Netflix Insight Report

Q1 2019

BWGStrategy

Survey Compliance

BWG surveys independent sources to gather insights on a particular industry, company or set of products. The survey questions are based on individual opinions of what professionals are seeing in the market. We do not seek or solicit, confidential or material non-public information in any of our surveys. Were BWG to be confronted with such information, any such content would be removed prior to marketing and distribution of the survey. BWG abides by privacy and compliances standards relating to the sharing of material non-public information. We ask for responses in the form of directional percentage changes or discursive commentary- views on the industries, markets, products, companies.

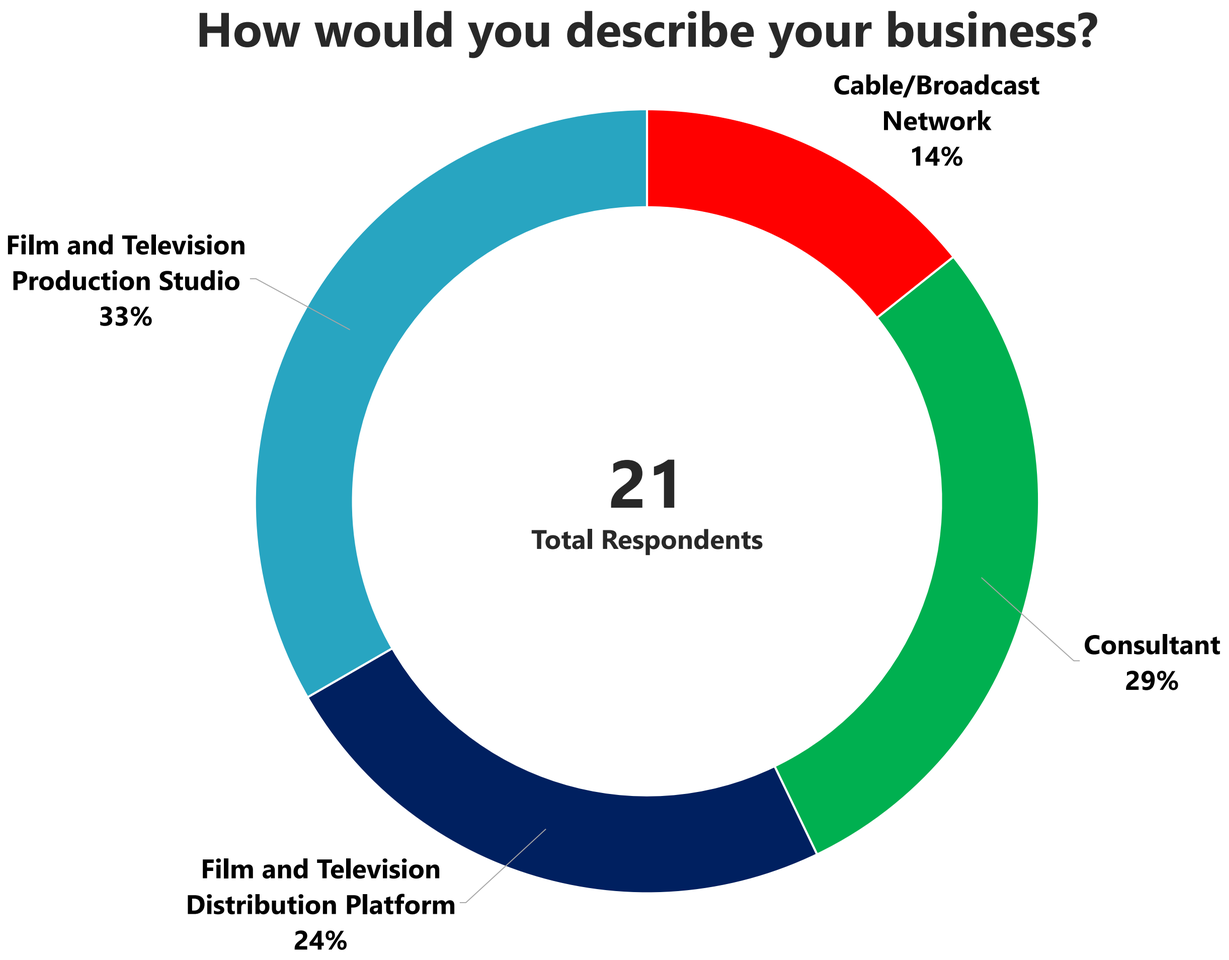
BWG combines the information provided by respondents to create industry intelligence reports that provide a snapshot of a particular industry, company or product. These survey reports are made available to financial clients, which include institutional investors, management consultants and commercial organizations. In all cases of bespoke, or custom surveys, BWG will hold its results in confidence with the client. “Off the shelf” surveys are marketed and distributed to multiple potential clients.

BWG offers respondents a complementary summary of the survey report in return for their time completing the survey. Surveys typically take less than 10 minutes to complete.

All responses are anonymous and aggregated. Respondent identities are treated in confidence. We request respondent's contact information to share summary of the report in applicable cases, and respondents are not obligated to provide such information. Respondents are made aware that BWG has no affiliation with any companies discussed in our topical industry surveys, and that their responses will not be shared with such parties. BWG verifies the independence of all our sources and makes sure the participants are not employed by the target company (where applicable) in any way.

BWG complies with all data protection legislation and has procedures in place to ensure the security of the personal data we have on file, including the anonymity of clients and panel participants. BWG does not use third parties in data gathering.

Respondent Breakdown



Sentiment Tracker

12 Months Ago vs. Today: how would you have categorized your sentiment on each of following streaming services based upon their overall competitive positioning, ability to scale domestically & internationally, strength of their content library, etc.?

(Please rank on a scale of 1-10 with 1=Least Optimistic, 10=Most Optimistic)

Respondent Type	Sentiment 12 Months Ago				Sentiment Today				Rationale behind sentiment changes
	Amazon Prime Video	HBO	Hulu	Netflix	Amazon Prime Video	HBO	Hulu	Netflix	
Film and Television Production Studio	9	9	7	10	9	8	7	9	Downgraded Netflix and HBO because of increasing competition, with multiple new OTT services announced. Upgraded Hulu because of the Disney acquisition of Fox. Amazon seems better suited for the future after an executive shuffle and a new focus on more mainstream content.
Film and Television Production Studio	9	7	4	4	9	7	4	4	[Not Provided]
Film and Television Distribution Platform	7	5	5	9	9	5	5	8	Amazon has become more aggressive and has stepped up to the plate creatively . Since their streaming service is a side business of the world's biggest retailer; they are not a maturing service (like Netflix); and they have much greater financial wherewithal than Netflix. It is hard to imagine how Netflix can compete with Amazon over the long haul. With such a limited business model, unless they have something else up their sleeve that will enable them to monetize their huge subscribership, it's hard to see Netflix coming out on top.
Film and Television Production Studio	5	9	6	8	4	8	7	8	HBO seems to have fewer programs but of a higher overall quality. Netflix suffers from lots of very average shows among which they have gems. Amazon is not competing whole heart-idly & Hulu has a good movie selection but otherwise lags somewhat.
Consultant	8	8	4	9	8	7	6	9	Amazon and Netflix remain unchanged. Hulu improved because as time goes by Hulu has more data and, I would presume, the ability to leverage that data to inform original content. HBO takes a step back because AT&T tends to ruin just about everything they touch and have already made public statements that prove they don't quite get how Netflix amortizes content costs and that they are going to ramp up production to match Netflix. Meanwhile, the person most responsible for HBO's success in original content just left.
Film and Television Production Studio	10	5	3	10	10	8	6	10	Disney's majority ownership in Hulu could help ramp ups it's growth or prove to be the engine behind Disney+. HBO with AT&T backing also becomes a stronger force.
Film and Television Production Studio	6	4	2	10	7	6	3	10	Netflix was and continues to have the largest market share both in the US and internationally and they have been building a healthy international subscriber base for several years. The biggest change for HBO will be the upcoming scalability for their content when the Warner Media SVOD service launches. Amazon has expanded internationally but a year ago their initial subscriber count outside of the US was limited and the growth process slow. They continue to push forward on strong original content as well as subscriber growth. Hulu has expanded it's slate of originals including award winning documentaries and series. The main limitation with Hulu is the service is currently US only.

Sentiment Tracker

12 Months Ago vs. Today: how would you have categorized your sentiment on each of following streaming services based upon their overall competitive positioning, ability to scale domestically & internationally, strength of their content library, etc.?

(Please rank on a scale of 1-10 with 1=Least Optimistic, 10=Most Optimistic)

Respondent Type	Sentiment 12 Months Ago				Sentiment Today				Rationale behind sentiment changes
	Amazon Prime Video	HBO	Hulu	Netflix	Amazon Prime Video	HBO	Hulu	Netflix	
Consultant	8	8	5	8	9	8	3	9	While I was aware Netflix and Amazon were investing a large amount of funding into originals, I didn't believe they would deliver as many hit shows as they have. Perhaps that's because of consumers wanting to take full advantage of their subscriptions and find more content (when you look at the actual amount of content, particularly movies, that both services provide, I didn't originally think it was that much.) Note: I only signed up for Netflix 6 months ago because I switched mobile providers to T-Mobile, and Netflix was included complimentary. I had dropped the service 7 years ago, finding they didn't have enough appealing content. Hulu losing Disney content, as Disney will seek out it's own OTT service, is a major blow to Hulu, especially as the Disney acquisition of Fox is completed. Hulu's offering is simply not that attractive for the value. HBO has a tremendous amount of content for their HBO Go service, but with the last season of Game Of Thrones coming, I'm not seeing a lot of new hits immediately on the horizon for HBO.
Film and Television Distribution Platform	7	8	6	9	7	7	7	8	Amazon Prime Video is still trying to determine what it's going to be. They started as a platform that was open to content owners and distributors essentially self-publishing their titles on the platform with very low hurdles to clear as far as the type and quality of content it allowed. As they've grown, they've slowly eroded the benefits (i.e. potential revenue) to independents publishing on their platform, while spending more on Original Content (OC) in order to more directly compete with Netflix/HBO/etc. The quality of their OC has a much greater variance than Netflix/HBO and they don't do a great job of promoting most of it. Being part of the overall Amazon Prime package in most of the world continues to be a massive advantage. HBO's advantage of being attached to the feature output of three major studios through long term exclusive Pay 1 output deals is only sustainable as long as they can afford to pay more than everyone else as those deals expire. Warner is the only studio they can be certain of maintaining long term. They're ramping up their spend on OC to compete with everyone else, but overall spend is still considerably less than Netflix. They have a stellar track record of being able to produce big hits, but their overall slate is smaller so any misses in the future will have an outsized effect for them. Game of Thrones going into it's final season also a negative. Question marks around how/when the spin-off series will perform and what else will replace it. Hulu maintains its competitive advantage by offering in-season network shows and continues to be an attractive cable alternative/replacement, rather than a complimentary service. Additional investment by Disney into Hulu is a net positive, provided Disney maintains plans to bifurcate its content offering between Hulu and Disney Plus. Netflix is maintaining it's status as the leading OTT service through massive spending on content and shifting even more of that spend into OC. Potential for short-term growth, both domestic and international, is still very high. Huge debt from content spend is the biggest long-term risk.
Cable/Broadcast Network	5	10	6	10	9	10	7	8	Amazon has an additional business to support it that allows them to take risks and acquire programming where the others can't. Netflix's originals do not seem to have a staying power in the mind of the consumer. Hulu does not seem to know what their direction is. HBO is a solid brand that always delivers.

Sentiment Tracker

12 Months Ago vs. Today: how would you have categorized your sentiment on each of following streaming services based upon their overall competitive positioning, ability to scale domestically & internationally, strength of their content library, etc.?

(Please rank on a scale of 1-10 with 1=Least Optimistic, 10=Most Optimistic)

Respondent Type	Sentiment 12 Months Ago				Sentiment Today				Rationale behind sentiment changes
	Amazon Prime Video	HBO	Hulu	Netflix	Amazon Prime Video	HBO	Hulu	Netflix	
Cable/Broadcast Network	6	7	8	9	6	6	9	9	In my view, Amazon hasn't made as big of waves as I would have expected considering the content budget, marketing spend and data they have behind their platform. The recent YES Network investment is interesting and what happens with sports rights in the next year or two will be something to follow. HBO - Can't help but think the recent management turnover and cultural shift that will inevitably occur as AT&T continues to rub off on them won't have a negative impact on what's made that brand special. Hulu - the SVOD and Live TV offers subscriber growth that has outpaced most peoples expectations. With the vMVPD wars maturing (with Hulu and YouTube TV appearing to be the winners) and Disney soon to own 70% of Hulu and as the pipeline for best in class original adult programming (from FX), Hulu seems well positioned for the future. Netflix - The moat they're built around their business in terms of programming breadth and depth is nearly impossible for other media companies to beat them at. The efficiencies they get from their scale and global reach has given them an insurmountable head start. They're well positioned for many years to come.
Film and Television Distribution Platform	8	2	8	10	6	2	5	7	The SVOD market is becoming more flooded and competitive. Families are starting to limit the amount of platforms they want to pay for and this is bifuricating the market. PLUS with Disney coming - it will change the landscape.
Consultant	6	6	6	9	6	7	8	8	My sentiment didn't change too much over the period of time since most of the above platforms are already at scale.
Cable/Broadcast Network	5	6	6	7	5	6	6	8	Netflix recent success with programming has paid off in increased exposure for service.
Consultant	6	9	5	9	9	7	7	9	Amazon Prime has made a significant push towards owning content and creating quality content. They are reinventing themselves. Hulu also has obtained better programming and with Live Stream is now a significant competitor to Netflix as you can use it instead of Cable.
Consultant	8	6	8	9	7	6	7	10	Amazon's issues with Roy Price, etc. set them back. HBO is always piracy paranoid. Hulu has good wherewithal and Netflix is king.
Film and Television Production Studio	4	4	4	4	7	5	6	8	One year ago the market was fragmented and consumers were confused. Cord cutting was becoming more apparent but not as often as it is now. The announcement of multiple platform offerings was not yet disclosed and the amount of content to be created not yet announced.

- Average Respondent sentiment on Amazon Prime Video has improved over the last 12 months increasing from a 6.88 out of 10 to a 7.47 out of 10.
- Average Respondent sentiment on HBO has remained the same over the last 12 months at a 6.64 out of 10.
- Average Respondent sentiment on Hulu has improved over the last 12 months increasing from a 6.47 out of 10 to a 6.64 out of 10.
- Average Respondent sentiment on Netflix has slightly declined over the last 12 months decreasing from a 8.47 out of 10 to a 8.35 out of 10.

Content Investment Strategy

What are your thoughts on Netflix's content investment strategy? How do you see the mix-shift between original vs. licensed content evolving over the next 2-3 years?

*****Please note the following responses are direct inputs from survey participants*****

- I think it's ultimately depressing. It's a programming strategy based on a scale that's not conducive to building a strong relationship between the user and content. Content is now a commodity, and Netflix is the chief enabler of this inevitable reality. There doesn't appear to be enough creative rigor between the creator and execs. The feeling that the content - even truly great content on their platform - just doesn't matter that much. Not that into it? Who cares! Just wait 10 minutes and you'll have 10 more shows to watch. The bigger question is why does Netflix's product lag behind their content strategy? It's an antiquated platform, the editorial experience is horrible, and the idea that the algorithm is "best of breed" is highly suspect.

- I think Netflix has been throwing money at a lot of things and hoping something works. For the consumer it becomes overwhelming and they become lost in the clutter. Consumers will search out a better experience.

- I think Netflix will be 80% original content and 20% licensed in three years. I think they will hit the sweet spot in a few years, with localized productions increasing greatly.

- I think Netflix's content spending is unsustainable at best. Licensed content being pulled will definitely affect consumer choices and could lower subscriber numbers. The content they create has to provide the same caliber of entertainment and offering as their licensed material.

- Just going to shift more and more on a % basis to originals vs. licensed content over time. The only potential exception would be to take on a major studio Pay 1 deal when HBO/Showtime deals expire, but all of the majors are invested/investing in their own OTT platforms currently so these "Pay 1" deals may look very different in the future than they have in the past on premium cable networks.

- Netflix has been gearing up for a long time under the assumption that one day the legacy studios will sharply curtail, or turn off the content pipes. Currently nearly 40% of their content is Netflix original series and movie content, with the remainder coming from studio partners. As their long-term studio deals sunset, it remains to be seen whether or not they can replace what they will be losing with compelling content of their own. It is hard to imagine how they can spend so much on development and marketing and still be a viable business. They are nearly a mature business in the U.S. and international growth can only sustain for so long.

- Netflix is leading the charge on content ownership in the SVOD marketplace, elevating the service through unique and high quality offerings and setting a strategy the others have followed. It will be vital for them to continue their investment as the rise of competing services from Disney, Warner Media, Facebook, Apple and the continuation of Amazon and Hulu spend on original enhances the competition for audience eyes. In addition, many of the content creators will now have multiple options for licensing their content to and/or the ability to reserve content as exclusive to their own branded service.

- Originals will clearly be their focus, and licensed content will still remain important but they will become very selective.

- The continued investment in originals, which I understand is at $8B for 2018, up from $6B in 2017 seems like it would eventually come to a head, especially if the show success rate drops. Licensing will be difficult, as the movie studios and network content providers are all rolling out their own OTT platforms and won't want to license their content to a top competitor.

- The strategy is sound. They'll stay on the track they're currently on. Increase original programming spend and be opportunistic on licensing content when it makes sense.

- They are going to continue to move away from aggregated, licensed content that not does not have an out-sized ROI as it is a dead-end strategy.

- They don't produce nearly enough content today to sustain themselves in 2-3 years if the studios pull back content for their O&O services.

- They will eventually stop acquiring and focus on original productions in the US, however, they will continue acquire internationally.

- They will license content for local markets, which is a strong strategic method. They will also continue to invest in original content but it will fluctuate over the years to accommodate markets and the global economic climate.

- We will continue to see a shift to more original content as this is the factor that will differentiate the service to its competitors.

Acquiring Sports/Live Content

Do you see a point in time where Netflix will have to acquire live/sports content in order to drive additional subscriber growth? Why?

*****Please note the following responses are direct inputs from survey participants*****

- As the premiere SVOD service Netflix has the largest subscriber market share and is seen as a home for great original movies, TV, documentaries and comedy. At some point the growth will plateau with an expansive coverage of audiences that subscribe for that type of content. The sports category in general has the potential to appeal to an additional audience target as well as the factor of live programming which can draw in additional unique viewers. They have had success in the stand-up comedy category which in some ways carries a niche appeal similar to a category like sports and is a live-experience format in origin, now available for streaming. Their biggest barrier will be competing with the sports focused companies already in place - specifically ESPN, Broadcast Networks, Amazon's shift into re-broadcast rights. The regional Fox sports networks are another resource and soon to be up for sale following the close of the Disney Merger with rumors of Amazon circling.

- Here's the thing. Netflix follows a strategy dogmatically until they don't. For example, it was always "against strategy" to allow offline viewing. Well, with Netflix Originals that changed. So for the time being, live/sports content is not on-strategy. But I would imagine at some point they might go for it. When? I have no idea.

- I do not think so. People will be used to multiple platforms and the ones who target sports and make it their mainstay market will be the ones to be used for that. Netflix is already stuffed universe and their branding for sports is too late.

- I don't think it's necessary for them to continue growing at the rate they expect over the next 2-3 years. Live events have an entirely different economic model that isn't Netflix's core competency and they've been good at staying away from being "distracted" by pursuing things outside of their wheelhouse. If they do get involved with any live events in the future, I'd bet on it being more in the music/performance genres than sports, since those have a longer shelf-life of people going back to watch them again.

- I think live would be a major departure from their existing plan and probably unlikely in the next 3-5 years. **(3x)**

- It's possible, but unlikely. They don't need sports programming to reach high market penetrations (i.e., 1 billion subs). On demand entertainment programming is all Netflix needs and it can still be massively successful. Sports rights have bad fundamentals. You're licensing vs. owning content. The rights are complicated, carved up around the world. Sports popularity vary greatly market to market. Live production and global delivery is resource intensive.

- No, hopefully. Live sports is too expensive. The leagues driving up costs is what made regional sports networks drive up rates to MVPDs, who in turn drove up rates to consumers, and it ruined the cable/satellite/telco industry. For the costs of licensing live sports, Netflix would be forced to jack up their subscription rates, and with all the OTT options, consumers will be right back to a melting point of spending ridiculous monthly fees.

- No, that is not in their game plan. They can dominate the content they specialize in now and not get into expensive bidding wars. They are smart and know their core business.

- Not convinced that streaming networks have to be all things to all people. That model is failing for the legacy networks. Traditional sports programming is highly competitive and carries a high price tag; viewership of many traditional sports is waning/not capturing younger viewers; and the most desirable programming is locked up in long-term contracts. Non-traditional sports, including video game competitions, that appeal to millennials and the generations to follow, might be a more viable area for a disruptor business.

- Possibly, this may be dependent on Disney + direction with ESPN+.

- Possibly. Right now the rights fees probably don't make sense, especially for global audiences but I wouldn't rule it out for the right league rights.

- Yes - Live Sports is the only thing everyone in the world will always have/want to watch in real time. Amazon is proving that it works and Europe gets most of its linear watchers from sports as does the USA. It's the only thing that people will accept having to watch commercials eventually because it is live and they are forced - but if streaming provides then that will be where the consumer puts its dollar.

- Yes, somehow, Netflix needs to compete in this area. Sports and news form the last powerful bastion of audience and advertising base of the linear networks and their burgeoning OTT outlets. However, sports need to be live for the true fan base so that would present a difficult situation for a SVOD channel in terms of technological support, let alone coverage.

- Yes. Because people only have so much time on their hands, and with the ultimate value of their primary product - a show/movie - in the gutter, they'll need to find new ways to ensure they keep people on the platform. There's just too much competition, and some of those competitors have extremely valuable IP that isn't completely (yet) diluted.

International Success

How do you think about Netflix's ability to scale in underpenetrated international markets? What will be the key factors driving their success? Can they replicate their domestic success internationally or not?

*****Please note the following responses are direct inputs from survey participants*****

- Headwinds are stronger internationally for Netflix as local broadcasters have build SVOD options to compete. More local content could be a key factor for growth along with more movies that are global on scale vs. series which may be more limiting to international audiences.
- I think that Netflix has a global brand and should have a relatively good chance to scale into underpenetrated markets. The largest factor for their success in some of these markets will be based on the economics they are able to extract and the level of account sharing.
- I think they have real potential and are clearly putting resources to make this a reality. Factors for their success: tenacity, willingness to acquire/produce fast, hiring the right people/building the right teams. I think it's a balance of doing what worked domestically and doing what's necessary from market to market to adapt and conform. Each region brings unique challenges to marketing, programming, and business. It's not a one-size-fits-all solution.
- It's all about content - be it original or acquired - it will be based on the territory and what that market is and the type of content they want. Most territories would pay for a local streaming service with the content they want - but if Netflix is providing good content from other territories along with Originals then they could be a player.
- It's all about the content - and a good broadband connection. Netflix has gone to school on what took the legacy studios years to learn - that content has to be able to travel around the world. They have already demonstrated that they know how to do this, and to augment with indigenous content in each territory. There are economies of scale and it may not make financial sense to try to replicate their domestic model everywhere.
- Local and relevant content will be the key differentiator. They have deep pockets and will continue to achieve success.
- Netflix will be able to scale in these markets by tiering their pricing per territory. Key factors to drive their success will be localized/local language content offerings plus marketing. Domestic success will not be the same internationally.
- Netflix will have to deliver solid and high profile series with promotable international casts. They will also need to think about putting up episodes slower or getting up a popular series faster to keep subscribers engaged.
- The key to their growth will be the extent to which they can localize content creation. I think they are set up to accomplish this as they continue to open content offices in-country (most recently Mexico).
- They are currently producing a lot of local programming and customizing the programming for each country so they are now becoming competitors to local TV for eyeballs.
- They can develop local content for local markets. So they can absolutely replicate success internationally and as infrastructure catches up, are doing so.
- They can replicate with LCD content which transcends language and appeals to common folk.
- They continue to push forward a mandate for producing original local language content. This is a key strategy to reaching viewers in territories that are otherwise not susceptible to embracing English language content. I am bullish on their ability to find success in these markets. Netflix holds the reputation as the global standard in SVOD and as these markets further adapt SVOD as a standard form of content delivery the combination of brand recognition and local content offerings will be a major asset.
- They have a big head start on their international expansion vs. most of their competition and have been very successful at learning quickly what levers to pull (content offering, pricing, UX, etc.) to increase subscriber growth rates in almost every country they've entered. International subscriber and revenue rates are increasing much faster than domestic at this point, which is a good sign. Massive territories like India and China are still mostly untapped potential.
- They will not have the same success because they will not be able to duplicate the amount of original production in each territory.
- Worthwhile local content. No good trying to shove only American product down French, German, Scandinavian throats. For instance, in the twenty years of Disney's channels being available in these territories they have barely managed to capture more than 10% share of the audience. The British shows on Netflix "The Crown", "Bodyguard", "Afterlife", "Peaky Blinders" etc., are clearly the creme de la creme of Netflix's output.
- Yes, given the amount of original content they are developing, and a lot of the news shows are international actors/characters.

Disney+ Impact

Disney is launching Disney+ in 2019... how successful will it prove to be? What kinds of content will Disney need to include in its offering to drive subscriber growth?

*****Please note the following responses are direct inputs from survey participants*****

- Between the Disney library, the Fox library and their lock on certain content (Marvel, Pixar, Star Wars), they will have an embarrassment of riches to launch. Given their ability to monetize viewers beyond TV and movies, their subscribers will also have a much higher LTV than those of Netflix. There are few if any that can compete with Disney when it comes to appealing to kids - their customers of the future. For most, pricing is a big part of it. Those with families may be happy to substitute Disney for Netflix; but for more mature households with higher discretionary incomes, there may be less interest.

- Content will be Disney's biggest strength as they have a deep library of very well known content along with a long history of producing both TV and Movie content. Bringing new content based around existing brands will be easy for them and very beneficial to the service.

- Disney had a huge upper hand in launching and it's eventual success given the extent of high profile IP brands. With Pixar, the Marvel Universe, Lucas Film/Star Wars, Disney Animation, Disney Live Action and now all of the Fox properties including Avatar. Including content across categories with IP derived from the major brands will need to be the tentpoles of the service and filled in with other new original and licensed content.

- Disney is all powerful with one Achilles heel, their sheer lack of international programming and productions. They own almost 100% pure American shows. Disney will become an incredible force in this arena with a brand that families trust that's second to none. The question is will families go for four or five SVOD brands? So can Disney spread its programming wings which for decades they have not produced?

- Disney will be successful due to their original content. In saying that, they would also have to add more children/teen/young adult content.

- Disney will be wildly success because I believe they will bundle Hulu, Disney and ESPN together. In my opinion, Disney will need to bundle to drive subscriber growth.

- Disney+ has the potential to be very successful on the back of Disney's brand and content library - more so than any of the other major studios. If they focus on putting all of their kids/family content into Disney+ and promoting it properly, they have the potential to grab tens of millions of subscribers in the first 1-2 years. Long term subscriber growth will be dependent on what kinds of original content they're able to produce and how effective they are at making the service/app as ubiquitous and easy to use as Netflix.

- Disney+ will be HUGE - Disney + ESPN + ABC + Fox + Marvel + Pixar content....that's more valuable combined than any service on the market.

- Disney+ will be successful as long as they have a clear understanding of what strategy they are pursuing. They have a massive library of widely popular content that will serve them well. Depending on price, people may always subscribe for reason that alone. Question is, can they change the way they think about content creation to match the reality of today? Or will they continue the pilot episode/focus group steering that they've always relied on? If the latter, at the very least, their originals may not fair as well. At worst it may taint the brand and not allow them to maximize ROI on their content spend.

- I think Disney+ will be very popular and having series from popular franchises such as Star Wars and Marvel is going to drive subscriptions. Having all of the vault available as well is going to be a huge draw. They will need to keep adding new series to keep subscribers. If the series don't work, neither will the service.

- I think it will be a real force, and will give Netflix a run for their money, as long they continue to place quality over quantity - something Disney generally does. To me it's less about content and more about creating a hyper-valuable ecosystem with their customer. Hulu plays into this in a big way, but so does the rest of the Disney ecosystem.

Disney+ Impact

Disney is launching Disney+ in 2019... how successful will it prove to be? What kinds of content will Disney need to include in its offering to drive subscriber growth?

*****Please note the following responses are direct inputs from survey participants*****

- I think it will dominate but content contingent. Disney as a brand reaches everyone from young to old and it provides a sense of comfort. The issue will become if they don't have enough of their legacy content mixed with fresh content that the consumer could not get elsewhere

- It will be very successful, especially in the kids space. Disney will need to up its original production slates and license more from third party producers to keep consumers happy, but they are a very smart company and approaching it the right way. And their content is best in class.

- It will only be as successful as the content they have. Disney has the option to start pulling all this back but it is still unclear what they will do. Likely that all SVOD will flow through Disney+ but still unclear about their TVOD/EST strategy.

- It'll be successful. They're doing what they need to do more or less: include exclusive originals, complete library (aka "vault"), past season from TV series (Disney channel, etc.) and new film releases (9 months after it's theatrical release).

- The brand is a behemoth. They have quality programming for anyone under 20 years of age, they have no competitors in the teen space. None. Nickelodeon was a force, but no longer. Nobody has a family channel that can challenge Disney's network. They will keep supplying those Disney Channel original movies, hopefully more of the quality of High School Musical 3, and will be hugely successful.

- They've already alluded to the fact that they will have a deep catalog of Disney owned content. They will need to offer some diversity in formats and genres to scale beyond Disney fans.

Disney+ Subscriber Outlook

Respondent Type	Expectations for Disney+ Subs (Within First Year of Launch - Millions)		Expectations for Disney+ Subs (Within First 3 Years of Launch – Millions)		In the first year of launch, what percentage of Disney+ subscribers do you believe will be net new incremental vs. churned from Netflix & other streaming services?		
	Domestic	International	Domestic	International	% Net New Incremental	% Churned from Netflix	% Churned from Other (HBO, etc.)
Film and Television Production Studio	15	5	46	15	65%	15%	20%
Film and Television Production Studio	15	7	35	23	35%	25%	40%
Film and Television Production Studio	8	2	30	5	70%	15%	15%
Consultant	25	10	50	30	20%	50%	30%
Film and Television Distribution Platform	15	25	30	50	20%	40%	40%
Film and Television Production Studio	19	10	24	14	18%	36%	46%
Consultant	8	10	30	36	98%	1%	1%
Film and Television Production Studio	8	10	20	40	100%	0%	0%
Film and Television Production Studio	20	10	35	26	20%	50%	30%
Consultant	8	10	40	31	85%	5%	10%
Film and Television Distribution Platform	10	5	30	15	85%	5%	10%
Cable/Broadcast Network	25	16	44	34	45%	30%	25%
Cable/Broadcast Network	4	6	15	30	96%	2%	2%
Film and Television Distribution Platform	10	9	30	31	70%	15%	15%
Consultant	5	2	26	10	20%	70%	10%
Film and Television Distribution Platform	6	7	10	15	50%	20%	30%
Cable/Broadcast Network	5	3	20	25	50%	15%	35%
Consultant	10	13	25	25	20%	30%	50%
Film and Television Distribution Platform	19	7	46	22	40%	30%	30%
Consultant	17	13	50	50	80%	10%	10%
Film and Television Production Studio	5	3	20	15	40%	35%	25%
Average	**12.23 Million**	**8.71 Million**	**31.23 Million**	**25.80 Million**	**54%**	**24%**	**23%**

- On average, Respondents believe that Disney+ will reach 12.23 Million Domestic subscribers and 8.71 Million International subscribers within the first year of launch. Within the first 3 years of launch, Respondents believe that Disney+ can reach 31.23 Million Domestic subscribers (on average) and 25.80 Million International subscribers (on average).
- Within the first year of launch, Respondents believe that of the people that subscribe to Disney+ that 54% will be net new incremental, 24% will have churned from Netflix and 23% will have churned from other services like HBO.

Backfilling the loss of DIS Content

How do you expect Netflix to backfill the loss of Disney content on the platform? To fill the void, will they 1) prove to license additional content from other studios 2) create more kid's original content or 3) acquire a production studio that specializes in kid's content?

*****Please note the following responses are direct inputs from survey participants*****

- "1) Develop their own content with partners like DreamWorks, Paramount and Sony. 2) Work with small studios like Henson or Wizard to create new kids and family content."
- 2 or 3. Likely a combination of both.
- A combination of 1+2: Prove to license additional content from other studios + create more kid's original content. **(2x)**
- A combination of all three. Biggest investment will be in creating more originals. **(5x)**
- Acquire a production studio that specializes in kid's content.
- All of the above.
- Either number 2 or 3 (or both). The idea that they would license other content is odd given that with Originals they have carte blanche to international streaming rights.
- I believe they are currently trying to acquire as much kid content as possible and making originals - it just wont compare to Disney - even if they go and get Universal kids or PBS (more of) it wont compete on the kid level - Disney will reign king there.
- I expect more original content, both kids and adults, and perhaps Netflix looks to acquire a Viacom/CBS and/or production studio.
- I see Netflix creating more kids original content. **(2x)**
- I see Netflix upping their licensing from others + upping their own internal production.
- Key to continued growth will need to be through new content development as there are no production studio options from an acquisition standpoint in kids/family which is the biggest gap created by Disney + service.
- Option 1... Maybe down the road Option 2. But kids aren't responsible for subscribing.
- These are not mutually exclusive. It's a big void to fill and they will probably need to do a little of each. Netflix needs to decide what their brand is going to stand for moving forward. To date they have been an entertainment warehouse serving a wide variety of streamers. As mentioned above related to legacy networks, the 'something for everyone' concept is probably not sustainable.
- They will create more kids content and keep spending the money. I don't think they will acquire a studio. They should've acquired Dreamworks animation and Paramount, but I just don't think they see that as their business model.
- They will likely commission more originals, but also license content from strong kids franchises and brands.
- Time is of the essence. I cannot think of (3) a kids portfolio that would move the dial in the US in competition against Disney brands. They have already formed an in-house animation studio, a very expensive and slow alternative (ask Hasbro, Sony and Mattel), which will take a year or two to become productive. New brands are not manufactured overnight but built over many years, so I believe they will in the meantime, need to acquire individual brands and create original content that means something to this audience segment that is crucial to their ongoing business.

Disney Bundle

In your opinion, do you believe Disney will combine/bundle Disney+, ESPN+ and Hulu? Why or why not?

*****Please note the following responses are direct inputs from survey participants*****

- Bundling gives them a wider appeal - can't imagine they would not bundle.
- Disney+ and Hulu potentially should they buy out their other partner - it just make sense. I don't think ESPN+ will be combined as it is a different audience.
- I believe a Hulu bundle makes sense as it allows access to 25M subs.
- If Disney is successful in buying out the other shareholders in HULU they would run it as a re-branded Disney with HULU/ESPN/ Disney Kids and Disney Family Brand all be housed under the one umbrella. The advantages of this approach would be a huge ready made SVOD foothold domestically and internationally. HULU's view times are already longer than Netflix's. The question is can they buy it out and if not would they elect to start from scratch?
- Maybe Disney+ and ESPN+ but NOT Hulu right now - it is still a revenue source independently - if Disney does not hit forecasted subscribers then maybe they add Hulu.
- More unlikely than not to bundle all three services, at least early on. Most likely combo seems to be Hulu and ESPN+ as a general cable/satellite replacement service.
- No, I don't think so - it leaves separate identities with strategy differences. **(2x)**
- Possibly to launch the service. That would be a huge draw for consumers depending on the price point. It may even be an incentive to drop a service.
- They may try to tie that together at some point but at launch no. The reason to do so is obvious. With all three, consumers could get back catalog, new originals, sports, and live TV.
- They should. ESPN will make them the definitive home for sports content and combining Hulu add a major influx of subscribers.
- Yes for Disney+ and ESPN+, but not Hulu. I personally think Hulu will become obsolete and eventually shift subscribers to Disney+, or Disney will sell of their Fox stake in Hulu.
- Yes, eventually. They will struggle to have enough content at first, so bundling would make sense. Only if they offer a standalone kids service would I think they would go a la carte.
- Yes, the value proposition is strong and will provide diversity in their offering. **(5x)**
- Yes. The programming on each service is exclusive to that offering. They don't overlap, each service will be complimentary to the other. Plus, it's a media / cable company. Bundling is what they do.

Competition

Netflix is expected to see a significant increase in competitive pressure in 2019 with the launch of Disney+, a WarnerMedia SVOD offering & a potential streaming offering by Apple... in your opinion how insulated is Netflix's business? Will we see elevated levels of churn as these new services hit the market?

*****Please note the following responses are direct inputs from survey participants*****

- All of these services have some potential for small % points of additional churn as customers try out their offerings and compare them to Netflix, but overall Netflix is very insulated from this due to 1) the massive amount of original content they have produced and are producing, and 2) their ability to write bigger checks than their competitors for marquee licensed content (i.e. Friends, The Office, etc.). Also, OTT customers in general are becoming more savvy about their ability to easily turn on/off subscriptions to all of these services, so overall churn rates across the OTT industry will increase over time.

- Depends on execution and price point of these new services. Netflix is laser-focused on moving metrics that increase enjoyment which in turn increases retention. Also, if having, say, four streaming services covers 90% of your needs and is still 50% less than cable/satellite they many will subscribe to multiple services.

- Disney, Warner and Apple launches are going to change the streaming landscape. Consumers are going to be faced with some big choices on where they put their home entertainment spending. The winners in this will be based on the strength of their content and how easy the user interface is. Netflix is totally naive to think that these services will not affect their subscribers.

- I believe that Netflix subscribers will continue to subscribe to Netflix and will add new services rather than substitute with Netflix.

- I don't believe so. I think Netflix has created enough demand through a string of hit shows to continue with new seasons and maintain distribution. Especially if they partner with additional mobile providers like T-Mobile who build Netflix subscription costs into their mobile fees.

- I think as a value, Netflix is insulated. It's still a great bargain, even if it was $20 a month because of their huge amounts of content they are producing. I'm sure they will lose some consumers to new streamers, but overall, i think most will pick Netflix as their first choice OTT service and add others as needed.

- I think they are decently insulated given their first mover status and installed base but that doesn't mean that they won't have to play with pricing tiers once others gain scale. **(2x)**

- I think they will weather the initial storm based on the content offering that they have developed, but long term may be more difficult to sustain with the size and investment available to competitors.

- Its going to have a huge effect - Netflix is no longer the big boy on the block then and they fall into what cable and broadcast channels have - "just another service".

- Netflix creates strong social buzz. I think for now their position is safe and their spend on content tops others, so new and fresh content is always launching.

- Netflix will not be materially impacted by any of these news streaming services fighting for a share of wallet and peoples time. Any increase in churn will be minimal.

- Not insulated at all, and they will see unprecedented levels of churn among those households with lower household incomes. For more affluent homes, the new services will be added on top of Netflix.

- The biggest asset for Netflix in the face of competitors is being so deeply embedded as the leader in the marketplace. Their weakness is content streaming being their core and only business where as the competitors are diversified in to other revenue sectors, allowing their streaming service to support other businesses and vice-versa.

- The Millennial's change their subscriptions extremely rapidly. Families with kids are much more stable. Disney brings a new family resource that could shake this ground. Yes there will be churn. I expect millions to churn off of HBO once "Game of Thrones" finishes.

- The next few years are going to be hard for everyone, including Netflix - and especially for consumers. I think consumers are starting to get tired of choice, and these new offerings are going to viewed through that lens. That means higher expectations on the overall value prop and everything in between.

- Yes, higher churn due to limited consumer spending. **(2x)**

Pricing Power

Netflix recently implemented another price hike on January 15th, 2019... how much room do they have for additional price increases in your opinion? How much pricing power does Netflix have?

*****Please note the following responses are direct inputs from survey participants*****

- I believe Netflix has room to raise prices an additional $3.
- I believe they are at the top of their range for the next 24 months, as they are already overpriced compared to both Hulu and Amazon. I believe that Disney + will come in with a cheaper option, more aligned with Hulu pricing.
- I don't think they have a lot of room since they will be one of many providers for a consumer rather than THE provider.
- I think their room for price growth is limited. Users are comfortable spending in the current range for a la carte services and pricing will only become more competitive as new services launch and potentially offer bundled services. Unless the market as a whole rises with all the new "channels" Netflix will have to remain fluid with their pricing, perhaps even bracing for a decrease. And/or if they make acquisitions or partnerships in to other areas that can then be sold as bundled offerings. Hulu/Spotify is a good example of this.
- I think they have room for now but in about 2 years will have to consolidate by buying another studio or absorbing another streamer to enlargen their reach.
- I think with Netflix's current value proposition they could get up to $19.99. Crossing the $20 mark will be a hurdle they'll need to manage carefully by ensuring new features, content, etc.
- If HBO, Showtime or Starz increases their prices they have some room. Their content needs to improve and create a need for consumers to pay a higher fee.
- If they have new content they can always inflate the prices.
- It's all about price/value. If people value Netflix's programming, they probably have some upward elasticity. But they are losing many of the jewels in their crown, which may put a cap on how much more they can charge because their perceived value will be lower.
- Netflix has the ability to increase pricing $1/year.
- Not much more room - especially with the other providers coming - majority of people will figure other ways to get content without paying as much. **(4x)**
- (Short-term, not much if any. I think consumers need to feel like they are being provided additional value for the money going forward. To me, up and including until the last hike, they simply made the price more in line with how people valued it. People didn't revolt and cancel in droves as a result of it. But that means it is unlikely they can do it again soon.
- They can get to $25 a month before people drop out. Imagine - a movie at the theater is now $16. So two movies a month, or binge watch a cool show, you made your money back.
- They can maintain low single digit price hikes for a good 15 years, and that would only bring them to $25/month at that point. That's not gouging at all.
- They have great pricing power, as long as they continue to crank out good content. And they haven't cracked down on password sharing, so I think they could command $20 a month no problem.
- They've shown over the years that they're able to increase prices without significantly impacting churn rates, so I have no reason to doubt that there's more room to continue slowly raising prices over the coming years. There's also lots of room for pricing changes in most international territories as they improve the content offering and properly assess each country's appetite for OTT services.
- Until another service achieves their success they will continue increasing the prices.
- With the addition of more competitive services it would be tough to increase prices more without adding more utility such as music or gaming without seeing some churn.

Likelihood of an Ad-Supported Model

Netflix's management team has previously stated that they would not adopt an ad-supported model… will they remain true to this or is it only a matter of time before they need to switch to an ad-supported model in order to drive revenue growth?

*****Please note the following responses are direct inputs from survey participants*****

- At some point, Netflix's subscription model will slow in growth...I'm not sure when. At that time, I believe they'll have to adopt an ad-supported model. **(2x)**
- I don't think they'll pivot to an AVOD model.
- I think it will be difficult to go to a traditional ad model, but may be possible via sponsorships (i.e. This show brought to you by…).
- I think it's a matter of time! Hulu did it. Google is likely going it. Roku, Tubi, Pluto and more. Vudu is doing AVOD. And cable VODs are also offering FVOD.
- I think it's something that Netflix will start testing as net new subscriber adds plateau.
- I think they will down the road...5-6 years maybe.
- I think they will increase subscription fees, acquire less content and increase their debt before they become ad supported.
- I think they will stick to this. Maybe open the door to branded content down the road, but no ads is something I think Reed will stick to.
- If Disney has live sports Netflix will also need the same and advertising will become a necessity. In India, Netflix is five times more costly than Amazon who has a very different business model. So there are two reason why they will convert to an ad-supported model (in-part and subscriber cost choice).
- If they move in to sports/live events in makes sense for that content. Right now they are seen as a premium home for non-ad content and it would be a turn-off for the core subscriber base. Leveraging their data would be a better play for added revenue.
- It all depends on their balance sheet. If they need an additional revenue stream, then an AVOD version of Netflix could make sense.
- Matter of time, especially in emerging markets.
- No chance of switching to/adding an ad-supported subscription model any time soon.
- Only matter of time.
- Stay true for now - but AVOD is the new hot thing so will have to see how it plays out in 2019 and 2020 and if subscribers churn - cause middle America still will watch AVOD and they make up 78% of the population.
- They will not adopt an ad-supported model in the next 5 years in my opinion. **(3x)**
- They'll remain true to no advertising. It's one of their most important points of differentiation and a core competitive advantage. Cable and broadcast are viewed by most consumers as an inferior consumer experience to Netflix for this very reason. If Netflix started inserting ads it would be viewed as a betrayal of its promise to its customer base. The incremental ad revenue benefit would not be worth the brand impact and likely subscriber declines.