



A STUDY ON FACTORS AFFECTING SUBSCRIPTION RATES OF NETFLIX IN INDIA: AN EMPIRICAL APPROACH

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ABSTRACT

Netflix entered India and 129 more countries on January 6th, 2016, with the target to increase its customer base. Through this project we want to understand the reasons behind the low subscription rate and to recommend ways to ensure better growth. Through the literature survey, we have identified various factors affecting low subscription rates of Netflix in India. After we have identified the factors necessary to take into consideration, we have developed a problem statement. We developed a research design which is applied and exploratory in principle.

The demographic consumer research has showed us many qualitative factors which could possibly affect the subscription rates. We also developed a quantitative model through which we took 11 independent variables, performed factor analysis and formed 4 factors on which we did multiple regression to identify the explanatory power of factors on subscription rates. We have presented with the managerial implications for our project which have identified pricing, lack of regional content, payment options available as the major factors contributing to low subscription rates of Netflix rates in India.

Keywords: *Netflix, subscription rate, Indian context*

I. INTRODUCTION

Online Streaming is becoming more and more popular every day. It makes access to digital content, whether it be videos or audio, much faster and easier. While streaming content, the user is not required to download that content but can watch it online. What the user requires is a good Internet Connection and a good service provider. This is where Netflix comes in. Netflix is among various service providers that provide access to unlimited content for a fixed monthly fee.

Netflix is an American Entertainment company which was established in 1997, in California by Reed Hastings and Marc Randolph. Its core business was to rent out DVD's by mail. Its primary focus shifted to video on demand via the internet in 2007. Even though DVD sales dropped drastically, Netflix started growing exponentially.

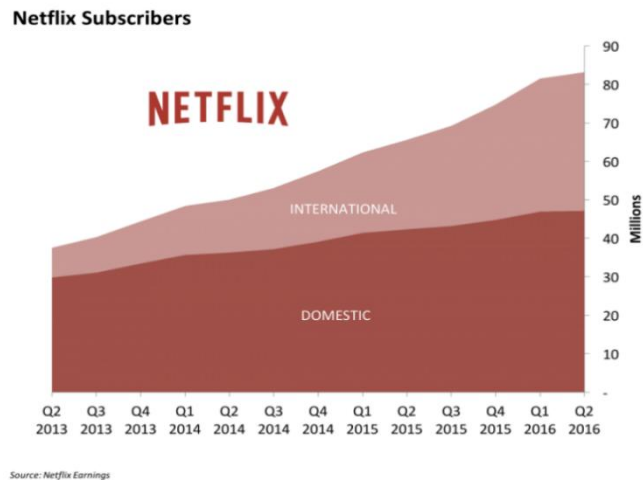
Netflix is one of the most successful dotcom ventures. The company first expanded into Canada in 2010, then to Latin America in 2011 and to parts of Europe, including United Kingdom, Ireland, Sweden, etc. in 2012. Finally, in 2016 it entered India in the month of January. Netflix is not available virtually in the entire world outside of Mainland China, Syria, North Korea and Crimea. Netflix supports 18 languages for user interface and customer related support purposes. In the first quarter of 2012, Netflix had close to 29.4 million subscribers. This number has only been growing. As of the third quarter of 2016, Netflix has 86.74 million subscribers. What makes Netflix stand out amongst its competitors is its original content. Netflix originals refers to the content that is produced, co-produced, or exclusively distributed by Netflix. Its original content include shows such as House of Cards, Orange is the New Black, Jessica Jones, etc.

Netflix was launched in India on January 6th, 2016. Initially, it saw a lot of excitement from the people. Many people signed up to try this much awaited service. But as the months passed or as and when the free trial ended, people unsubscribed from the service. The monthly fee starts at ₹500 and goes up to ₹800 with a four-screen login option. The subscription rate is well below their expectation.

Through this study we aim to understand the various factors that are affecting the low subscription rate of Netflix, in India.

1.1 Netflix In India Vs U.S.A.

Netflix has been successful with the subscription based entertainment model in the western world. Netflix is the undisputed king of entertainment in the US with 47 Million customers. The following graph shows the growth and distribution of US and international customers in the recent years:



About 40% of the US households are using Netflix. Netflix was one of the first movers into the online streaming industry.

1.2 Late entry of Netflix

When Netflix entered India in January 2016, there were services such as: Hotstar, Ditto TV, Voot etc. All of them operate at a freemium model.

Hotstar, which owned by Star India, was(is) the current leader in the market. It has TV content from only the Star channels. Most of it is offered for free. Star India also owns the rights of Cricket broadcasting in India. Cricket is the most watched sport in India and is offered on Hotstar for free (with 5 minutes delay though). The premium services cost ₹200/month. The premium services include live sports streaming, access to latest selected movies and shows and access to about 45 shows of HBO originals. Popular shows such as Game of thrones, Modern Family etc. to talk shows such as Last Week Tonight are available to premium subscribers. To add to what is on offer, Hotstar offers shows in 10 languages.

Voot, owned by Viacom 18, streams popular reality shows such as Big Boss and TV shows of the popular Colours brand of channels. It also allows streaming of selected movies for free.

Compared to Hotstar, Ditto TV and Voot are offering almost all TV shows and movies for free.

1.3 Pricing issues

In the US, average lunch costs are \$10 and Netflix charges \$7.99/month. In India, Netflix launched at ₹500/month, which is almost the same as that of US prices. Per capita income in the US is 17 times that of India. Indian per capita Income is as low as ₹1 lakh even in Urban areas. Average Pay-TV options are start at ₹100/month. Penetration of Smart TV sets is very low in India. On top of that, Hotstar charges ₹200/month for latest movies and most watched TV content along with 45 HBO originals shows including “Game of Thrones”.

Content localisation

Netflix content is primarily TV and movies in English from the USA or UK.

Huffington post mentioned in their article on Netflix in India that,

“Netflix has only 3% of the top 100 Bollywood movies while Spuul and Hooq come in at 25.3% and 21.2%. No prizes for guessing which one Bollywood aficionados will make a beeline for.”

At the time of launch, only 93% of the titles on Netflix US were not available in India. Other competitors focus mainly on regional/national content and also have popular English content.

1.4 Free quality content available

Indian entertainment networks have readily moved to YouTube’s advertisement based model. The popularity and quality of home grown web series has grown immensely. Some of the web series such as “Permanent Roommates”, “Pitchers” are among the most viewed TV content online. This content is currently offered free of cost on YouTube.

1.5 Internet Bandwidth issues

Only 34.2% population of India is currently using Internet currently.

Internet streaming leads to heavy data usage and requires high data speeds to stream shows satisfactorily.

India ranks 114th in the world in terms of Internet speeds. India’s speeds increased this year when minimum internet speeds were increased to 1 Mbps by the Government. Out of total 450 million users, 370 million are only mobile internet users. Mobile internet packs are limited and India has very few Free-Wi-Fi zones. Voot launched with Data saving mode which enables users watch video over slower networks such as 2G.

Paying for internet and Netflix separately makes it quite expensive for Indian customers.



II. GAP IDENTIFIED

Not much time has been spent from when Netflix was launched in India alongside 130 countries on January 6, 2016. As a result, not much research or articles on the factors affecting the subscription of Netflix is available for reference. Although, looking at the low subscription of Netflix over the past 11 months, articles in the form of criticisms, and also pondering over the future of Netflix in India and South Asia have been written in many newspapers like the The Wall Street Journal, The Indian Express, Inside IIM, etc. The authors have majorly focussed on the future strategies that the Netflix or any other Online content Service, let say, Amazon Prime Video should opt within India for being successful. Also, the articles studied have been published in silos taking author's views also into the consideration which may have a bias in the study.

This research aims at identifying this gaps to know the overall factors which have contributed to the low subscription rates on Netflix in India. This study will help us explore the reasons behind which a big giant like Netflix, which has enjoyed lot of success in the West like US. We will put all factors identified in silos from the literature survey (e.g. Pricing) and put them together to identify the major factors which have contributed to the cause. Also, it will also help the Netflix to focus upon the important factors which are required to succeed in a country like India where people are very much concerned about the money they spend on such things especially when the content is available online for free. Also, the demographic dividend of India is large which also gives tough times to the online content providers like Hotstar, Amazon Prime Video, Netflix, etc.

III. OBJECTIVE OF RESEARCH

Netflix, after its launch in India on January 6, 2016 was a craze amongst the people but after the pricing launch and the non-availability of Bollywood Films on the app, people did not subscribe to the service. In the words of Reed Hastings, Netflix is aimed towards the iPhone owners of India, the elitists with a western mind-set. Netflix takes its content based decisions by sitting in Los Angeles. It makes content which could be viewed in all 190 countries which it operates. They try to not get involved in Regional content which would cost them highly. The internet speeds in South Asia especially India are not very encouraging in terms of online live video streaming in Ultra HD quality. Similarly, there have been many such factors which have contributed to the subscription rates in India. This research is aimed at analysing the reason for low subscription rates on Netflix in India.

IV. HYPOTHESES PROPOSED

The Hypotheses proposed for the research are:

H1 – Indian consumers are more inclined to watch free content online rather than pay a fee for the same.

H2 – Low Subscription of Netflix is due to the non-availability of regional and local TV shows and movies.

H3 – Bandwidth infrastructure increase will have a positive effect on the subscription.

H4 – Low subscription of Netflix is directly related to the level of awareness among consumers in India in Tier 1 and Tier 2 cities.

H5 – The low subscription of Netflix is due to the non-availability of payment options such as Net Banking, Debit Card etc.

V. METHODOLOGY ADOPTED

In order to gain insights from the problem statement, it is important that a strong research methodology be conducted. First and foremost, the nature of research needs to be identified. Since the focus is only on Netflix and its low subscription, the type of research is Applied Research. We are trying to find the reasons for low rate of subscription in India through Exploratory Research. We have used both primary and secondary data for the purpose of this study. Secondary data has been obtained from various business articles and reports available on the internet. Primary data, both is the form of qualitative and quantitative data has been obtained through focussed group discussions [Refer to Exhibit 1.1] and extensive online survey [Refer to Exhibit 1.2].

The hypothesis formed earlier needs to be tested. This can be done using the data collected through the questionnaire. The questionnaire we prepared was floated to customers we knew, both in SPJIMR and outside. The survey was designed keeping the following issues in mind:

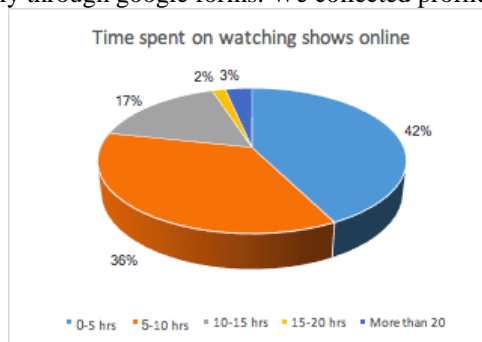
- **Ambiguity** – The questions were framed keeping in mind the problem of ambiguity. This included having well defined options. Also, we rolled out a pilot survey and it helped us refine the language of the questions further.
- **Completion time** – At the onset, we informed our respondents of the expected time it would take for them to fill our survey. We realised that a long survey is exhausting and puts off the respondents and hence the quality of answers suffer. Hence, we tried to make the survey as exhaustive and short as possible.

- **Duplication of Questions** – We avoided asking the same question multiple times. This reduced cases of redundancy and ensured that our respondents were not irritated while filling the survey.
- **Right scale** – We used a 7 point Likert scale for our survey. We wanted to ensure truthful answers and didn't want to force the respondents to take an either-or stand. They were free to take a neutral stand if they so wanted.
- **Order of the questions** – We began the survey with basic profile questions so as to slowly ease the respondent into the more important questions. Also, we divided the survey into various sections, for users, non-users, etc. so that only the relevant questions were displayed to any particular respondent. Also, the questions should follow a logical flow. We tried to make sure that the earlier question linked to the next one.

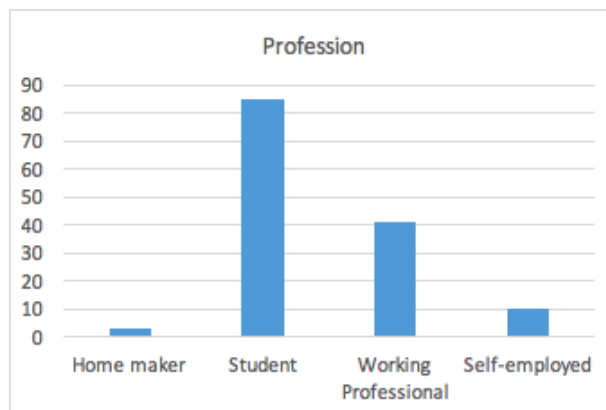
VI. QUALITATIVE ANALYSIS

Consumer Research

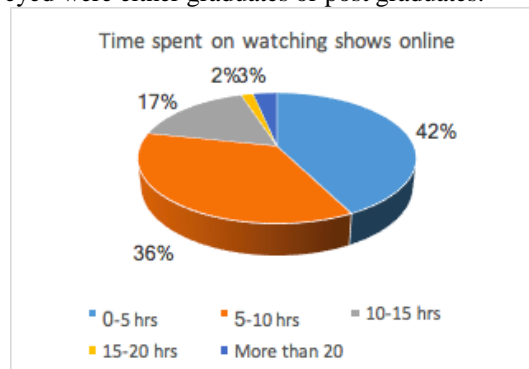
We surveyed 139 people primarily through google forms. We collected profiles of the surveyed people.



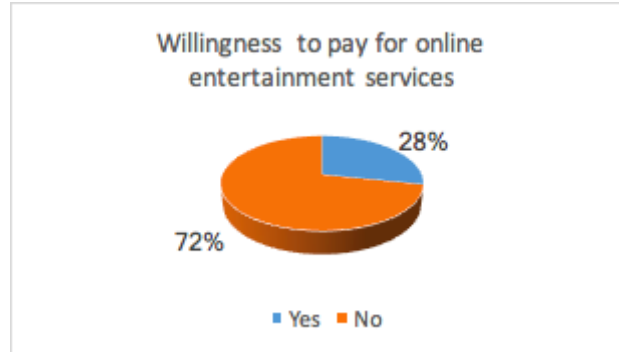
- Most of the people surveyed were in the age group of 20-30. About 68% people were in the age group of 20-25.
- A major section (61%) were college students and 30% (41) were working professionals earning more than 2.5 lakhs per year.



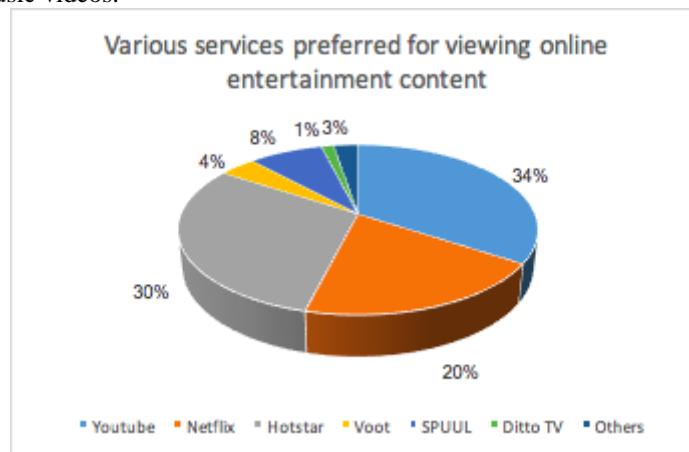
- The working professionals comprised of people from major Indian cities such as Bhopal, Kolkata, Jaipur, Bangalore, Chennai etc. Overall, most of the responses (67) were from Mumbai.
- Almost all the people surveyed were either graduates or post graduates.



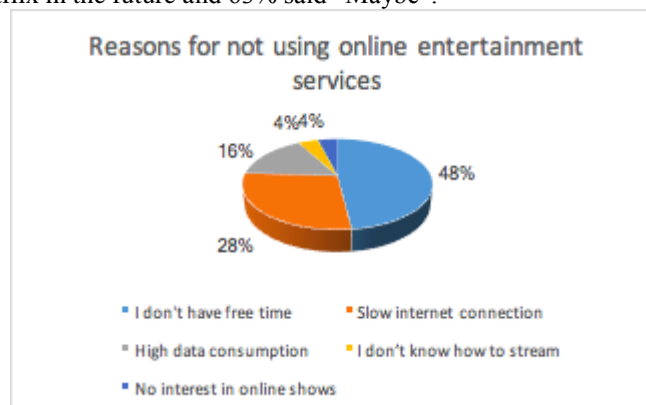
- A major section of people (51%) spend between 0 and 5 hours per week on watching shows online. Another 41% spend between 5 to 10 hours per week watching shows online.
- C. 61% people have a free time of 1-2 hours per day. Among working professionals, c. 41% of the people had more than 3 hours of free time.



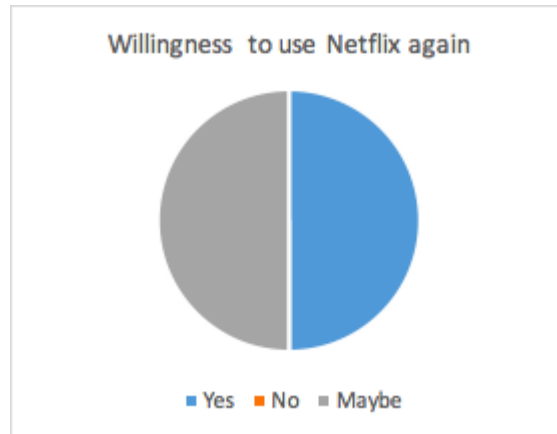
- About **97 people (i.e. c. 70%) use Youtube or/and hotstar** for online entertainment. Only c. 25% people were found to use Netflix.
- Almost everyone was found to use the online services for TV Shows, movies and other entertainment content such as music videos.



- Only about 28% were willing to pay for online entertainment services. Out of 70 responses, 29% were willing to try out Netflix in the future and 63% said “Maybe”.

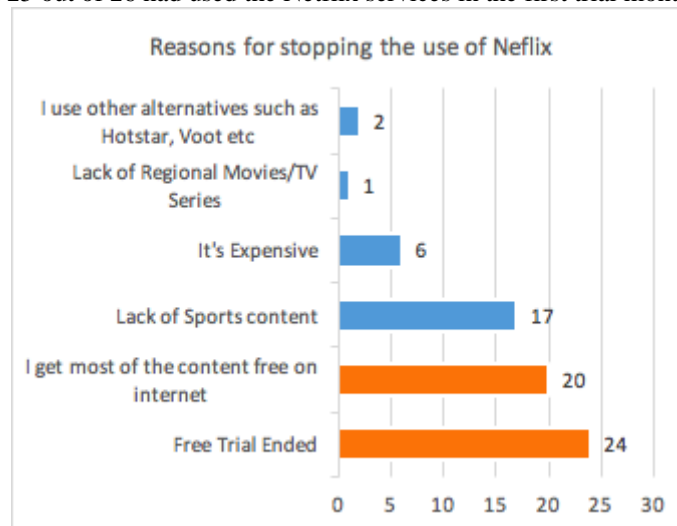


- About half the people are willing to pay upto Rs 400 for the services.
- **Slow internet connection and lack of free time** emerged as major reasons for not using online entertainment services.

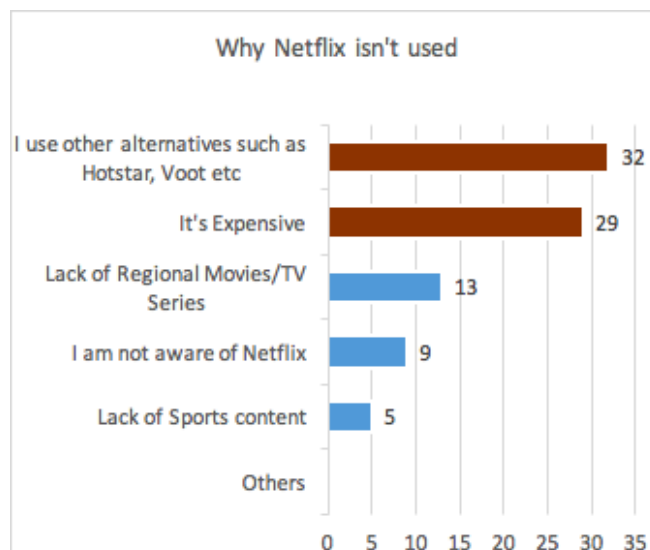


Previous users:

1. There were about **26 users who used the Netflix services earlier** and have discontinued using them.
2. It was found that 25 out of 26 had used the Netflix services in the first trial month.

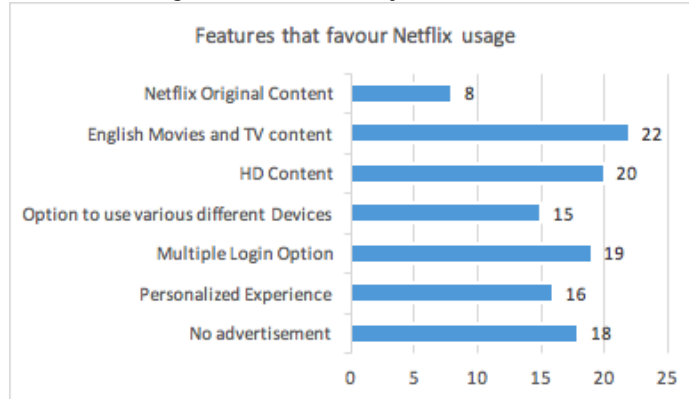


3. However, **50% of the Netflix's past consumers were willing** to use Netflix again in the future. Other 50% were not very clear about it now.
4. When enquired about reasons for stopping the usage of Netflix, availability of free content on internet and end of trial period combined with feeling that the service is expensive seemed to be the dominant reasons.



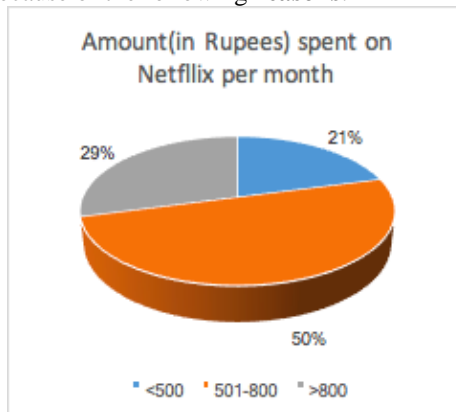
Non-users:

- Availability of alternatives and expensiveness of Netflix subscription were the major reasons for not using Netflix.
- Lack of regional content also emerged as one of the major reasons.



Understanding the current users:

- Only 14% of the people use Netflix currently.
- Most of the current users spend within 0-2 hours everyday on Netflix.
- They prefer using **Computer or smartphone** for viewing Netflix
- Current users prefer Netflix because of the following reasons:



- English movies and TV content
- HD content
- No advertising
- Personalized content
- It was found that people using Netflix are generally people earning more than Rs 10 lakhs per year.

VII. QUANTITATIVE ANALYSIS

Factor Analysis

Variable Name	Variable Description
sno	Serial number
experience	Experiencce of people on Netflix
price	Price
ease	Ease of availibilty at netflix
content	Content
quality	Video Quality
variety	Variety of content
transacEase	Ease of transaction
safety	Safety of Transaction
speed	Speed of Transaction
userFriendly	User Friendly interface
optionsAvail	options available for fro payment



To understand the subscription rate, we took 11 ordinal variables and checked the dependency amongst them so that we can group them and thus can reduce the number of variables affecting the subscription rate.

Initial check list for the Factor analysis are:

- ✓ The variables included must be metric level or dichotomous (dummy-coded) nominal level- All the variables taken satisfied this condition
- ✓ The sample size must be greater than 50 (preferably 100)-We have a sample size of total 152 out of which we took 63 samples for this test
- ✓ The ratio of cases to variables must be 5 to 1 or larger- The no of variables is 10 and thus the ratio is 6.3
- ✓ The correlation matrix for the variables must contain 2 or more correlations of 0.30 or greater
- ✓ Variables with measures of sampling adequacy less than 0.50 must be removed- We removed video quality factor after the first run as it has sampling adequacy less than 0.5
- ✓ The overall measure of sampling adequacy is 0.50 or higher
- ✓ The Bartlett test of sphericity is statistically significant- the test was strongly significant with a value of 0.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.629
Bartlett's Test of Sphericity	438.562
df	55
Sig.	.000

The test was highly significant with the adequacy of 0.629

Anti-image Matrices

	experience	price	ease	content	variety	transacEase	safety	speed	userFriendly	optionsAvail	quality	
Anti-image Covariance	experience	.556	-.027	.020	-.017	-.162	.070	-.010	-.054	.021	.027	.068
	price	-.027	.109	.033	-.097	-.001	.074	-.055	-.017	.035	-.002	.031
	ease	.020	.033	.368	-.048	-.114	-.052	-.062	-.103	.104	-.279	.163
	content	-.017	-.097	-.048	.105	-.004	-.066	.052	.030	-.045	.020	-.046
	variety	-.162	-.001	-.114	-.004	.426	.110	.028	.040	-.082	.006	-.218
	transacEase	.070	.074	-.052	-.066	.110	.476	-.102	-.010	-.035	.036	-.061
	safety	-.010	-.055	-.062	.052	.028	-.102	.266	-.041	-.062	.017	-.141
	speed	-.054	-.017	-.103	.030	.040	-.010	-.041	.181	-.125	.095	-.046
	userFriendly	.021	.035	.104	-.045	-.082	-.035	-.062	-.125	.175	-.092	.080
	optionsAvail	.027	-.002	-.279	.020	.006	.036	.017	.095	-.092	.499	-.066
	quality	.068	.031	.163	-.046	-.218	-.061	-.141	-.046	.080	-.066	.471
Anti-image Correlation	experience	.837 ^a	-.109	.044	-.069	-.333	.136	-.026	-.169	.066	.051	.134
	price	-.109	.549 ^a	.164	-.910	-.007	.326	-.326	-.120	.257	-.010	.135
	ease	.044	.164	.453 ^a	-.245	-.288	-.125	-.199	-.401	.409	-.651	.391
	content	-.069	-.910	-.245	.545 ^a	-.019	-.297	.311	.218	-.330	.087	-.205
	variety	-.333	-.007	-.288	-.019	.697 ^a	.243	.085	.145	-.299	.012	-.486
	transacEase	.136	.326	-.125	-.297	.243	.725 ^a	-.286	-.033	-.121	.073	-.128
	safety	-.026	-.326	-.199	.311	.085	-.286	.772 ^a	-.187	-.289	.046	-.397
	speed	-.169	-.120	-.401	.218	.145	-.033	-.187	.689 ^a	-.704	.317	-.158
	userFriendly	.066	.257	.409	-.330	-.299	-.121	-.289	-.704	.634 ^a	-.313	.281
	optionsAvail	.051	-.010	-.651	.087	.012	.073	.046	.317	-.313	.456 ^a	-.135
	quality	.134	.135	.391	-.205	-.486	-.128	-.397	-.158	.281	-.135	.576 ^a

a. Measures of Sampling Adequacy(MSA)

Here we first checked individual MSAs and then checked the communalities matrix and checked if everything is greater than 0.5

Communalities

	Initial	Extraction
experience	1.000	.583
price	1.000	.824
ease	1.000	.826
content	1.000	.797
variety	1.000	.582
transacEase	1.000	.619
safety	1.000	.811
speed	1.000	.803
userFriendly	1.000	.791
optionsAvail	1.000	.804
quality	1.000	.486

After this we removed the video quality variable as it had communality as 0.486 which is less than 0.5
Then the new communalities were:

Anti-image Matrices

		experience	price	ease	content	variety	transacEase	safety	speed	userFriendly	optionsAvail
Anti-image Covariance	experience	.566	-.032	-.005	-.011	-.174	.082	.012	-.049	.010	.038
	price	-.032	.111	.027	-.100	.017	.081	-.056	-.014	.033	.002
	ease	-.005	.027	.435	-.040	-.060	-.038	-.019	-.106	.097	-.308
	content	-.011	-.100	-.040	.110	-.034	-.077	.048	.027	-.042	.014
	variety	-.174	.017	-.060	-.034	.558	.109	-.057	.025	-.063	-.033
	transacEase	.082	.081	-.038	-.077	.109	.484	-.145	-.016	-.027	.028
	safety	.012	-.056	-.019	.048	-.057	-.145	.316	-.067	-.049	-.004
	speed	-.049	-.014	-.106	.027	.025	-.016	-.067	.185	-.130	.093
	userFriendly	.010	.033	.097	-.042	-.063	-.027	-.049	-.130	.190	-.090
	optionsAvail	.038	.002	-.308	.014	-.033	.028	-.004	.093	-.090	.509
Anti-image Correlation	experience	.856 ^a	-.129	-.009	-.043	-.310	.156	.029	-.151	.030	.071
	price	-.129	.548 ^a	.122	-.909	.068	.349	-.299	-.100	.231	.008
	ease	-.009	.122	.553 ^a	-.184	-.121	-.082	-.052	-.373	.338	-.656
	content	-.043	-.909	-.184	.552 ^a	-.139	-.332	.255	.192	-.290	.061
	variety	-.310	.068	-.121	-.139	.824 ^a	.209	-.136	.079	-.194	-.062
	transacEase	.156	.349	-.082	-.332	.209	.684 ^a	-.370	-.054	-.089	.057
	safety	.029	-.299	-.052	.255	-.136	-.370	.807 ^a	-.276	-.202	-.009
	speed	-.151	-.100	-.373	.192	.079	-.054	-.276	.689 ^a	-.696	.302
	userFriendly	.030	.231	.338	-.290	-.194	-.089	-.202	-.696	.684 ^a	-.289
	optionsAvail	.071	.008	-.656	.061	-.062	.057	-.009	.302	-.289	.470 ^a

a. Measures of Sampling Adequacy(MSA)

We looked at all the individual MSA values and made sure that all of them are greater than 0.5

Now since all the commonalities are greater than 0.5 we move ahead and analyze the data for these 10 variables

Now we don't see any problematic variable and we can move ahead with our analysis to see if we can club any of the variables so that it removes redundancy and it becomes easier to analyze the data.

Communalities

	Initial	Extraction
experience	1.000	.606
price	1.000	.838
ease	1.000	.798
content	1.000	.806
variety	1.000	.562
transacEase	1.000	.624
safety	1.000	.797
speed	1.000	.846
userFriendly	1.000	.835
optionsAvail	1.000	.847

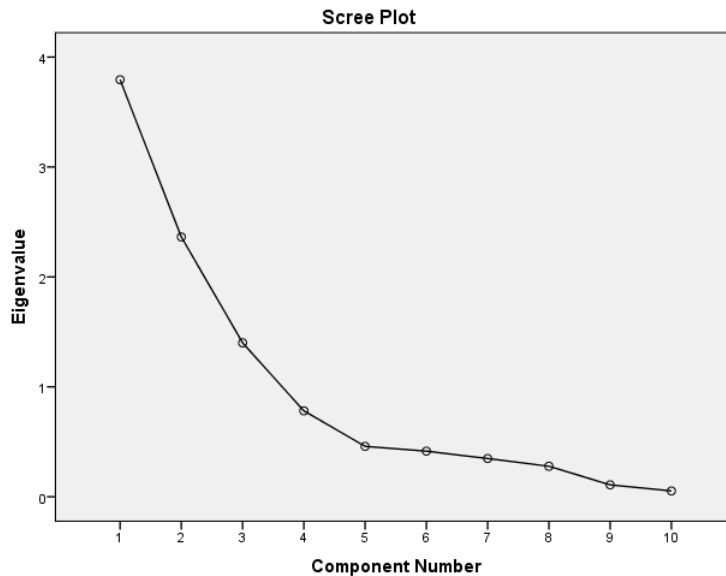
Extraction Method: Principal Component Analysis.

We find that the total variance is explained by 3 factors as shown in the table below:

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.086	37.149	37.149	4.086	37.149	37.149	3.303	30.029	30.029
2	2.366	21.510	58.659	2.366	21.510	58.659	2.886	26.238	56.267
3	1.474	13.402	72.061	1.474	13.402	72.061	1.737	15.793	72.061
4	.845	7.681	79.742						
5	.748	6.804	86.546						
6	.423	3.844	90.391						
7	.353	3.206	93.597						
8	.343	3.121	96.718						
9	.210	1.906	98.624						
10	.102	.928	99.552						
11	.049	.448	100.000						

Extraction Method: Principal Component Analysis.

We can form 3 factors. Now, looking at the Rotated component matrix as the basis we can find out which variable belongs to which factor. Here, the sign is for the direction and thus we only look at magnitude.



The scree plot tells that after 3 factors the eigen value goes less than 1 and thus we can visualize that there are 3 factors being formed

Rotated Component Matrix^a

	Component		
	1	2	3
experience	.090	.773	.005
price	-.035	.913	-.059
ease	.244	.130	.849
content	.053	.896	.020
variety	.244	.642	.301
transacEase	.761	-.199	.078
safety	.867	.177	.118

Component Score Coefficient Matrix

	Component		
	1	2	3
experience	-.017	.283	-.037
price	-.064	.346	-.066
ease	-.041	.003	.513
content	-.041	.331	-.026
variety	.006	.214	.138
transacEase	.287	-.127	-.053
safety	.296	.006	-.056



speed	.900	.148	.119
userFriendly	.879	.214	.128
optionsAvail	.051	-.040	.918

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 3 iterations.

speed	.311	-.007	-.059
userFriendly	.297	.019	-.052
optionsAvail	-.112	-.051	.592

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

	Weighted		
	1	2	3
Netflix Experience		.241	
Pricing		.295	
Ease of availability			.464
Content		.282	
Variety		.182	
Ease of Transaction	.241		
Safety	.249		
Speed of Transaction	.261		
User Friendly Payment	.249		
Options available for payment			.536

Now we have calculated the weights for each variable in the corresponding factor and using this weighted matrix we can conclude that

Factor 1 = 0.241*(Ease of Transactions) +.249*(Safety of Transaction) +0.261*(Speed of Transaction) +0.249*(User friendly Payment)

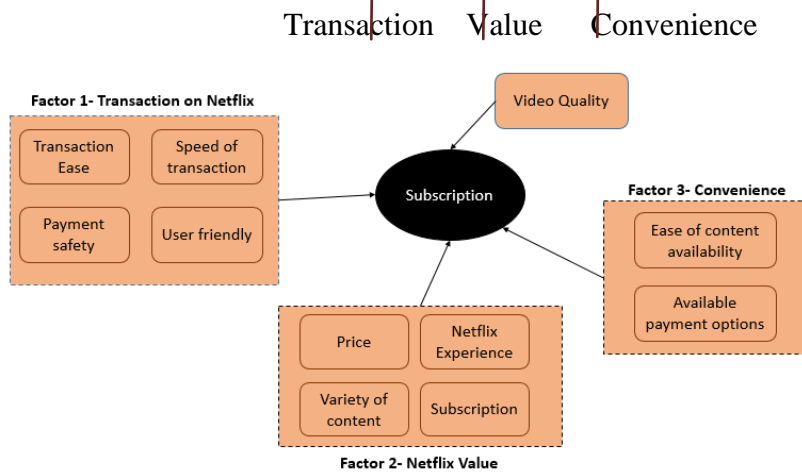
Factor 2 = 0.241*(Netflix Experience) + 0.295*(Pricing) + 0.282*(Content) + 0.182*(Variety)

Factor 3 = 0.464*(Ease of availability) + 0.536*(Options available for Payment)

Video Quality

Therefore,

$$\text{Netflix subscription rate} = \text{factor 1} + \text{factor 2} + \text{factor 3} + \text{Video Quality}$$



Multiple Regression

This analysis is done to ascertain the relative importance of the dependent variables in explaining the independent variable. In our case, the dependent variable is the subscription of the Netflix in India and the dependent variables are the Video Quality as the only single variable along with the 3 factors identified in the Factor Analysis which are listed below.

Dependent Variable: Subscription inclination of Netflix (Measured on an Ordinal scale of 1-7)

Independent variable:

1. TRANSACTIONS – 0.241(Ease of Transaction)+0.249(Safety)+0.261(Speed)+0.249(User Friendly)
2. VALUE – 0.241(Netflix Exp)+0.295(Pricing)+0.282(Content)+0.182(Variety)
3. CONVENIENCE – 0.464(Ease of Availability)+0.536(Payment Options Available)
4. VIDEO QUALITY

The Model is then put into SPSS software for Multiple Regression.

The objective of the MULTIPLE REGRESSION is therefore to identify the major factors who can explain the low subscription rates of Netflix in India.

- [1.] The data has 63 responses for the study.
- [2.] The dependent and independent variables as mentioned.
- [3.] The workable ratio of independent variables:response of 1:10 is maintained at 63 responses for 4 independent variables.
- [4.] For the independent variables, the hypotheses are
H0 – Null – The independent variable has no effect on the dependent variable.
H1 – Alternate – The independent variable has a effect on the dependent variable.
- [5.] We have kept the significance level to 0.05 i.e. confidence level at 95%, therefore p-value less than 0.05 will render the null hypothesis to be rejected.



Regression Method (ENTER Method)

Descriptive Statistics

	Mean	Std. Deviation	N
Subscription	4.49	1.256	63
Transactions	4.7049	1.11009	63
Value	4.9769	1.23412	63
Convenience	5.0499	1.36302	63
Quality	4.9365	1.77685	63

Higher standard deviation also accounts for the higher means.

Table of Correlations

Correlations

		Subscription	Transactions	Value	Convenience	Quality
Pearson Correlation	Subscription	1.000	.469	.517	.392	.593
	Transactions	.469	1.000	.190	.293	.440
	Value	.517	.190	1.000	.105	.338
	Convenience	.392	.293	.105	1.000	.012
	Quality	.593	.440	.338	.012	1.000

Interpretation - We see here that none of the variables have values of correlations of value greater than 0.8 to have a possibility of Collinearity.

Variables Entered

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Quality, Convenience, Value, Transactions ^b	.	Enter

a. Dependent Variable: Subscription

b. All requested variables entered.

Model Summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.774 ^a	.600	.572	.821	.600	21.713	4	58	.000

a. Predictors: (Constant), Quality, Convenience, Value, Transactions

The Model summary gives us an R square value of the model to be 0.600 which is good enough to show that the independent variables have been able to explain 60% of the variability of the dependent variable i.e. Subscription Rates. Also, the adjusted R square value of 0.572 suggests the sufficiency of the responses or data points.

ANOVA Matrix

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.607	4	14.652	21.713	.000 ^b
	Residual	39.139	58	.675		
	Total	97.746	62			

a. Dependent Variable: Subscription

b. Predictors: (Constant), Quality, Convenience, Value, Transactions

The ANOVA table gives us the significance of the overall model which has an F-Value of 21.713 (p-value of 0.000), giving us that the independent variables are highly influential in nature.

Table of Coefficients

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.746	.624		-1.195	.237		
	Transactions	.146	.110	.129	1.319	.192	.724	1.382
	Value	.321	.090	.315	3.549	.001	.875	1.142
	Convenience	.291	.081	.316	3.588	.001	.889	1.125
	Quality	.301	.069	.426	4.350	.000	.721	1.387

a. Dependent Variable: Subscription

We will use the standardized coefficients to develop the regression equation for the model.

$$\text{Subscription} = 0.129 * \text{Transactions} + 0.315 * \text{Value} + 0.316 * \text{Convenience} + 0.426 * \text{Quality}$$

The tolerance values shows absence of collinearity in the independent variables.

1. RESEARCH FINDINGS AND CONCLUSIONS

1. H1 – *Indian consumers are more inclined to watch free content online rather than pay a fee for the same.*

This hypothesis comes out to be a major factor explaining the low subscription rates in India where the competitors like Hotstar, Youtube, Voot are providing the digital content for free. It would be feasible for Netflix to lower down the rates for the middle class consumers who have a willingness to pay an amount till Rs. 200/- per month which could certainly increase the subscription rates.

2. H2 – *Low Subscription of Netflix is due to the non-availability of regional and local TV shows and movies.*

This hypothesis also comes out to be true in the Quantitative Analysis and also from the qualitative analysis when most people on Netflix go for English content and people have moved out due to lack of regional content and in local languages as Tamil, Telugu etc.

It would be advisable on the part of Netflix to send teams to study the local content of the regions and develop their own content on similar lines which could be a great benefit for it.

3. H3 – *Bandwidth infrastructure increase will have a positive effect on the subscription.*

The hypothesis stands rejected as according to the quantitative analysis, this factor seems to be less significant as compared to the other factors. India being a developing economy, has the issue of low internet speeds but this doesn't concern much to people in terms of their low subscription rates.

4. H4 – *Low subscription of Netflix is directly related to the level of awareness among consumers in India in Tier 1 and Tier 2 cities.*

From the consumer research compiled, this hypothesis also stands rejected as most of the people responded are from Tier1 as they are regular viewers of English TV Serials, Shows. People are very much aware of Netflix but in Tier 2, this factor is important and people are not aware of such a facility.

5. H5 – *The low subscription of Netflix is due to the non-availability of payment options such as Net Banking, Debit Card etc.*

This hypothesis stands accepted as the result from the quantitative analysis. Currently, Netflix only provides the option of Credit Card Transactions. Since the credit card penetration in India is quite low and people still prefer to do transactions by Debit Card or Internet banking.

9. MANAGERIAL IMPLICATIONS

1. Better Pricing Strategy

Currently Netflix is available in India with 3 levels of subscription fees - Rs. 500/650/800 per month. But for high penetration in Indian Market, copy pasting the US pricing strategy model would find it difficult to work. Netflix needs to come up with the better pricing model to handle the parity in income levels. It can come up with some low cost plans targeted at middle class of India to reach out to larger masses with competitive pricing and reach out to larger masses.

2. Content enrichment:



To reach out to larger masses and inculcate the habits and choice of Indians, Netflix should come up with the more of regional content and more Indian language content so that people can resonate with it more and thus it can compete with other competitors.

3. Smartphone focused, app only subscription option for non-metro users

The penetration of internet through smartphones is increasing at an exponential rate in India. However, data usage and data speed still remains a bottleneck. Netflix can tap into this market in non-metro areas by launching an 'App only subscription' with fees as low as Rs 99 per month as mobile devices don't require high resolution content, thus using it to leverage low cost offerings for the masses.

4. More payment options like debit cards/ e-wallets:

Credit card penetration in India is very low but at the same time the reach of debit cards is very high. With Netflix giving the option of credit card only payment creates a negative perception in the minds of people and they don't find it convenient. Providing facility for payment through debit cards and e-wallets like Paytm will give more flexibility of options available for the consumers.

5. Some free content available for everyone for trial purpose:

Even though Netflix offers free trial for a month to its users, this facility is available to users who are subscribed and hence require a credit card which raises hesitation in minds of users. Making the free content available on the basis of user account without asking confidential credit card information can increase the awareness amongst the target audience and thus more penetration.

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