

# Netflix eyes empire as Internet TV battle heats up

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California-based Netflix said this week it wants to be in 200 markets in

the next two years, up from the current 50 as it accelerates its global expansion.

The stepped-up plans come amid an increasing shift to Internet-based on-demand television, with offerings from rivals such as Amazon, Time Warner's HBO and CBS, among others.

"The magic of [streaming](#) is on-demand, in control, being able to binge on episodes, watch a movie in the middle of the night," said Netflix chief executive Reed Hastings in a call with analysts.

"And that is a very universal truth, which is even stronger in developing markets where television is not as advanced as it might be."

Netflix announced it has boosted membership to more than 57 million users at the end of 2014, a gain of 13 million. Profits jumped to \$266 million for the year on \$5.5 billion in revenue.

Analysts welcomed the news from Netflix, both in terms of its financials and its faster expansion plans, and its stock price shot up 17 percent Wednesday.

"I'm generally pretty bullish on Netflix—I think they've created a fantastic value proposition that's clearly become the gold standard for online video services in the US, and they're now rapidly expanding that model to the rest of the world too," said Jan Dawson at Jackdaw Research.

Competition is growing meanwhile not merely in terms of service but original content for Netflix, which gained accolades for the "House of Cards" series and made a global splash with "Marco Polo."



Amazon has boosted its online video service with original programs, including the "Transparent" series which won a Golden Globe

### **Amazon challenge**

On Netflix's heels is Amazon, which has boosted its online [video service](#) with original programs, including the "Transparent" series which won a Golden Globe. Amazon also announced it would produce films for theatrical release that feed into the online pipeline, and tapped director Woody Allen for original television programs.

New entrants include HBO, which will offer its well-known programming directly online, and broadcast network CBS, which also is making content available directly, bypassing cable.

Dish Network's Sling TV will deliver a bundle of live TV channels over the Internet for televisions and other devices. Other streaming players

include Hulu, Apple and Roku, with Sony expected to enter the market as well.

Netflix now "faces a more competitive environment than at any point in its history," said Paul Verna, analyst at eMarketer.

"For a long time, Netflix enjoyed almost uncontested leadership in its core businesses—DVD rentals and later streaming—but now it competes for consumer dollars with the likes of Hulu, Amazon, Google, Apple, and even HBO and ESPN."

Still, eMarketer said that Internet-based television is gaining more ground. In the US, the research firm said, 153.4 million people will watch TV shows on digital devices at least once per month, or some 48 percent of the US population.

## **Streaming, not cord-cutting**

The market for streaming TV is red-hot, but so far has not dented the traditional cable and satellite providers, said Glenn Hower, research analyst at Parks Associates.

Hower said around half of US households with broadband also have a streaming service—most of them Netflix—but that the percentage of those with traditional pay TV has remained steady at 85 to 87 percent.

While many young adults are happy with online services such as Netflix, most households are using streaming to augment their viewing options, Hower said. One reason is that most streaming services lack options such as live sports and other fresh programming.

"It's really hard to get the same amount of content and the same experience through streaming that you get through a TV subscription,"

Hower told AFP.

Still, he said streaming is growing strong and Netflix is "the Goliath in the market" and is ahead of the competition in its global push.

"They were first in the market, they have more content than just about any streaming provider and it's still incredibly affordable," Hower said.

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