large portion of

exclusive titles. If the term “original” was explicitly used in the statement, this might have increased the percentage of respondents who chose that feature. Still, it is unlikely to have made a major difference as all other data points to respondents caring most about content volume.

#### **4.6 R5: What do Netflix streamers think about Netflix original programs?**

##### **4.6.1 Awareness**

Respondents were first asked if they were aware of a select set of Netflix original programs. It was necessary to judge program awareness because Netflix rarely advertises specific programs and instead relies on word-of-mouth and their internal content recommendation system. If respondents are not even aware that the given original programs exist, this indicates that respondents did not seek out content for specifically being a Netflix original nor are the programs successfully permeating the Netflix audience. *Orange is the New Black* had the highest awareness at 99.4% followed by *House of Cards* at 99.2%. Awareness of Netflix originals reached above 90% among respondents only for three programs: the two previously mentioned and *Arrested Development*, season 4 at 94%. The original documentaries listed (including *E-Team*, *Mitt*, *The Lady in Number 6*, and *The Square*) are the least-known programs. Despite *The Lady in Number 6* having won a 2014 Oscar and *The Square* winning several Emmys and being nominated for a 2013 Oscar, only 11% and 15% of respondents were aware of the movies, respectively. The children’s programming listed (including *Turbo FAST*, *Veggie Tales in the House*, *All Hail King Julien*, and *The Problem Solverz*, season 6) had the next-least awareness to respondents, all

having awareness percentages below 50% and as low as 17%. However, this is most likely due to 75% of respondents not having children under 16 in their household. The stand-up comedy listed (including *Chelsea Handler: Uganda Be Kidding Me*, *Aziz Ansari: Buried Alive*, *Bill Burr: You People Are All The Same*, and *Mike Birbiglia: My Girlfriend's Boyfriend*) had moderate respondent awareness ranging from 74% to 46% being aware of the individual programs. Netflix's oldest original *Lilyhammer* had a 53% respondent awareness while the newest included in the listed programs *Marco Polo* had a 75% awareness.

#### **4.6.2 Viewership and Interest**

If respondents were aware of the programs, they were asked if they liked it, disliked it, intended to watch it, or had no interest in watching it. On average, 58% of respondents were not interested in the selected original programs. Children's programming originals had the highest disinterest percentages, averaging 86%, which is most likely due to only 2% of respondents being under 16. But even removing the children's programming titles from the total average only lowers it to 52% disinterest. Documentary originals also had very high disinterest averaging 71% disinterest, followed by stand-up comedy specials averaging 51% disinterest. The individual program with the largest actual number of disinterested respondents was *Star Wars: The Clone Wars*, season 6 with 298 respondents, which translated to 71% of respondents who were aware of the program. Though disinterest percentages appear high, it is important to remember that very few individual programs interest everyone and that these percentages are very reasonable when scaled. 58% of respondents

being disinterested with any given original on average means that 42% are interested. If that percentage is applied to Netflix's entire membership (over 50 million), that means that over 21 million people are interested in watching any given Netflix original, an audience number with which any broadcast, cable, or premium cable network would be thrilled. So, for a niche program to have 71% disinterest could still translate to 14.5 million Netflix viewers, a respectable audience size depending on the type of content.

Very few respondents who were aware of the listed programs disliked Netflix originals, with some content even having no respondents indicating dislike. The most disliked originals were *BoJack Horseman* at 12% closely followed by *Hemlock Grove* at 11%. *Hemlock Grove* was also the only original to have more viewers dislike it than like, which could explain why it was not renewed beyond a third season. The five most liked originals were as follows: *Orange in the New Black* (58%), *House of Cards* (49%), *Arrested Development*, season 4 (41%), *Aziz Ansari: Buried Alive* (38%), *BoJack Horseman* (31%), and *Mike Birbiglia: My Girlfriend's Boyfriend* (25%). But note: these percentages are derived from the total of respondents who are aware of the programs rather than those who viewed the programs, so the percentages do not directly equate to an average viewer rating. While it would be possible to calculate those numbers from the collected data, it does not serve the purpose of this discussion. Audience size and potential audience size are much more relevant as traditional television is rated on these metrics instead of how the viewer feels about programs. The specific percentages of whether or not a program is liked do not matter as much as whether or not it is watched, as long as viewers are generally positive

overall. Because only one of the listed original programs had a comparatively high “dislike” percentage that was above its “like” percentage, program favorability does not appear to be an issue for Netflix originals.

Subscriber interest in watching a program is important in evaluating Netflix’s original programming because it can indicate audience potential and growth.

Additionally, even if subscribers never watch the program they are interested in, just having the content available can increase their perceived value of Netflix. On

average, 20% of respondents aware of the listed programs intended to watch them.

*Marco Polo* had the largest percentage and actual number of respondents intending to watch it at about 43% and 165 respondents. *Veggie Tales in the House* had the smallest percentage of respondents intending to watch it at 4%; and outside of children’s programming, *E-Team* had the lowest percentage of intended viewers at 12%. Disregarding all children’s programming, the respondent average of intended viewers raises to 23%.

When asked to rate their satisfaction with it on a 5-star scale, respondents rated Netflix original programming an average of 3.99 stars with a 0.96 standard deviation. This is slightly higher than how respondents rated Netflix’s entire content collection, which averaged 3.66 stars. However, the entire content collection rating has a slightly lower standard deviation of 0.78. 72% of respondents rated original programming at 4 or 5 stars while 62% of respondents did the same with the entire content collection. Despite the responses for original programming being slightly more varied, survey respondents are slightly more satisfied with Netflix original programming than Netflix’s entire catalog.

### **4.6.3 Summary**

Only 9 of the 22 listed original programs had awareness levels below 50%, and 8 of those 9 shows were documentaries or children's programming, which attract niche audiences. The programs with the highest awareness percentages were dramas, comedies, and stand-up comedy specials. All of these programs were previously advertised by Netflix (which is rarely done), frequently discussed in social and entertainment media, or featured a high-profile celebrity. Among respondents who were aware of the programs, potential audience sizes (a combination of respondents who planned to watch or had already watched) were determined to be high. The various interest and viewing percentages were comparable to broadcast and cable television series when scaled to Netflix's entire membership. Additionally, very few of the respondents who viewed any of the programs disliked the programs. Compared to Netflix's entire content catalog, respondents were more satisfied with Netflix original programming on average. All of this data indicates that respondents were not only interested in watching the majority of original programs but also were very pleased with the content once watched.

## **4.7 R6: How do Netflix users feel about Netflix's original programming in comparison to other content providers' original programming?**

### **4.7.1 Respondent usage of other premium content services**

Respondents were asked if they used any premium content services that are widely available or often compared with Netflix streaming: HBO, Showtime, Starz,

Hulu, and Amazon Instant Video. 79% of respondents used at least one of the additional premium content services, and 40% of respondents used 3 or more of the services in addition to Netflix. Amazon Instant Video was the most popular, used by 41% of respondents, followed by HBO used by 36%. Next in order, 27% of respondents used Hulu, and after that, Showtime at 18% and Starz at 10%.

Drilling down all responses by when respondents first began streaming Netflix revealed some trends. Early adopter respondents were most likely to use another content service in addition to Netflix, with 88% of respondents in the “7 years or more” category and 78% in “4 to 6 years” using at least one additional premium content service. Amazon Instant Video is used most by early adopters at 83% penetration “7 years or more” and 56% penetration “4 to 6 years.” HBO is the most used content service only among “1 to 3 year” respondents at 32%, but its highest penetration is among “4 to 6 year” respondents at 45%. Hulu’s highest percentage of use is in the “7 years or more” category at 58%, but it drops over 20 percentage points in its next highest category, “4 to 6 years” at 34%. Starz is consistently the least used service in each respondent category with a high of 14% in “4 to 6 years” and a low of 7% in “1 to 3 years.” Showtime ranged in popularity from 14% to 22%, but no major trends occurred based on the respondent categories.

Looking at usage of other premium content services based on how frequently respondents streamed Netflix, the least likely respondents to use an additional premium content service were “less than once a month streamers” and “daily” streamers. Those respondents did not use an additional content service at 50% and 40%, respectively. HBO was more likely to be used by a respondent if he or she was

not a “daily” Netflix streamer and had its highest respondent percentage of 44% with respondents who streamed “2-3 times a month.” Though, the “2-3 times a week” category had the highest percentage of respondents who used at least one additional service, the “once a week” category had the highest combined percentage of each service, meaning that these respondents are most likely to use multiple services in addition to Netflix. Starz was the least popular service with all streaming frequency categories except “never,” where it was tied with Amazon Instant Video for 2<sup>nd</sup> most popular service at 25%. The top three premium content services in 6 out of the 7 streaming frequency categories were some combination of HBO, Amazon Instant Video, and Hulu. HBO was most often the most popular, Amazon Instant Video was most often the second most popular, and Hulu was usually the third most popular. Only in “once a month” was Showtime third most popular rather than Hulu. Additionally, Hulu was the most popular content service in the “less than once a month” category at 30%.

Female respondents were twice as likely to use Starz (14% vs. 7%) and nearly one-and-a-half times more likely to use Showtime (21% vs. 15%). Female respondents were also slightly more likely to use Hulu (30% vs. 25%). Usage of HBO, Amazon Instant Video, and no additional service were very close between genders.

#### **4.7.2 Respondent opinion of premium service original programming in comparison with Netflix original programming**

Respondents were asked to select the most appropriate statement to describe the available content on premium content services, including Netflix. The provided



statements were: “they’re mostly great,” “they’re mostly okay,” “they’re mostly bad or uninteresting,” and “I am not familiar with or have no opinion of them.” The HBO had slightly more respondents who regard the content as “mostly great” than Netflix (327 vs. 321) and less negative responses (14 vs. 19). Netflix did have more positive responses (an answer of “They’re mostly great” or “They’re mostly okay”) overall than HBO (492 vs. 433), but this difference is most likely due to a greater awareness of Netflix content over HBO content rather than ambivalence given that Netflix usage is a requirement of survey participation. With this in mind, respondents rated Netflix and HBO content very similarly. Outside of the United States, Starz content had the highest level of unfamiliarity or ambivalence at 82% followed by Hulu at 75%, Amazon Instant Video at 72%, and Showtime at 63%. Netflix had by far the least amount of unfamiliarity or ambivalence at 5% (again, likely due to Netflix usage being a participation requirement) followed by HBO at 36%. The ranking of international unfamiliarity or ambivalence is consistent with domestic and combined rankings of the responses. Disregarding those who were not familiar with or had no opinion of the content services, positive opinion of the available content ranked as follows: HBO with 97%, Netflix with 96%, Showtime with 92%, Amazon Instant Video with 85%, Starz with 82%, and Hulu with 66%. Out of OTT services, Netflix had the most favorably viewed content. Out of premium cable services, Netflix streaming is nearly on par with HBO content’s perceived high quality.

#### **4.7.3 Domestic respondent opinion of broadcast and basic cable original programming in comparison with Netflix original programming**

Respondents located in the United States (440) were asked to rate the content available on common broadcast and cable networks that also were sources of popular and mainstream content for Netflix. The CW was the least popular network, with about 63% of respondents being unfamiliar with the network, having no opinion of its content, or a negative opinion on its content. Respondents favored NBC the most out of broadcast networks, having the most “mostly great” responses at 21%, the highest combined “mostly great” and “mostly okay” responses at 71%, and the least “mostly bad or uninteresting” responses at 13%. Based on averaging coded responses, the respondents ranked the broadcast networks’ content as the following from highest regarded to least regarded: NBC, FOX, ABC, CBS, CW. However overall, there were very minor deviations among the average respondent rating for the four older broadcast networks ABC, NBC, CBS, and FOX with a standard deviation of 0.08. Though there were slightly fewer respondents who were familiar with cable network AMC’s content than most of the broadcast networks, respondents viewed AMC’s content much more favorably than the broadcast networks’, with about 43% of respondents designating its content as “mostly great” and 33% calling its content “mostly okay.” Respondents were more familiar with AMC and rated AMC’s content more favorably than premium cable channels Starz and Showtime, as well as OTT services Amazon Instant Video and Hulu.

Nonetheless, Netflix’s domestic scorings were well above the domestic broadcast and basic cable channels’ scorings both in terms of familiarity and positivity. Only 4% of domestic respondents considered themselves as unfamiliar

with or having no opinion of Netflix content, and only 4% found the content “bad or uninteresting.” 61% of domestic respondents found Netflix’s content “mostly great” and 31% found the content “mostly okay.” Domestic respondents overwhelmingly rated Netflix original programming more favorably than broadcast and cable original programming. Additionally, the more often domestic respondents stream Netflix and the longer amount of time they have been using Netflix streaming, the more favorably they rate Netflix original programming on average. Female domestic respondents rated Netflix original programming slightly higher on average than male domestic respondents, but both genders rated it very high.

#### **4.7.4 Summary**

The majority of survey respondents, 79%, used additional premium content services (both via cable and OTT) in addition to Netflix. Even so, respondents rated Netflix’s original programming much more favorably than all premium content services mentioned in the survey except HBO. However, Netflix was rated so closely to HBO that the differences were almost insignificant. Compared to domestic networks, Netflix original programming was rated as being a significantly higher quality. There was a tendency for respondents to rate Netflix original programming more highly on average the longer they have used the streaming service, the more often they use it, and if they were female, but all respondents were very favorable.

## **4.8 R7: Do consumer viewing habits warrant a reallocation of Netflix's content budget towards spending more on original programming?**

### **4.8.1 As indicated by survey respondents**

As discussed in R4, on a 5-star scale respondents rated Netflix original programming an average of 3.99 stars and Netflix's entire content collection an average of 3.66 stars. 72% of respondents rated original programming at 4 or 5 stars while 62% of respondents did the same with the entire content collection. This indicates that when taken as a whole, respondents believed Netflix's original programming was better than the entire content catalog. Also discussed in R4, respondents additionally had a high level of interest in the Netflix originals mentioned in the survey. And as stated in R3, the average respondent importance rating ranked "watching Netflix originals" as the third most important Netflix streaming feature or activity. Therefore, it is clear that respondents enjoyed Netflix original programming and saw them as an important feature of their Netflix access. However, it was also clear from R3 that respondents valued a large catalog size, watching no longer broadcasted programs, and catching up on current TV shows more than exclusive programs. And from R2, most respondents were initially attracted to Netflix streaming due to the enormous content catalog. This indicates that while increasing original programming spending is not a bad idea, it is important that Netflix not do this so greatly that it becomes a boutique content service. Doing so may alienate respondents who valued their access to Netflix for the ability to watch content new and old that originated elsewhere.

#### 4.8.2 In the face of a changing streaming environment

Nonetheless, the changing environment of streaming media may force Netflix to become a boutique service. The cost of licensing content is increasing and original distributors are holding on to streaming rights as the industry realizes contents' full earnings potential. This is most clearly seen in Netflix's early streaming license deals. In the early days of streaming, Netflix secured deals with companies like Warner Bros. Studios and MTV to license large TV and film catalogs for about \$5 million to \$10 million per year (Pepitone, 2011). Netflix famously struck a four-year, \$30 million a year deal with Starz in 2008 that gave it streaming access to Starz' offerings, adding over 2,500 titles to Netflix (Pepitone, 2011). In 2011, Netflix CEO Reed Hastings said that renewing Starz's contract for \$200 million a year, more than 6 times the original cost, "wouldn't be shocking," (Hesseldahl, 2011). However, the deal was not renewed, causing the sudden removal of 2,500 titles on February 29, 2012 (Aguilar, 2012) which one reporter called "the Great Netflix Starzagedeon," (Warren, 2013). Starz explained the decision in a press release:

"This decision is a result of our strategy to protect the premium nature of our brand by preserving the appropriate pricing and packaging of our exclusive and highly valuable content. With our current studio rights and growing original programming presence, the network is in an excellent position to evaluate new opportunities and expand its overall business." (Starz Entertainment, 2011)

This is a prime example of distributors and studios beginning to realize that Netflix is no longer the only option to monetize streaming rights. Many of them have launched their own streaming business: CBS has a standalone streaming services called CBS All Access, HBO launched a fan-demanded service called HBO Now, Warner Brothers has Warner Archive Instant for streaming hard to find and classic TV and

movies, and many others. The increasing number of proprietary streaming services could cause licensed content deals to become so expensive that they are no longer cost efficient, or distributors might choose to not even offer them.

If this were the future of the content streaming environment, however, it would not be disastrous for Netflix. As R6 showed, respondents viewed Netflix original programming as nearly equal in quality to that of HBO and superior to all other cable and broadcast networks, premium content services, and OTT services. While the transition may be difficult and users might loudly mourn the decreased catalog size, survey respondents showed that Netflix original programming is strong enough to stand on its own if it must. As this change would unlikely be overnight, it is not likely to have a drastic effect on subscriber numbers like the Qwiksters debacle where Netflix lost 800,000 domestic subscribers in three months at the announcement of a price hike and spin-off of DVD service to a new brand (Wagstaff, 2011). Subscribers would slowly become accustomed to a world where there is no longer a one-stop-shop for streaming content, but Netflix is known as a true streaming network with some of the best original programming available.

#### **4.8.3 Summary**

Netflix should reallocate some of its budget toward original programming, but on a sliding scale based on the economic feasibility of retaining a large catalog populated by licensed content. According to survey respondents, catalog size and licensed content have historically been the largest draws to Netflix streaming and its most valued features. Through this method, as maintaining such a content catalog

becomes less and less possible, subscribers are eased into Netflix's new identity as a boutique network of original content. Respondents have proven Netflix original content is a highly valued feature in its own right and better than that of most other networks and services, so they are likely to stand by Netflix through the transition. As the Qwikster experiment showed, Netflix subscribers do not like sudden service changes, and they can result in huge subscriber loss. As long as Netflix scales its percentage of original programming spending with the evolving streaming environment, it should be able to maintain its status as the most popular OTT service.

#### **4.9 R8: If it is a good investment, what genres and forms of original programming should the company pursue for the most efficient use of capital?**

##### **4.9.1 Content format**

As 4.4 showed, respondents watched more TV series than films on Netflix. But when asked outright what content forms should be added to the Netflix catalog, respondents believed Netflix should add more films and TV series nearly equally at 85% and 86%, respectively. Female respondents favored additional films at 87% (males at 85%) while male respondents favored additional TV series at 89% (females at 84%). Based on this information, Netflix should focus on producing a higher volume of TV series than films, but both are welcomed to users. Additionally, because female respondents showed a slightly greater frequency of watching films than male respondents and a greater preference for them as additional content, Netflix should consider adding some original films in genres favored by female respondents. Likewise, as more male respondents believed Netflix should add more TV series,

Netflix should consider adding some TV series in genres favored by male respondents.

#### 4.9.2 Genres

When respondents were asked, the most popular genres to add to the Netflix catalog were comedy, sci-fi/fantasy, and drama at 68%, 67%, and 66%, respectively. This was consistent with respondent viewing habits, as those three genres were the most watched on average as discussed in 4.4. The least popular genres for additions to the Netflix catalog were talk shows, reality, and children's programming with only 18%, 20%, and 24% of respondents believing them to be necessary additions, respectively. This was also consistent with respondent viewing habits. Though talks shows and reality programs may be tempting genres to add due to their average low production costs, Netflix should add these genres sparingly and be very selective. Reality shows that are female-geared and talk shows that are male-geared are more likely to be successful based on respondent preferences and habits.

Anime and animation should be niche content additions and generally aimed towards male viewers. Very few respondents watched this type of content, and those who did were much more likely to be male. The two original programs of this genre in the survey, *BoJack Horseman* and *Star Wars: The Clone Wars*, season 6, were much more popular with male respondents and somewhat divisive among all respondents. Though stand-up comedy specials as a genre was ranked mid-level in terms of how often respondents view them, only 26% of respondents indicated they never view them. Because of this and their relatively inexpensive production cost,



Netflix should continue producing them. As the Aziz Ansari special was particularly popular with respondents, Netflix should consider more specials starring him and other comedians with a similar profile. In general, respondents were favorable to more documentaries being added to Netflix. However, female respondents were more so (60% vs. 53%), indicating that Netflix would do well to make a few documentaries focused towards female audiences. Respondents were mostly favorable to more action content, but male respondents much more so.

#### **4.9.3 Content in languages other than English**

Though only 34% of respondents would have liked Netflix to add content in languages other than English, when responses were limited to those who do not speak English as a primary language the number jumped to 63%. As Netflix expands internationally, original programming in those regions' native languages would likely be a large boon to subscription numbers in those regions. And because 56% of all respondents watched content in languages other than English, this content would likely be of interest to many of Netflix's other subscribers.

#### **4.9.4 Children's programming**

Even when isolating responses to people with children under 16 years old in their household, only 35% believed Netflix should add more children's programming. This indicates that though research has shown children are heavy streamers and do the most re-watching of programs, most respondents believed there is a sufficient amount of children's programming available on Netflix. Access to children's programming is an important feature for some survey respondents, but as long as

Netflix has a select library, children's programming does not need to be an original programming focus.

#### **4.9.5 Summary**

Based on respondents, most new original programming should be comedic, dramatic, or sci-fi/fantasy. Anime/animation, talk shows, and action originals would best serve male audiences while documentaries and reality shows would best serve female audiences. Stand-up comedy was slightly more preferred by male audiences but is an excellent cost-effective option when starring high-profile comedic talent. Content in languages other than English would greatly interest those who primarily speak a language other than English and be a boon to international expansion while still being of interest to English-speaking audiences. Children's programming, while important for families to have, does not need to be a major part of Netflix's original programming slate.

## **Chapter 5 : Conclusion**

### **5.1 Conclusion**

As OTT and other Internet streaming services become more and more prevalent, Netflix Inc. needs a strong streaming content strategy to grow subscription numbers and maintain its status as the most popular streaming content service. It has been speculated that original programming is a major component of this strategy, and the data presented in this thesis provides insight into this strategy. Based on streaming users' demographics, habits, preferences, and opinions on Netflix streaming and original programming, this thesis finds that original programming is important to subscriber satisfaction, but it is not the most important feature and it barely accounts for any subscriber sign-ups.

Survey respondents were 87% white or Caucasian, and 82% were located in the United States. 46% of respondents were female and 54% were male, 77% were 18-35 years old, and just 25% had children under 16 years old in their household. Survey results were occasionally drilled down by gender, whether or not respondents had children in their household, and location (United States versus elsewhere) to further illuminate trends and preferences. A more than half of respondents paid for their own Netflix subscription and 32% shared an account with a relative being the primary subscriber. More frequently streaming respondents were more likely to pay for their own account. Additionally, 72% of respondents had never cancelled or lost access to their Netflix subscriptions and 82% used Netflix streaming at least once a week. Overall, respondents were loyal and frequent Netflix streaming users.

Respondents were asked through several different questions to rate various Netflix streaming features and activities and rank their importance regarding satisfaction with Netflix streaming. On average, respondents most greatly valued Netflix's large content catalog. This feature was the number one reason for joining Netflix streaming, was a component of the top two ranked Netflix streaming activities, and was chosen by 63% of respondents as the most important feature to their satisfaction with the service. Netflix original programming was responsible for just 5% of respondents beginning to use Netflix streaming, though watching originals was rated as the third most important Netflix streaming feature on average. So while it was not a major impetus for using the service, respondents did place high value on Netflix originals.

When respondents were questioned about an array of specific Netflix original programs, respondents displayed strong interest in watching the majority of originals and were very pleased with the content once watched. Most of the originals with low awareness levels (below 50%) were documentaries or children's programming, which tend to attract niche audiences. The programs with the highest awareness percentages were dramas, comedies, and stand-up comedy specials. These programs also shared at least two of the following traits: being specifically advertised by Netflix, being frequently discussed in social and entertainment media, or featuring a high-profile celebrity. Among respondents who were aware of the programs, Netflix originals also had high potential audience sizes (a combination of respondents who planned to watch or had already watched). The various interest and viewing percentages were comparable to broadcast and cable television series when scaled to

Netflix's entire membership. Compared to Netflix's entire content catalog, respondents were more satisfied with Netflix original programming on average.

Out of all respondents, 79% used additional premium content services (both via cable and OTT) in addition to Netflix, but Netflix original programming was rated more favorably on average than all other content distributors mentioned in the survey except HBO, to which it was rated as nearly equal. Domestic respondents rated Netflix originals significantly better than the originals of all broadcast networks included in the survey. Though the cable network AMC's originals were rated more favorably than several premium cable networks, they were not rated as favorably as Netflix originals. Respondents indicated that Netflix originals consist of some of the best original programming available and are comparable to the quality of HBO originals.

Netflix should reallocate some of its budget toward original programming, but gradually as the industry changes and subscribers acclimate. Respondents appreciated and enjoyed original programming, but not quite as much as other activities such as "watching old or no longer broadcasted programs." If the costs of licensing deals make sense, Netflix should continue pursuing them (even without exclusivity) because that is what respondents were shown to prefer most in their Netflix streaming experiences. But by consistently releasing original programming, subscribers will already be comfortable with Netflix's identity as a network of original content when maintaining such a large licensed content catalog becomes impossible. A gradual slide towards a network consisting of mostly or all original programming respects subscriber preferences and habits and will likely not result in a dramatic subscriber

loss. Respondents have proven Netflix original content is a highly valued feature and better than that of most other networks and services, so they are likely to stand by Netflix through the transition.

Based on survey responses, most new original programming should be comedic, dramatic, or sci-fi/fantasy. Respondents were overwhelmingly not interested in reality and talk shows as prospective Netflix original programs. Stand-up comedy was slightly more preferred by male audiences but is an excellent and cost-effective option when starring high-profile comedic talent. Content in languages other than English should be considered as a strategy to help international expansions. And while such content would greatly interest those who speak a primary language other than English, it is of considerable interest to English-speaking audiences. Although children's programming was expected to be an important genre, it does not need to be a major part of Netflix's original programming slate. Even when isolated to just those who have children under 16 in their household, respondents on average were satisfied with the amount of children's programming available on Netflix streaming.

While, Netflix original programming was not found to be a significant motive for using the service nor the most important feature to user satisfaction, it is nonetheless a feature that users valued, enjoyed, and rated as among the highest quality original content. Based on potential audience size and average satisfaction ratings from survey respondents, it is fair and appropriate for Netflix Inc. to compare itself with HBO. Additionally, while Netflix original programming was found not to be as important to subscriber interest and company growth as media attention might lead one to believe, it is important for the company's future and long-term success in

the face of an evolving streaming content landscape. As licensed content becomes more expensive and less available due to more competition and the creation of proprietary streaming services, original programming becomes more important for every OTT streaming service. By meaningfully investing in original programming before it is forced to by industry changes, Netflix is laying the foundation and acclimating users to what they may expect from the service in the future. Overall, increasing the original programming budget is a smart bet on Netflix's part.

## **5.2 Recommendations for future studies**

As the respondents in this study were fairly homogenous in terms of ethnicity, it would be beneficial for future studies to purposely seek out more multicultural respondents or focus on the habits and preferences of specific ethnicities for comparison purposes. Additionally, future studies may need to focus on international subscribers. With Netflix's rapid global expansion, international subscribers will soon outnumber domestic ones and become a hugely important revenue source. It would also be interesting to conduct a deep-dive on the shelf life of original series after they conclude to evaluate their long-term value. *Hemlock Grove* is the first Netflix series to be officially concluded with its third and final season being released in 2015.

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**Appendix A: List of Netflix Original Programs as Defined by this Thesis, as of  
March 2015**

**Available Original Netflix Programs**

<b>Title</b>	<b>Genre</b>	<b>Premiere</b>	<b>Seasons</b>
All Hail King Julien	Children's Programming	December 19, 2014	1 season, 5 ep.
Arrested Development (season 4 only)	Comedy	May 26, 2013	1 season, 15 ep.
Art of Conflict	Documentary	October 12, 2012	Film
Aziz Ansari: Buried Alive	Stand-up comedy	November 1, 2013	Special
Aziz Ansari: Live at Madison Square Garden	Stand-up comedy	March 6, 2015	Special
Bill Burr: I'm Sorry You Feel That Way	Stand-up comedy	December 5, 2014	Special
Bill Burr: You People Are All The Same	Stand-up comedy	August 16, 2012	Special
BoJack Horseman	Animation	August 22, 2014	1 season, 12 ep.
Bojack Horseman Christmas Special: Sabrina's Christmas Wish	Animation	December 19, 2014	Special
Brave Miss World	Documentary	May 29, 2014	Film
Brian Posehn: The Fartist	Stand-up comedy	March 3, 2013	Special
Chelsea Handler: Uganda Be Kidding Me	Stand-up comedy	October 10, 2014	Special
Chelsea Peretti: One of the Greats	Stand-up comedy	November 14, 2014	Special
Craig Ferguson: I'm Here To Help	Stand-up comedy	March 15, 2013	Special
Doug Benson: Doug Dynasty	Stand-up comedy	November 6, 2014	Special
Doug Stanhope: Beer Hall Putsch	Stand-up comedy	August 23, 2013	Special
E-Team	Documentary	October 24, 2014	Film
Ever After High: Spring Unsprung	Children's programming	February 6, 2015	Film

Fat Man Little Boy	Stand-up comedy	March 1, 2013	Special
HANK: 5 Years From The Brink	Documentary	September 16, 2013	Film
Hemlock Grove	Horror/thriller	April 19, 2013	2 seasons, 23 ep.
House of Bodies	Action	April 19, 2013	Film
House of Cards	Drama	February 1, 2013	3 seasons, 39 ep.
Iliza Shlesinger: Freezing Hot	Stand-up Comedy	January 23, 2015	Special
Jim Jeffries: Bare	Stand-up comedy	August 29, 2014	Special
John Caparulo: Come Inside Me	Stand-up comedy	September 5, 2013	Special
John Hodgman: Ragnarok	Stand-up comedy	June 20, 2013	Special
Lilyhammer	Comedy-drama	February 6, 2012	3 seasons, 24 ep.
Marc Maron: Thinky Pain	Stand-up comedy	October 7, 2013	Special
Marco Polo	Drama	December 12, 2014	1 season, 10 ep.
Mike Birbiglia: My Girlfriend's Boyfriend	Stand-up comedy	August 23, 2013	Special
Mission Blue	Documentary	August 15, 2014	Film
Mitt	Documentary	January 24, 2014	Film
Moshe Kasher: Live in Oakland	Stand-up comedy	October 26, 2012	Special
My Own Man	Documentary	March 6, 2015	Film
Nick Offerman: American Ham	Stand-up comedy	December 12, 2014	Special
Orange Is the New Black	Comedy-drama	July 11, 2013	2 seasons, 26 ep.
Percentage	Action	April 24, 2013	Film
Print the Legend	Documentary	September 26, 2014	Film
Ralphie May: Unruly	Stand-up comedy	February 27, 2015	Special
Richie Rich	Children's Programming	February 20, 2015	1 season, 10 ep.
Rob Schneider: Soy Sauce and the Holocaust	Stand-up comedy	August 1, 2013	Special
Russell Peters Vs. The World	Documentary	October 14, 2013	Miniseries (4 ep.)

Russell Peters: Notorious	Stand-up comedy	October 14, 2013	Special
Shotgun Wedding	Comedy	April 1, 2013	Film
Star Wars: The Clone Wars (season 6 only)	Animation	March 7, 2014	1 season, 13 ep.
The Adventures of Puss in Boots	Children's Programming	January 16, 2015	1 season, 5 ep.
The Battered Bastards of Baseball	Documentary	July 11, 2014	Film
The Fabulous Ice Age	Documentary	February 3, 2014	Film
The Killing (season 4 only)	Drama	August 1, 2014	1 season, 6 ep.
The Lady in Number 6	Documentary	April 4, 2014	Film
The Problem Solverz (season 2 only)	Children's Programming	March 30, 2013	1 season, 8 ep.
The Short Game	Documentary	December 12, 2013	Film
The Square	Documentary	January 17, 2014	Film
The Zen of Bennett	Documentary	November 12, 2012	Film
This is Not a Ball	Documentary	June 13, 2014	Film
Trailer Park Boys (season 8 only)	Mockumentary	September 5, 2014	1 season, 10 ep.
Trailer Park Boys Live at the North Pole	Mockumentary	November 15, 2014	Special
Trailer Park Boys Live In F**kin' Dublin	Mockumentary	June 1, 2014	Special
Trailer Park Boys Swearnet Live	Mockumentary	October 1, 2014	Special
Turbo FAST	Children's Programming	December 24, 2013	1 season, 26 ep.
Unbreakable Kimmy Schmidt	Comedy	March 6, 2015	1 season, 13 ep.
VeggieTales in the House	Children's Programming	November 26, 2014	1 season, 10 ep.
Virunga	Documentary	November 7, 2014	Film
Wyatt Cenac: Brooklyn	Stand-up comedy	October 21, 2014	Special

### Renewed Netflix Original Series

Title	Genre	Premiere
Trailer Park Boys season 9	Mockumentary	March 27, 2015
Hemlock Grove season 3 (final season)	Horror/thriller	2015
Orange Is the New Black season 3	Comedy-drama	June 12, 2015
DreamWorks Dragons season 4	Animation	TBA
Dinotrux season 2 and season 3	Animation	TBA
BoJack Horseman season 2	Comedy-drama	TBA
VeggieTales in the House season 2 and 3	Animation	TBA
Marco Polo season 2	Drama	TBA
Unbreakable Kimmy Schmidt season 2	Comedy	TBA

### Announced Netflix Original Programs

Title	Genre	Premiere	Format
A Series of Unfortunate Events	Comedy- Drama	TBA	Series
A.K.A. Jessica Jones	Action-Drama	2015	Series
B.O.O. (Bureau of Otherworldly Operations)	Animation	TBA	Series
Beasts of No Nation	War drama film	2015	Film
Between	Drama	May 21, 2015	Series
Bloodline	Drama	March 20, 2015	Series
Care Bears and Cousins	Animation	2016	Series
Chef's Table	Documentary	2015	Series
Chelsea Handler Docu-Series	Documentary	2015	Miniseries
Chelsea Handler Talk Show	Talk Show	2016	Series
Chris D'Elia: Incurable	Stand-up comedy	April 17, 2015	Series

Club de Cuervos	Spanish-language Comedy	2015	Series
Crouching Tiger, Hidden Dragon II: The Green Legend	Action	August 28, 2015	Film
Daredevil	Action-Drama	April 10, 2015	Series
Dinotrux	Children's Programming	Spring 2015	Series
DreamWorks Dragons (season 3)	Children's Programming	Spring 2015	Series
Ever After High	Children's Programming	2015	Series
F Is for Family	Children's Programming	2015	Series
Flaked	Comedy	2016	Series
Grace and Frankie	Comedy	May 8, 2015	Series
Iron Fist	Action-Drama	TBA	Series
Jadotville	Action	TBA	Film
Jen Kirkman: I'm Gonna Die Alone (And I Feel Fine)	Stand-up comedy	May 22, 2015	Special
Justin Time: The New Adventures	Animation	2016	Series
Kong	Animation	2016	Film
Kong: King of the Apes	Animation	2016	Series
Little Wizard Tao	Children's Programming	Fall 2015	Series
Longmire (season 4 only)	Crime drama	2015	Series
Love	Comedy	2016	Series
Luke Cage	Action-Drama	TBA	Series
Marseille	French- language drama	2015	Series
Narcos	Drama	2015	Series
Pee Wee's Big Holiday	Comedy	TBA	Film
Popples	Children's Programming	2015	Series
Ridiculous 6	Comedy	2015	Film
Sense8	Sci-fi-drama	June 5, 2015	Series
The Crown	Drama	2016	Series
The Defenders	Superhero	TBA	Miniseries
The Get Down	Drama	2016	Series
The Legend of Zelda	Fantasy	TBA	Series
The Magic School Bus 360°	Animation	2016	Series

The OA	Drama	2016	Series
Untitled Adam Sandler film	Comedy	TBA	Film
Untitled Adam Sandler film	Comedy	TBA	Film
Untitled Adam Sandler film	Comedy	TBA	Film
Untitled Duplass Brothers film	Comedy	TBA	Film
Untitled Duplass Brothers film	Comedy	TBA	Film
Untitled Duplass Brothers film	Comedy	TBA	Film
Untitled Duplass Brothers film	Comedy	TBA	Film
Wet Hot American Summer	Comedy	July 17, 2015	Series
What Happened, Miss Simone?	Documentary	June 26, 2015	Film
Winx Club WOW: World of Winx	Children's Programming	Early 2016	Series



## Appendix B: Netflix Streaming Consumer Survey

Note: Below is Netflix consumer survey, but not all participants saw all questions.

Display logic is included in brackets and highlighted.

What is your gender?

- Female
- Male

What is your age?

Where are you located?

- United States
- United Kingdom
- Norway
- Denmark
- Ireland
- Sweden
- Mexico
- Brazil
- Finland
- Canada
- Netherlands
- France
- Germany
- Other \_\_\_\_\_

What is your primary language (i.e., the one you speak most of the time)?

- English
- Spanish
- Chinese
- French
- German
- Dutch
- Japanese
- Hebrew
- Swedish
- Portuguese
- Other (specify) \_\_\_\_\_

What is your race?

- White or Caucasian
- Black or African American
- Hispanic or Latino
- Asian
- Native American
- Pacific Islander
- Other

How many children under 16 years old live in your household?

- None
- 1
- 2
- 3
- 4 or more

[Answer If Where are you located? United States Is Selected]

Please indicate your current household income in U.S. dollars

- Rather not say
- Under \$10,000
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$74,999
- \$75,000 - \$99,999
- \$100,000 - \$150,000
- Over \$150,000

How long ago did you first use Netflix streaming?

- Less than 6 months
- 6 to 12 months
- 1 to 3 years
- 4 to 6 years
- 7 years or more

Why did you begin using Netflix?

- There was a specific exclusive program I wanted to watch
- Someone recommended I try it
- I wanted access to its large content catalog
- Other \_\_\_\_\_

[Answer If Why did you begin using Netflix? There was a specific exclusive program I wanted to watch Is Selected]

What program made you want to join?

How often do you use Netflix streaming?

- Never
- Less than Once a Month
- Once a Month
- 2-3 Times a Month
- Once a Week
- 2-3 Times a Week
- Daily

[Answer If How many children under 16 years old live in your household? None Is Not Selected]

How often do the children in your household use Netflix?

- Never
- Less than Once a Month
- Once a Month
- 2-3 Times a Month
- Once a Week
- 2-3 Times a Week
- Daily

Who pays (or paid) for your Netflix streaming access?

- Self
- Significant Other
- Friend
- Relative
- Other

If you have ever stopped using Netflix streaming or suspended your subscription, why did you do so?

- The person who pays for my subscription (other than myself) suspended it
- I could no longer afford the subscription
- I was not interested in the available programs
- I had no free time to watch Netflix
- Other \_\_\_\_\_
- I have never suspended my Netflix usage

[Answer If If you have ever stopped using Netflix streaming or suspended your subscription, why did you do so? I have never suspended my Netflix usage Is Not Selected]

If you have ever rejoined Netflix streaming after leaving the service, why did you do so?

- The person who pays for my subscription (other than myself) rejoined
- I could again afford the subscription
- Netflix gained more content I wanted to watch
- I had more free time to watch Netflix
- Netflix announced or released a specific exclusive program I wanted to see
- I did not rejoin Netflix

[Answer If If you have ever rejoined Netflix streaming after leaving the service, why did you do so? Netflix announced or released a specific exclusive program I wanted to see Is Selected]

What program made you want to rejoin?

[Answer If What program made you want to rejoin? Text Response Is Displayed]

Did you end your subscription again immediately after finishing that program?

- Yes
- No

Which of the following content services do you use?

- HBO
- Showtime
- Starz
- Hulu
- Amazon Instant Video
- None of these

Please rate the importance of the following activities or features to the value of your Netflix access. (0-5)

- \_\_\_\_\_ Catching up on or re-watching currently broadcasted TV Shows
- \_\_\_\_\_ Discovering old or no longer broadcasted programs to watch
- \_\_\_\_\_ Viewing new movies
- \_\_\_\_\_ Viewing old or classic movies
- \_\_\_\_\_ Watching Netflix Originals
- \_\_\_\_\_ Watching exclusive shows that are not legally available anywhere else in my location
- \_\_\_\_\_ Watching content in languages other than English
- \_\_\_\_\_ Access to children's programming for the children in my household
- \_\_\_\_\_ Always having something new to watch

Please rate your satisfaction with the following. (1-5)

- \_\_\_\_\_ Netflix's entire content collection
- \_\_\_\_\_ Netflix's original programming collection

Which feature is most important to your satisfaction with Netflix?

- Having access to a large catalog of titles
- Having access to titles that are not available anywhere else
- Having access to the newest and most popular TV shows and movies

Please answer the following questions about content.

	How often do you watch the following genres (on or off Netflix)?					Does Netflix need to add more of the following to its collection?	
	Never	Rarely	Sometimes	Often	All of the Time	Yes	No
Children's Programming	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Documentaries	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Content in Languages Other Than English	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comedies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dramas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sci-fi or Fantasy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Action	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Animation or Anime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Talk Shows	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stand-up Comedy Specials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Films	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
TV series	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please mark the most appropriate response for your feelings regarding each of the following Netflix original titles.

	Liked It	Did Not Like It	Intend to Watch	Not Interested in Watching	Have Not Heard of It
Lilyhammer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
House of Cards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Orange is the New Black	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Turbo FAST	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
BoJack Horseman	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
VeggieTales in the House	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marco Polo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
All Hail King Julien	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hemlock Grove	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Arrested Development, Season 4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Killing, Season 4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Star Wars: The Clone Wars, Season 6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Problem Solverz, Season 2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trailer Park Boys, Season 8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Chelsea Handler: Uganda Be Kidding Me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aziz Ansari: Buried Alive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Bill Burr: You People Are All The Same	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mike Birbiglia: My Girlfriend's Boyfriend	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-Team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mitt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Lady in Number 6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Square	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

[Answer If Where are you located? United States Is Not Selected]

Please select the statement that best describes your opinion of the following content distributors' original programming.

	They're mostly great.	They're mostly okay.	They're mostly bad or uninteresting.	I am not familiar with or have no opinion of them.
HBO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Showtime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Starz	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Netflix	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Amazon Instant Video	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hulu	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

[Answer If Where are you located? United States Is Selected]

Please select the statement that best describes your opinion of the following content distributors' original programming.

	They're mostly great.	They're mostly okay.	They're mostly bad or uninteresting.	I am not familiar with or have no opinion of them.
ABC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
NBC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CBS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FOX	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CW	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
AMC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
HBO	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Showtime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Starz	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Netflix	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Amazon Instant Video	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hulu	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Netflix is greatly expanding their original programming over the next several years.

Does knowing this add value to your Netflix access?

- Yes
- No
- I'm not sure

How important is the prospect of future original programming to your continued Netflix use?

- Not important
- Somewhat important
- Very important

