Netflix's 2020 Strategy

for Battling Rivals in the Global Market for Streamed Video Subscribers

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Executive Summary

General Statement

Shux Consulting team was hired by the Netflix Board of Directors to conduct a full analysis of the company's current business strategy up to the year 2020. The team is then to provide feasible recommendations along with an action plan to improve their performance leading into 2021.

Consulting Scope

The Shux team has read the Case Study in the textbook, undertaken research and a review of relevant material prior to conducting a comprehensive yet objective analysis. This report constitutes the team's finding, recommendations and action plan.

In providing such recommendations and action plan, the team anticipates that Netflix will remain the top company with the highest market share in the ever-changing streaming industry.

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1. Overview

1.1 General Overview

Netflix, Inc. ("Netflix") was launched on August 29, 1997 by Marc Randolph and Reed Hastings in Scotts Valley, California (reference ↗) Randolph and Hastings carpooled together and came up with the idea for Netflix as they wanted to offer a large category of "portable items" to sell over the internet using a similar model to Amazon.

Originally Netflix offered monthly paid subscribers ("members") unlimited number of DVDs each month though mail. It evolved in January 2007 to become a subscription-based internet streaming service that allows members to now watch over 3,600 movies and more than 1,800 TV shows (reference ↗). Within the last five years their library increasingly consists of self-produced original content. As of year-end in 2019, they still had over 2.1 million members in the US that subscribe to their mail-only subscription and are receiving content through the mail. These members are located in areas that have limited internet access but these numbers are declining as these members switch to streaming members (Thompson, 2021, p. 140).

1.2 Netflix's Strategy in 2020

Hastings explains that his goal for Netflix is "to build the world's best internet service for entertainment content, keep improving Netflix's content offering and services faster than rivals, attract growing numbers of subscribers every year, and grow long-term earnings per share" (Thompson, 2021, p. 149).

- Subscription Pricing Strategy: Netflix is currently offering three tiers to their users, include Basic, Standard and Premium at CA$10, 15 and 19. The company is testing a mobile-only tier at CA$3 per month in India, and have so far received large number of subscribers thanks to high usages of mobile devices in India.

- Software to Enhance its Engagement with Subscribers: Netflix already have powerful search tools for their users to filter contents that matches their preferences. Filter elements such as length, category, age, language have been integrated into Netflix search engine. The company is also working on algorithm that uses data from users such as watched title, search history, watchlist to create the best recommendation that matches what the users like to watch.
- Content Strategy: Netflix streams different combinations of movies and TV shows in different countries, due to different language spoken and the content users prefer in their country. Netflix shift their focus in 2020 to develop content with foreign languages, film in more locations, and build the storyline around the local country.
- Marketing & Advertising Strategy: Currently there is a growing number of video streaming subscribers globally, particularly in countries with the biggest growth opportunities. By considering this, Netflix decided to focus their marketing and advertising on these particular countries. This strategy includes continuing to introduce mobile-only subscription plans to certain countries, enhancing the appeal of streaming content, with emphasis on exclusive original content and increasing partnerships with movie and television producers in specific countries to produce original content.

1.3 Achievements

Below are the key achievements for Netflix:

- In one year (2018 to 2019), Netflix grew their paid membership base from 139.3 million to 167.1 million. Analysts estimate their growth to increase over 100% by 2025 to 350 million members (Thompson, 2021, p. 140).
- Netflix is considered the world's leading internet television network as they are offered in 190 countries (Thompson, 2021, p. 140).

- Netflix members are estimated to watch more than 165 million hours of content per day (Thompson, 2021, p. 140).
- Netflix earned their first Primetime Emmy Award nominations for three of their web-series, Arrested Development, Hemlock Grove and House of Cards in 2013. These series earned 14 nominations.
- House of Cards received four nominations for their episode titled "Chapter 1" which became the first 'webisode' of a television series to receive a major nomination.
- Since their first nomination in 2013, Netflix has received six nominations for Golden Globe Awards in 2013, 31 Emmy nominations in 2014, 16 nominations during the 2016 Emmy Awards, won an Oscar in 2018 and 15 Academy Award nominations in 2019.
- In 2018 with 112 nominations Netflix became the most nominated network at the Primetime and Creative Arts Emmy Awards. The previous record holder was HBO with 108 nominations.
- PETA named Netflix their Company of the Year in 2017 for promoting animal rights movies and documentaries. (reference ↗).

1.4 Significant problems and root causes

- Streaming wars with new and existing competitors.
- Financial strain on growing expenditures for original content and other acquisitions.
- Long-term debt obligations and debt servicing.
- Over-dependance on North American revenues (over 50%).
- Lack of global market penetration into regions like China.
- Rigid pricing strategy with no flexibility by only offering 3 standard plans.

2. Analysis

2.1 Business Model

Customer Value Proposition – Netflix is a subscription-based service offering quality on-demand video where the user can stream virtually on any device any time 24/7.

The proposition includes:

- Access to a large amount of content
- Ability to "binge-watch"
- Personal and customize experience
- Original and high-definition content
- Ability to create separate user profiles
- Ability to use the service on any device with internet access

Revenue Generator – Netflix offers three fixed-fees plans for subscriptions which vary by country: Basic, Standard, Premium (reference ↗).

	Basic	Standard	Premium
High Definition (HD)	—	✓	✓
Ultra High Definition (UHD)	—	—	✓
Number of screens	1	2	4
Number of Download devices	1	2	4
Monthly Price (CAD)	9.99	14.99	18.99

2.2 Generic Approach

Similar to Spotify's generic approach, Netflix' approach is Best Cost. The company fits with this generic approach by offering over 15,000 content titles in ultra HD (dependant on subscription tier) at a reasonable price (also dependant on country and region).

2.3 Financial Strength

Based on Appendix A ↓, Netflix's annual revenues from years 2015-2019 indicate growth on a yearly basis. The total revenues in 2015 stated at around $6.7 billion compared to 2019 which stated at about $20 billion. This change in revenue indicate a growth of more than 3 times in sales from 2015-2019 which indicates Netflix attracting more customers on a yearly basis. On the other hand, it appears that the cost revenues were increasing on a yearly basis as well as the revenue which were highly related to amortization of content assets. Therefore, operating profits indicate a growth on yearly basis resulting in an approximate annual gross profit of $2.1 B, $2.8 B, $4.0 B, $5.8 B, and $7.7 B from 2015-2019 respectively.

The total operating expenses 2015-2019 have increased, which was mostly related to marketing expenses, technology and development expenses, and least related to general and administrative expenses. As a result, the income statement represents an increase in net income during 2015-2019 from $122 billion to $1,866 billion. Increased in net income from 2015-2019 shows that Netflix has become more profitable by more than 15 times, indicating noticeable performance throughout the years.

Based on Appendix B ↓, the selected balance sheet data for Netflix indicate an increased in current and non-current assets during 2015-2019, as well as the cash and cash equivalents leading to an increase to total assets in 2015 from $10 billon to $33.9 billion in 2019. The increase in total assets indicate a growth of more than 3 times, from 2015-2019. The cash flow data represents a decline in the net cash flow provided in both operating and investing activities. However, the increase in net cash provided by financing from 2015-2019 activities dominates the decline in net cash flow provided by operating and investing activities.

Based on Appendix K ↓, Netflix stock price indicates a massive growth during the past five years from 12/09/2016 to 12/08/2021 which is the result of their financial performance. As of 12/09/2021, Netflix market cap is stated at $278 billion which shows a great strength.

2.4 Strategic Map

Refer to Appendix D ↓. When measured under library size/price ratio, Netflix is placed in the middle of the map. With the biggest number of subscribers, Netflix have over 15,000 titles in their library for $10 a month. Amazon Prime however offer more contents with over 18,000 titles, at similar price range as Netflix. Other rivals such as Disney+, Hulu and Apple TV+ have fewer content in their library, however the price range is often lower than Netflix at $5-8 monthly.

2.5 Market Research

i. Porter's 5 Forces

Refer to Appendix E ↓. The two strongest forces that can impact Netflix is Buyer Power and Industry Rivalry. Buyers have many options to choose from, and decide which service will provide more value. Some buyers altogether won't subscribe to any service for cost-saving factor. Rivals such as Amazon Prime and Disney+ offer more titles and exclusive content than Netflix, often at the same price or lower. Other factors such as substitute products and supplier can also indirectly impact Netflix's business.

ii. SWOT analysis

Refer to Appendix F ↓

- Strengths: Netflix have strong brand recognition thanks to its popularity from over 180 million subscribers worldwide. The company have seen steady growth in the past 10 years, with the most award for their original contents.
- Weaknesses: Due to copyright regulations, some of Netflix content from Disney and other companies are expiring. The company also relied heavily on North America users, where over 50% of their revenue come from.
- Opportunities: Netflix have not yet expanded to China, where most people streaming content on their devices (Thompson, 2021, p. 143). Most of Netflix subscribers are monthly users, converting users to annual plan will offer more value for users, and fewer unsubscribes for Netflix.
- Threats: Netflix have not yet invest into sustainability streaming, creates possible backlash for the company. Netflix original content can be found on various of pirated sites, results in loss of potential subscribers.

2.6 **Products**

Netflix offer their subscribers access to over 15,000 titles, including originals and acquired films, TV shows. Stream up to UHD quality depends on customer's plan. Users can streaming Netflix on many devices including smartphone, tablet, web browsers, smart TV, and more. The company recently added games and Spotify's curated playlists into their product category as features that enhance the Netflix experience.

2.7 **Managerial Competence**

With the ever-changing video streaming industry, CEO and Founder Reed Hastings have made strategic changes to adapt to industry trends. For example, Hastings redefined and transformed Netflix's business from mail-order DVD service (which surpassed Blockbuster) to its now on-demand video streaming service, as more people have access to high-speed internet and technology advances.

In addition, Hastings embedded a certain transformational leadership in order to motivate Netflix employees. This includes unlimited personal time, travel policy, eliminated formal reviews and market-based pay with compensation flexibility.

With Hasting's impactful leadership and strategic thinking, it is likely why Netflix has been as successful as they are now (reference ↗).

3. External Environment

3.1 Market Share

Refer to Appendix C ↓. In 2020, Netflix took the lead with 20% of total market share in the US, followed by Amazon Prime at 16%. Three other strong rival includes Hulu, HBO Max and Disney+ at 13, 12 and 11% marketshare, respectively. Apple TV+ and Peacock is rising at 5% while the rest of the industry falls below 4% includes ESPN+, Stars, YouTube TV, Sling TV and Birtbox.

3.2 Rival Strengths

Below includes the performance strengths by the following rivals:

Amazon Prime Video

- Refer to Appendix G ↓. Amazon is currently dominating the vast majority of states in the US. However, Netflix take the lead in states with higher population.
- In 2019 a report by Streaming observer, indicated that Amazon's Prime Video content library contained 17,461 original titles versus 3,839 for Netflix.

The Walt Disney Company (Disney +, Hulu, and ESPN+)

- Leading diversified international family entertainment and media enterprise in 2020.
- Disney made a move to purchase 100% control of Hulu (previously had 30%) and had about 25 million subscribers in the US in 2018. Hulu was already a streaming service

and this was done as a strategic move to strengthen its capabilities to enter the video streaming market.

- In first 3 months gained 50 million worldwide as of Apr 10, 2020 and the big surge was due to Disney's collaboration with Verizon. They got a free one-year subscription when signed up to Verizon subscribers. The company is expected to have 60-90 million Disney+ subscribers worldwide by 2024.

3.3 Rival Products

Below are video streaming products that are offered by the following rivals:

Amazon Prime Video

- Originally Amazon Prime membership was an additional fee to provide free quicker shipping then expanded to a streaming subscription.
- Pay per-view options as well
- Offer original content library (Amazon Studios)
- Ability to subscribe to over 100 premium channels
- Live stream Thursday Night Football fames globally to Prime Video members - attracted more than 18 million total viewers over 11 games in 2017.

The Walt Disney Company (Disney +, Hulu, and ESPN+)

- Bundling services that includes Hulu, ESPN +, Disney +
- All Disney content including original movies, Disney channel tv shows, Marvel Studios, Lucas Films
- National Geographic
- ABC Studios, Twentieth Century Fox, and Fox 21 - TV show production companies

- Hulu included video streaming and 60+ live TV and cable channels and options to add additional channels

4. Recommendations and Action Plan

4.1 Recommendations

Considering all factors including a comprehensive analysis, the team identified several key problems and root causes that Netflix is currently facing in 2020. Definitive yet feasible recommendations and an action plan are as follows for how Netflix is able to address the issues for the company's future growth into 2021.

Recommendation 1: Reduce Marketing Budget and Focus on Lower-Cost Marketing Initiatives

To assist in reducing the reliance on debt to fund current payment obligations (Spangler, 2019), we are recommending Netflix to look for operating expenses that can be cut but not at the expense of continuing to fund the development of in-house content. One of the areas we pinpointed that could be further reduced is in marketing expenses. With brand recognition that Netflix has as the first entrant in this market and one of the strongest players, we believe that reductions could be made in this area without significantly disrupting their business. Refer to the two charts in Appendix I ↓ that highlight Netflix's investment in in-house content development as well as their marketing costs 2017 to 2020.

Recommendation: Make moderate reductions to the marketing budget until revenues increase through new subscriptions and market share gain that can be used to both fund debt obligations and channel funds back into marketing. In addition, focus efforts primarily on lower-cost marketing initiatives.

Recommendation 2: Deepen Subscriber Base in US and European Markets

Focus on deepening the US market and the European market which should be easier to compete in, from Statista's Digital Market Outlook on Video-on-Demand, see Appendix J ↓

> "The total U.S. market is growing at a CAGR1 of 9.3% up to 2025 and will surpass US$50.6 billion by 2025" (Lindlahr, 2021)

> "Paid video subscription services such as Netflix or Amazon Prime Video are still gaining popularity, especially in the U.S. and Europe." (Lindlahr, 2021)

From the same report, regarding the European market, Statista projects "users are more likely to subscribe to various services simultaneously," (Lindlahr, 2021). As a result, Netflix may not have to compete for exclusivity but just be one of the top offerings that European consumers turn to for one of their many streaming subscriptions. This can be done effectively by continuing to deepen their geographically and linguistically-unique programming that caters to the tastes of the European market. It should be noted that "a new EU regulation proposing that at least 30% of content offered

come from European productions" (Lindlahr, 2021).

Recommendation: Netflix maintains and or grows investments in programming in multiple languages and that cater to regional tastes and focus on producing this content in Europe to meet the EU regulation.

Another suggestion to approach challenges in the European market is to see if we can reduce the hurdles when it comes to licensing agreements that force users to go to pay-per-view to access content that is unavailable on streaming networks.

> "European Video-on-Demand users have to fall back on Pay-per-View offers, as specific titles are not available on Video Streaming services due to territorial

> restrictions within corresponding license agreements. In this light, there is no need for Pay-per-View in the U.S. in the same way as in Europe." (Lindlahr, 2021)

Recommendation: By continuing to compete with the other large production houses to produce the highest quality, award-winning content in-house Netflix maintains control of licensing and can direct more European viewers to the Netflix platform and subscription service than to pay-per-view alternatives. Germany and the UK show the strongest demand in Europe and we recommend that Netflix continues to focus their efforts in these two countries as a priority. Germany in particular has a big demand for video-on-demand comedy (Lindlahr, 2021).

Recommendation 3: Take locally-focused content to a deeper level

There are smaller competitors in Asian markets that have built up quite a service offering that threatens Netflix's continued international market expansion. Specifically, Malaysia's iFlix which was recently acquired by Tencent has 17 million subscribers to their more locally-focused streaming service in 2019. By building a deeper, more hyper-locally focused Asian content, Netflix can keep a foothold and possibly grow market share in Asia. They currently have offices in the Philippines, Singapore and Taiwan.

Recommendation: Continue investment in these three offices and in productions for the Asian market to maintain and gain market share considering the expansion into China will be unlikely with existing, strict government regulation and control. Try to deepen partnership with iQiyi to build Netflix brand within China (Wikipedia, 2021) (Craft.co, n.d.).

4.2 Action Plan

An implementation schedule to address the above recommendations have been created.

Refer to Appendix H ↓

5. Netflix in 2021

- Q1: After 2020, the demand for streaming video have dropped as people are returning to ordinary. As a results, Netflix's new subscription numbers cooled dramatically after the record-breaking pandemic rush. Compared to last year's Q1, Netflix received 2 million fewer new subscribers than it has expected (reference ↗).
- Q2: Netflix reported revenue increased by 19% year-over-year to $7.3 billion. Operating income rose to 36% year-over-year to $1.8 billion. Q2 ended with over 209 million paid subscribers (reference ↗).
- Q3: Netflix reported revenue increased to $7.5 billion (just a bit over from Q2) with a reported 213.6 million subscribers beating forecast expectations (reference ↗).
- Q4:Netflix forecasts a "better than expected" new number in subscribers for Q4 with est. 8.5 million new paid users. Much of the estimated increase is likely due to content acquisitions like Netflix's hit Korean show "Squid Game.'' (reference ↗).

6. Conclusion

Since being founded in 1997, Netflix went from competing in the DVD rental service industry to transforming into their now successful on-demand video streaming business. Netflix broke into the industry by being the first company to create a "Blue Ocean" strategy which allowed them to grow into the market's #1 leader.

With Reed Hasting's impactful leadership and strategic pivots to combat market trends, Netflix has dominated the market throughout the years of 2013-2021 with a 2021 Q3 reported revenue earnings of $7.5 billion with 213.6 million subscribers.

Still, with huge potential growth in the on-demand video streaming industry comes with huge competition (Amazon Prime Video, Disney+) to win over market share. For Netflix to remain the dominating industry leader, the Shux team made several recommendations that addresses the company's significant problems and root causes.

- Recommendation 1 - Reduce marketing budget and focus on lower-cost marketing initiatives
- Recommendation 2 - Deepen subscriber base in US and European markets
- Recommendation 3 - Take locally-focused content to a deeper level

An action plan was also created to implement these recommendations should Netflix's Board of Directors decide to implement them.

Overall, Netflix has the potential to remain the industry leader by continually changing as market trends changes by addressing their operating expenses, expanding into global markets and deepen their user experiences.

Appendices

Appendix A: Netflix's Consolidated Statements of Operations, 2015-2019 (in millions, except per share data) (Thompson, 2021, p. 141).

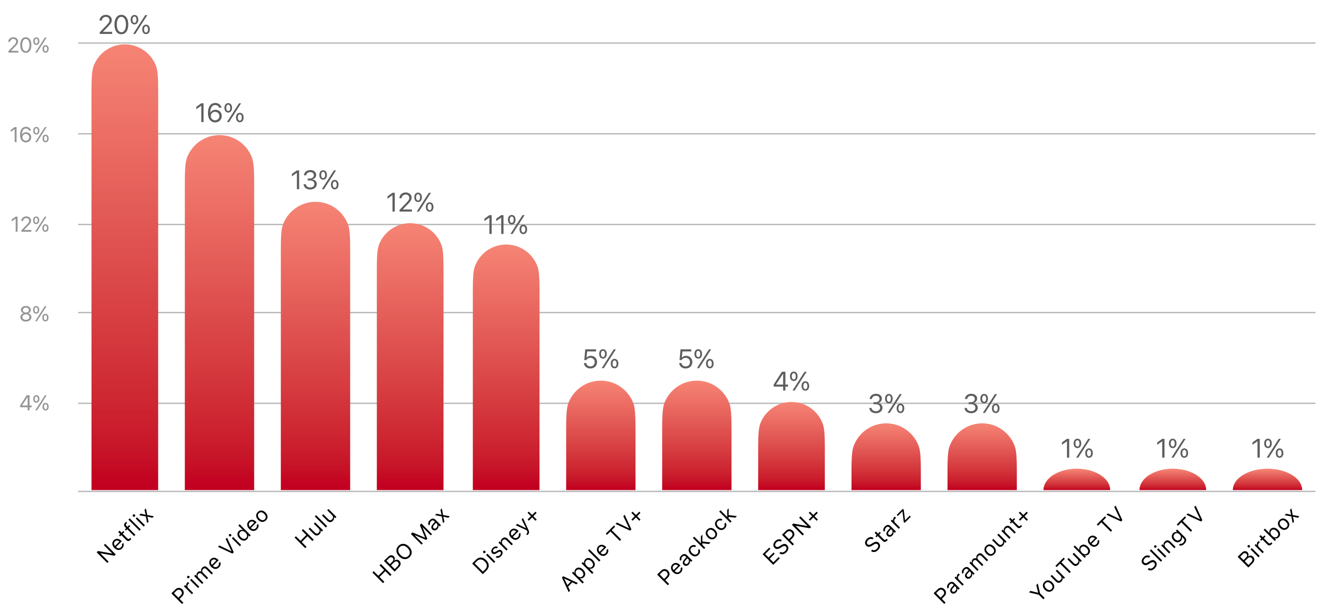
	2015	2016	2017	2018	2019
Revenues	$6,779.5	$8,830.7	$11,692.7	$15,794.3	$20,156.4
Cost of revenues (almost all of which relates to amortization of content assets)	4,591.5	6,257.5	7,659.7	9,967.5	12,440.2
Gross profit	2,188.0	2,800.8	4,033.0	5,826.8	7,716.2
Operating expenses					
Technology and development	650.8	780.2	1,052.8	1,221.8	1,545.1
Marketing	824.1	1,097.5	1,278.0	2,369.5	2,652.5
General and administrative	407.3	315.7	863.6	630.3	914.4
Total operating expenses	1,882.2	2,421.0	3,194.4	4,221.6	5,112.0
Operating income	305.8	379.8	838.7	1,605.2	2,604.3
Interest and other income (expense)	(163.9)	30.8	(591.5)	(378.80)	(542.0)
Income before income taxes	141.9	260.5	485.3	1,226.5	2,062.2
Provision for (benefit from) income taxes	19.2	73.8	(73.6)	15.2	195.3
Net income	$ 122.6	$ 186.7	$ 558.9	$ 1,211.2	1,866.9
Net income per share:					
Basic	$ 0.29	$ 0.44	$ 1.29	$ 2.78	$ 4.26
Diluted	0.28	0.43	1.25	2.68	4.13
Weighted average common shares outstanding (in millions)					
Basic	425.9	428.8	431.9	435.4	437.8
Diluted	436.5	438.7	446.8	451.2	451.8

Appendix B: Selected Balance Sheet and Cash Flow Data for Netflix, 2015-2019 (in millions) (Thompson, 2021, p. 141).

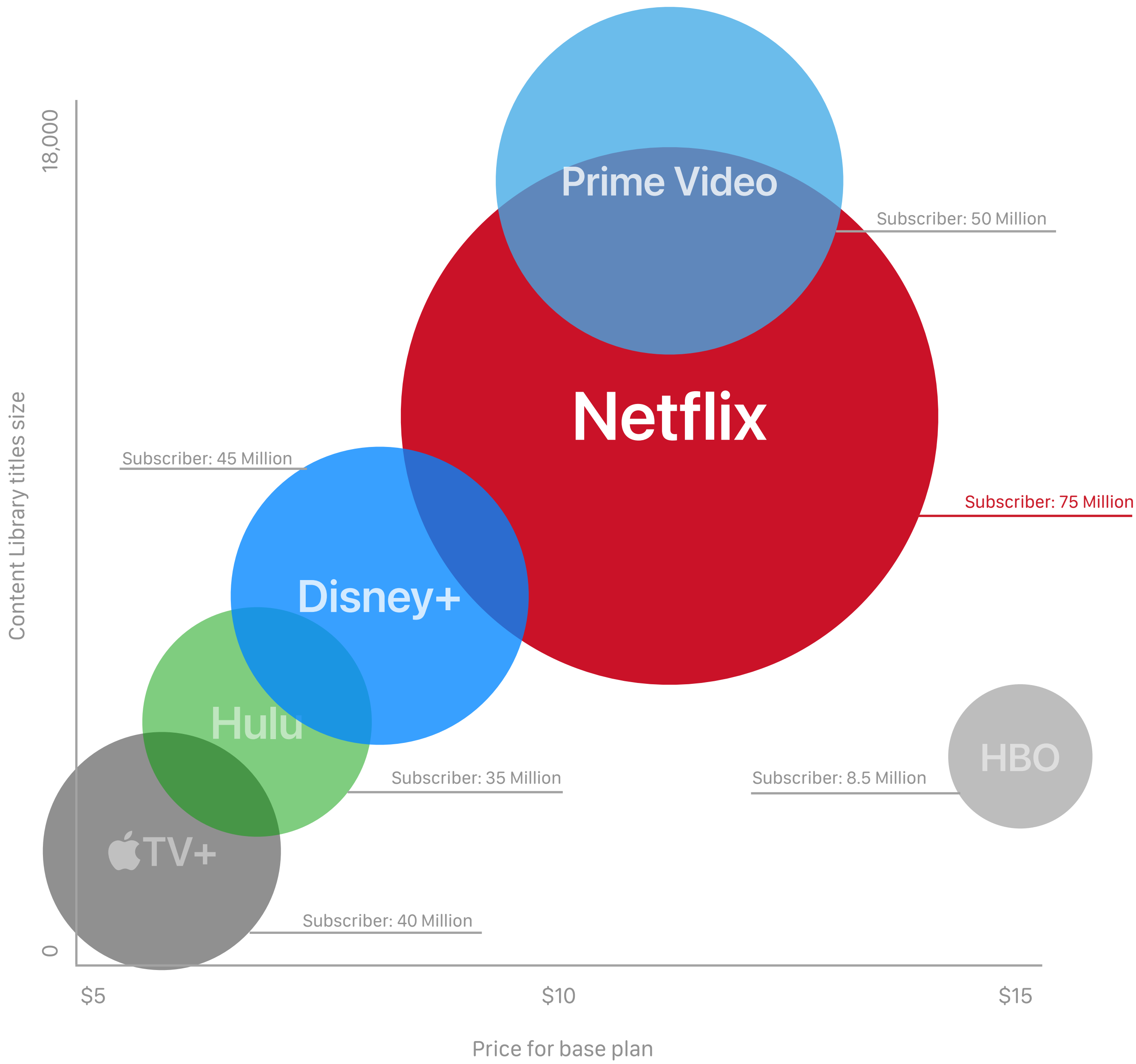
	2015	2016	2017	2018	2019
Selected Balance Sheet Data					
Cash and cash equivalents	$ 1,809.3	$1,467.6	$ 2,822.8	$ 3,794.5	$ 5,018.4
Current assets	5,431.8	5,720.3	7,670.0	9,694.1	6,178.5
Total current and non-current content assets	7,218.8	14,682.0	20,112.20	20,107.5	$24,504.5
Total assets	10,202.9	13,586.6	19,012.7	25,974.4	33,975.7
Current liabilities	3,529.6	4,586.7	5,466.3	6,487.3	6,855.7
Long-term debt*	2,371.4	3,364.3	6,499.4	10,360.1	14,759.3
Stockholders' equity	2,223.4	2,679.8	3,582.0	5,238.8	7,582.2
Cash Flow Data					
Net cash (used in) provided by operating activities	$ (749.4)	$(1,474.0)	$(1,785.9)	$(2,680.5)	$(2,887.3)
Net cash provided by (used in) investing activities	(179.2)	49.8	34.3	(339.1)	(387.1)
Net cash provided by (used in) financing activities	1,640.3	1,091.3	3,077.0	4,048.5	4,505.7

*All of Netflix's long-term dept consisted of senior unsecured notes that were issued at various points in time and had various maturity dates and various rate of interests.

Appendix C: Market shares of selected subscription video on-demand (SVOD) services in the US in 2020. (Stoll, 2021 ↗)



Appendix D: Netflix and its main rivals in the Video Streaming industry in the US, with Content Library Size and Price (Danley, 2020).



The Video Streaming industry of 2020 in the US

Appendix E: Netflix Porter's Five Forces.

Threat of New Entrants Low	• The Video streaming market is saturated with strong rivalries • There is a significant amount of capital required to have a large library of content, across many genres that will appeal to consumers.
Substitute Products High	• Other forms of streaming similar to Netflix such as movie theatre (better experience), YouTube videos (free, with ads), old-fashioned CDs and DVDs • Music, games, and other forms of entertainment
Supplier Power High	• Copyright laws make it difficult to gather more contents • Control timing and select licenses between various competitors
Buyer Power High	• Cost between Netflix and other streaming services is similar. • Customers have serval competitors to choose from. • Many users choose YouTube and other free-streaming services for cost-factor
Industry Rivalry Very high	• Competing with strong competitors such as Disney+, Apple TV+, Hulu, HBO, Prime Video, and many others. • Services such as Apple TV+, Disney+ offers subtitles and voice-over in more languages.

Appendix F: Netflix SWOT analysis.

Strengths

- Very strong brand recognition
- Price is very reasonable for all access to content
- Steady growth in the past 10 years
- Present in 190 countries
- Over 180 million subscribers, giving strong bargaining power over studio
- Top quality and original content winning nominations
- Adaptable to cater to different markets

Weaknesses

- Limited copyright with content rights expiring after some years
- Over-dependence on North American market (over 50% of revenue in North America)
- High cost due to global presence racking up debt each year
- Have not adopted sustainability energy
- Inability to customize pricing (rigid) and only offers 3 plan options

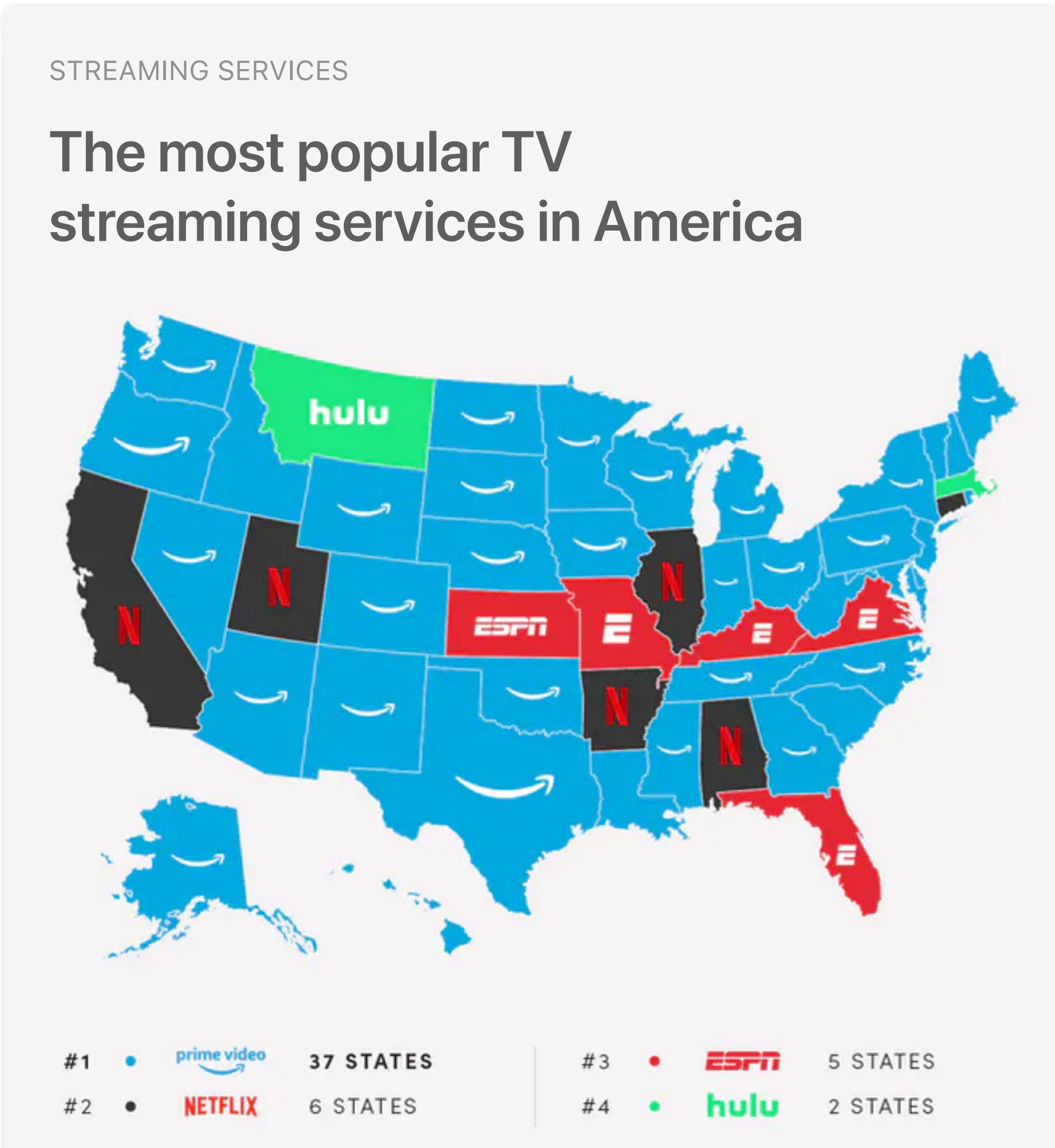
Opportunities

- Expansion into China through strategic partnerships
- Ad-based revenue
- Mobile-only option at a lower plan
- Regional content with local languages
- Original content branching into different product lines like video games or comic books
- Annual subscription with lower monthly prices

Threats

- Streaming service market growing therefore creating more competition
- Government regulations that disallow expansion into regions like China
- Ability to find illegal versions of content (piracy)
- Market saturation in North America due to over-dependence
- Netflix accounts being hacked
- Carbon emission with video streaming industry generating nearly 1% of global emissions

Appendix G: Streaming service in America in 2020, population state by state, source ↗



Appendix H: Under Armour’s action plan, problems, and recommendation.

<table>
<tr><th></th><th>Q1 2022</th><th>Q2 2022</th><th>Q3 2022</th><th>Q4 2022</th><th>2023</th><th>2024</th><th>2025</th></tr>
<tr><td rowspan="6">Recommendation #1: Reduce Marketing Budget and Focus on Lower-Cost Marketing Initiatives</td><td colspan="2">Review and evaluate operating expenses</td><td colspan="5"></td></tr>
<tr><td colspan="2"></td><td colspan="3">Make moderate reductions to the marketing budget</td><td colspan="2"></td></tr>
<tr><td colspan="4"></td><td colspan="3">See increase in revenue through new subscriptions and market share gain.</td></tr>
<tr><td colspan="5"></td><td colspan="2">Fund debt obligations</td></tr>
<tr><td colspan="4"></td><td colspan="3">Channel funds back into marketing</td></tr>
<tr><td colspan="2"></td><td colspan="3">Focus primarily on lower-cost marketing initiatives</td><td colspan="2"></td></tr>
<tr><td rowspan="3">Recommendation #2: Deepen subscriber base in US and European Markets</td><td colspan="3">Investigate growth in EU and USA & propose/determine budget</td><td colspan="4"></td></tr>
<tr><td colspan="3"></td><td colspan="4">Grow investment in multiple language content</td></tr>
<tr><td colspan="3"></td><td colspan="4">Focus on producing content in Europe (meeting EU regulation)</td></tr>
<tr><td rowspan="2">Recommendation #3:Taking locally-focused content to a deeper level</td><td colspan="3">Investigate growth locally and propose/determine budget</td><td colspan="4"></td></tr>
<tr><td colspan="7">Deepen partnership with IQiyi (build Netflix brand within China)</td></tr>
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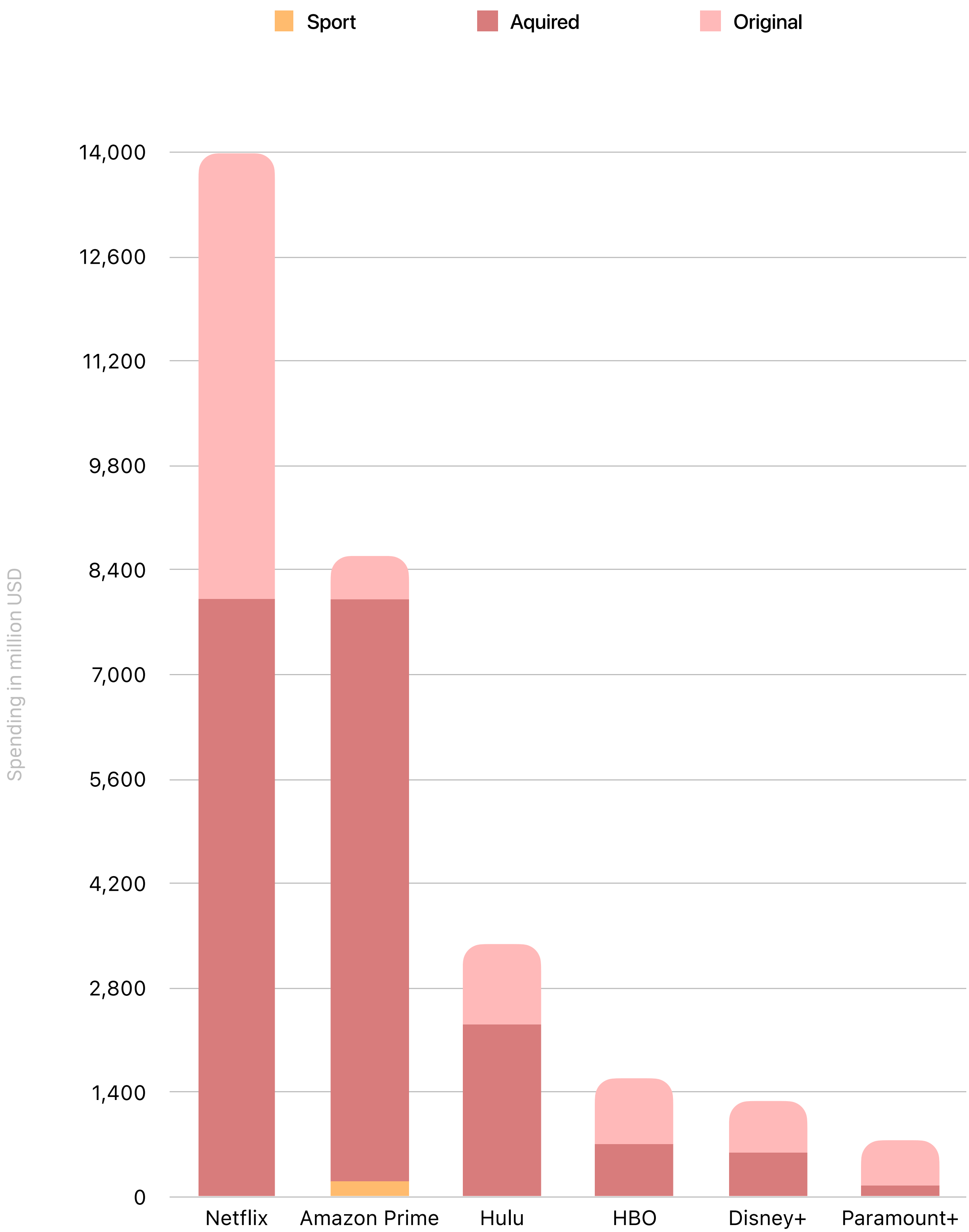
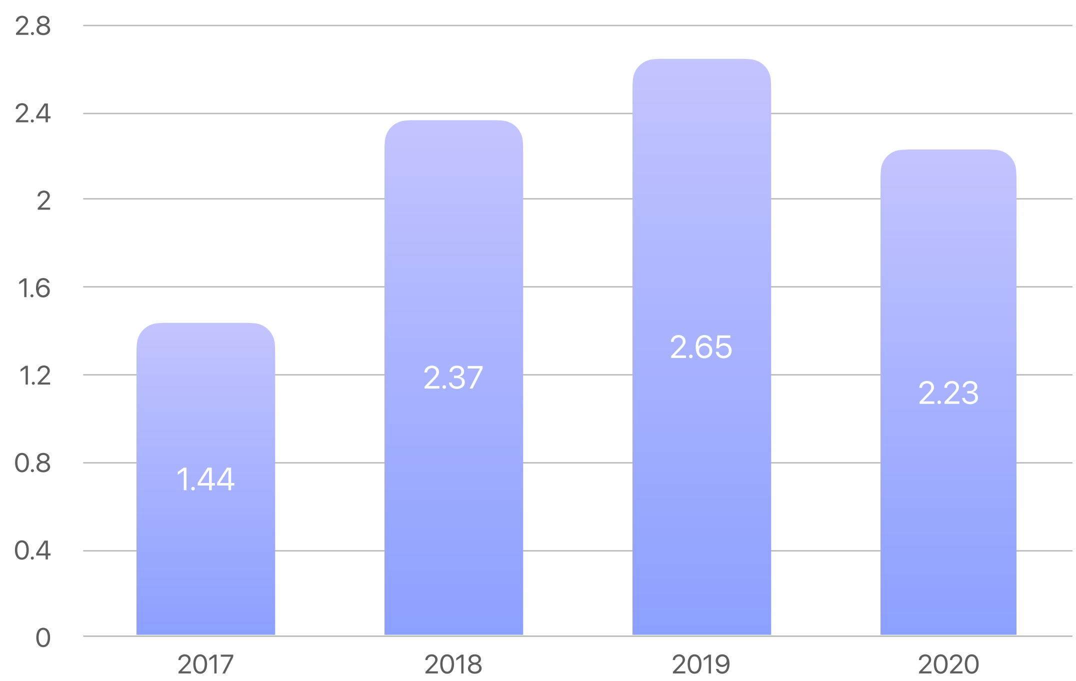
Appendix I: Programming expenditure of subscription video-on-demand (VSOD) services worldwide in 2021, by category, in million USD.



Appendix J: Netflix's marketing expenses worldwide from 2017 to 2020, in billion USD



Appendix K: Netflix's stock prices in the past five years (Google, 2021 ↗)

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