

Introduction

Netflix Originals is the name of movies and series under the in-house production of Netflix which reflects their successfulness in the streaming industries with over 160 million paid-subscribers across the world in 2019. In the streaming industry, there are some other players competing with Netflix which are YouTube Premium, Hulu, Disney+, etc. This seems to be a very intense competition, however in Thailand, Netflix is the only service provider despite the existence of YouTube Premium, since it doesn't contain the same contents preferred by some group of audience as Netflix has.

There are 3 packages provided by Netflix which will come with different number of screens and resolution qualities which are Basic, Standard, and Premium. The differences between each package are the prices, number of screens, and quality of resolution. As the higher price subscribers paid the more number of screens and better resolution quality they would have. We observed that the highest quality of resolution (UHD) is only provided in Premium package with 4 screens to watch separately at the same time. Due to this bundling, there must be some subscribers who only use the account alone which means that the number of screens is irrelevant to their subscribing decisions. This research we would like to know whether the number of screens or resolution qualities has more weight on affecting the decision of Netflix's subscribers to pay for the Premium package specifically in Thailand. Moreover, we also want to know what other factors relating to this scenario.

For the analysis, we applied the theory of 2nd degree price discrimination in case of two-part tariff to see the pricing model of Netflix and how they capture the subscribers' preferences with their package bundles. We also conducted the online-survey in order to gain the consumer insights from Thai citizens. This online survey would collect the data of preference of the

subscribers about their behavior related to the use of Netflix. And for non-subscribers we would collect the information about their consumption of other types of media. Also we would ask those non-subscribers about their preference toward Netflix package to see the difference between these two groups of respondent.

Theoretical Framework

As we know Netflix provides only 3 subscription packages and we constructed the indifference curves, for each package, of consumers in two-part tariff models. In this case, expenditure would be the fixed subscription fees for each package. We focus on factors that affect the subscription of consumers which are price, resolution, and the number of screens. In analysis we label the price as expenditure, in vertical axis, for subscribers in order to acquire particular features. Therefore, we can construct the consumer's utility functions into 2 graphical frameworks which are the relationship between price and resolution quality, and between price and the number of screens as shown in Figure 1 and 2 respectively.

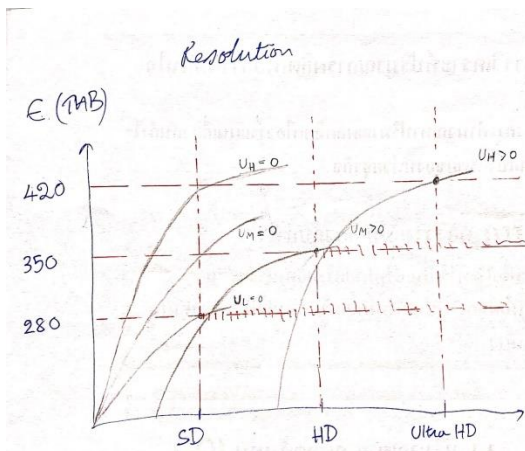


Figure 1

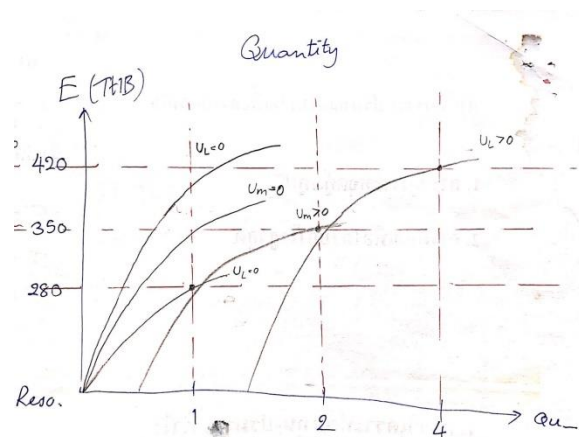


Figure 2

From Figure 1, we consider the relationship between price for each package and resolution quality they would have. Suppose there are 3 types of consumers which are low-type, middle-type, and high-type as respectively compared to willingness to pay for the better

resolution quality. Netflix have applied two-part tariff that extract all surplus from the low-type, because if Netflix cannot extract all surplus from the low-type then the utility of low-type will be greater than zero. So, low-type consumers utility will be zero as utility curve starts from origin and select Basic package which is Standard-Definition(SD) resolution and cost only 280THB at point A. If Netflix only provides Basic packages, middle-type and high-type would still have surplus left. As Netflix desired to capture surplus from both middle and higher type consumers, Netflix provides higher packages with higher quality of resolution which give more utility to middle-type consumers than Basic package and charge higher price. Hence, middle-type consumers would select Standard packages which provide High-Definition(HD) resolution and cost them for 350THB at point B. Utility of middle-types consumed Standard package is greater than consuming Basic package as we could observe from this figure. However, there is still some surplus left from the high-type consumers since Basic and Standard packages couldn't provide enough quality of resolution to capture the remaining surplus of high-type consumers. This is the reason that Netflix provides the highest package called Premium package which provides Ultra HD (UHD) at the price of 420THB. Therefore, the high-type would subscribe to Premium package at point C in order to be better-off responding to the intention of Netflix to capture the entire surplus from all types of customers toward the resolution qualities.

In Figure 2, we show the utility function under the relationship between the subscriber's expenditure and the number of screens they would have of each 3 packages. We applied the same basis as Figure 1 that there would be 3 types of consumers but the preference in this context would be the number of screens instead of resolution quality. With the same approach, low-type consumers would suit with the Basic package provided one screen and utility equal to zero at point D. At this package there will still be the surpluses left from middle-type and high-

type consumers. As a result, Netflix provides a Standard package to capture the surplus of middle-type and Premium for high-type subscribers just like the previous analysis of the resolution quality.

Methodology

We conduct the online survey in order to collect the primary data. The data we collected could show the bigger picture about insights and preferences of consumers toward Netflix's streaming service. Our population for the survey would be any Thai citizen whom we can reach via social media such as Facebook or Instagram since we would spread out our online-survey through these channels. The sample would be the 400 respondents who took our online survey.

In our survey, we separate questions into two sets: one for those who subscribed to Netflix and another set for those who didn't subscribe to Netflix. For the subscribers of Netflix, the survey would ask about the package of subscription, how they manage the payments and the use of account, number of time spent on Netflix, content being watched, and device being used. Also we would have the respondents to rate the importance of factors which directly affected their subscribing decisions. With these set of questions, we would be able to track the behavior of the subscribers pairing with the package that they subscribed to. For those who didn't subscribe to Netflix service, their set of questions would ask them about the reasons and had them rate the factor that could attract them or could be the factor that could possibly influence their consideration of subscription. The respondent can also add on the factor that wasn't provided in our survey and the last part for this section would ask the respondent about their behaviors just like the questions for Netflix subscribers but it would be referred to the movies, series, streaming, or other media they watch. This section would give us the insights of those

who weren't the Netflix's customers and what factors could attract them into the business and what are the factors making them to consume other substitutions.

Lastly, we collect the personal information of respondents in order to differentiate the results based on different demographic backgrounds which consisted of gender, age, occupation, and income. This way we would be able to label the collected data with the group of people and conduct the analysis of their behavior according to their demographic information.