

Netflix is in a battle royale with Fortnite in the fight for your screen time

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Even though every other media company seems to be starting a streaming service, Netflix is facing an on-screen challenge from another corner: "Fortnite," that ultra-popular, multiplatform videogame, appears to be a formidable foe.

"We compete with (and lose to) Fortnite more than HBO," Netflix said in a letter to shareholders Thursday as the company reported its quarterly earnings. "There are thousands of competitors in this highly fragmented market vying to entertain consumers."

On the heels of a celebratory third quarter, Netflix's latest earnings report was met with mixed reviews.

Though the streaming giant's subscription growth beat analyst expectations—Netflix reported 8.8 million new additions compared to the 7.5 million new subscribers that analysts projected—the video streaming company's shares fell about 3 percent in after-hours trading.

Netflix's global paid [subscriber](#) additions also topped its own forecast of 7.6 million.

"The fact that investors reacted negatively to what amounted to a strong performance indicates the extent to which Netflix has set a high bar," said eMarketer media analyst Paul Verna. "The bottom line is that Netflix remains the uncontested leader in the subscription video space."

Thursday's announcement comes just two days after the [streaming media](#) titan flexed its pricing power, phasing in a U.S. subscription price hike over the next three months for existing subscribers. The new prices will become effective immediately for new subscribers.

The company reported a total of 393.3 million members worldwide.

During the same October-December period last year, Netflix added 6.6 million paying subscribers and 8.3 million total subscribers.

The company is projecting it will add 8.9 million new paid customers during the first quarter, which is lower than analysts projected. Netflix expects earnings per share of 56 cents with revenue of \$4.49 billion, compared with analyst estimates of 83 cents and \$4.61 billion in revenue.

Netflix announces only guidance on paid membership subscriptions, rather than the total number of memberships which includes people who may be using a free trial. It said in October that it will stop including end-of-quarter free trial subscriber numbers in its reports.

The world's largest paid online TV network is raising prices by 13 percent to 18 percent, which is the 12-year-old company's biggest price hike ever. Its most popular monthly service plan will rise to \$12.99 from \$10.99. The cheapest plan will increase to \$8.99 from \$7.99, and the premium plan will rise to \$15.99 from \$13.99.

The price increase could have an effect on adding new U.S. subscribers going forward, according to Wedbush Securities analyst Michael Pachter.

"We do not expect significant churn given the utility provided by the service to existing subscribers, but attracting new subscribers will likely

be more challenging because of the higher prices," Pachter said.

"We change pricing from time to time as we continue investing in great entertainment and improving the overall Netflix experience for the benefit of our members," a Netflix spokesperson said in a statement to USA TODAY.

As the streaming giant pushes to rely on its TV and film studios to make more of its own content, rather than licensing content, viewers can expect to see new seasons of hit shows like Making a Murderer, House of Cards, The Crown, and Stranger Things.

Some of the streamer's major investments in talent and programming will hit screens small and big in 2019, including series The Umbrella Academy, and Martin Scorsese's crime drama, The Irishman.

The earnings report comes amid growing competition in the streaming space in 2019. AT&T, now the owners of Time Warner's vast content library (including HBO), plans to launch a streaming offering later this year. As does Disney, which is in the process of acquiring 21st Century Fox's movie and TV studios.

In the company's earnings interview, Netflix made a surprising move, revealing some of its viewership data.

In the wildly popular interactive movie Black Mirror: Bandersnatch, the first choice in the story was a breakfast cereal: Frosties or Sugar Puffs? Netflix revealed that 73 percent of people chose Frosties.

Netflix's Chief Product Officer Greg Peters said that viewers can expect to see more interactive entertainment in the future.

"There have been a few false starts on interactive storytelling in the last

couple (of) decades. This one has storytellers salivating about the possibilities," said Netflix's Chief Content Officer Ted Sarandos. "We've got a hunch that it works across all kinds of storytelling. Some of the greatest storytellers in the world are excited to dig into it."

Netflix also said that 80 million member households have watched its thriller starring the actress Sandra Bullock, *Bird Box*, in its first four weeks.

Overall, Netflix said it serves about 100 million hours of video per day, earning an estimated 10 percent of all time spent in front of the TV in the U.S.

"One thing this quarter that's been incredibly exciting is when you see a big number like *Bird Box* and *You*," Sarandos said during Netflix's earnings interview. "These shows are playing incredibly globally. So it's an interesting thing when you can tap into the global zeitgeist with something, which gets me very excited about the potential scale of the content business when the world is excited about something."

The Los Gatos, California-based company reported earnings of 30 cents a share, beating analyst estimates of 24 cents a share.

Netflix reported net income of \$133.9 million, or 30 cents a share, on sales of \$4.19 billion.

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