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Netflix Is Not Back (It Never Left)

By Steve Sternberg

By any normal metric, Netflix has enjoyed continuous and unparalleled growth and success since *House of Cards* became the first major streaming hit in 2013. The streamer has gained subscribers every year and has consistently had the most popular streaming shows on any platform – even during two years of pandemic-related program production delays, and with several major new players entering the arena.

But Netflix is not evaluated by the "normal" metrics used by traditional media companies. Rather than being judged on how well they are actually doing, the industry plays the ridiculous expectations game. If in a single three-month period (quarter) Netflix does not do quite as well as it predicted, it's considered disastrous (and its stock price will plunge) – regardless of how well the company is actually performing. While this is how the equities market works, it is an illusion and delusion fed into by too many media reporters.

Linear networks are treated by the media industry and the press in almost a completely opposite, but equally irrational way. A broadcast network's viewership can decline by 10% or more in a season, but if it happens to have higher ratings than four other declining networks, headlines abound about how well that network is performing. More illusions and delusions.

In the past three years, Netflix, Prime Video, Hulu, and Paramount+ were joined by powerful new competitors. Disney+ and Apple TV+ debuted in November 2019, followed by HBO Max (Warner Bros. Discovery) in May 2020 and Peacock (Comcast) in July 2020. In 2022, according to a study by Hub Entertainment Research, 50% of TV consumers subscribe to three or more streaming services among Netflix, Prime Video, Hulu, HBO Max, and Disney+ (compared to 28% in 2020). The average number of TV sources used has risen from 3 in 2018 to 7.4 in 2022 (this includes live TV, traditional pay TV, SVOD, and free streaming services).

With deep-pocketed companies such Disney, Warner Bros. Discovery, Comcast, and Apple, bursting onto the streaming scene and producing a significant number of high-quality and popular programming, combined with rising inflation and several streaming price hikes, **the fact that Netflix lost less than 1% of its subscribers and continues to dominate any list of the most viewed streaming series, is a remarkable accomplishment and a sign of ongoing strength.**

Instead, because it happened to lose a marginal number of subscribers during two quarters over the past 10 years, headlines shouted about how much trouble Netflix (and streaming in general) was in, and its stock price plunged. Only on Wall Street is doing as well or poorly as you predicted more important than actually doing well. And the press by and large follows suit. In reality, **the steaming business in general, and Netflix in particular, never waned and remains stronger than ever**. In the most recent quarter, Netflix gained over 2 million subscribers and issued a positive outlook for the next quarter. Headlines proclaimed, "Netflix is back." In reality, it never left. Six months after the company's stock suffered a sharp decline, it has again soared – partly because it beat lowered expectations and partly because an industry financial analyst or two, changed their stance on the company from irrationally bearish to bullish. It never should have declined in the first place. Imagine what would happen if a broadcast or cable network, in today's splintered viewing environment, only lost 1% of their audience in a given year (much less the past 10 years)? Their executives would be dancing in the streets.

Part of the problem might be the designation of Netflix as part of the group of tech stocks, known as FAANG (Facebook, Amazon, Apple, Netflix, and Google). While Netflix may have been a technology company when the term was coined in 2013, it has long since transitioned to a more traditional media entertainment company (it is now in more than 75 million U.S. homes). Of all Netflix's streaming competitors, only Apple is considered a tech company, and producing and distributing scripted TV series and movies is not its core business.

Netflix recently announced that beginning with the fourth-quarter earnings report, it will no longer be providing predictions of subscriber growth, focusing instead on revenue. Halleluiah!

Most television viewers (unless they invest in the company) care little about whether a steaming service grew revenue by 10% over last year while the "market" expected it to grow by 20%. Nor do they necessarily care if a streamer lost 1% of its subscriber base when pundits were expecting a 1% gain. What they do care about is what is available for them to watch or binge, and whether they can do it on their own schedule. And in that regard, this is truly a new golden age of television, at least for those who can afford to subscribe to multiple streaming services.

A number of pundits and TV critics have lately been justly touting Apple TV+, HBO Max, and Disney+ for their high-quality original content. And there is no question that all three have been extraordinarily successful in developing scripted series over the past two years. A lot of folks seem to think that they are on the verge of surpassing Netflix in the original content arena. But while they have all been impressive, **Netflix still leads the way**, and it's not really that close (although recency bias might indicate otherwise). This, of course, has much to do with the several year head start Netflix had in spending billions of dollars per year on new programming. It continues to spend more than any other streaming service, although virtually all of them have upped their spending significantly over the past year or two, and will continue to do so.

While Netflix does not have the huge library of a Disney, Warner Bros., Paramount, or NBC Universal, it does have many high-profile acquired series. And just as with the streamer's original content, **its acquired shows also top the list of most watched** series. For the full year 2021, the top dozen most viewed acquired series on streaming services were all on Netflix – *Criminal Minds*, *CoComelon*, *Grey's Anatomy*, *NCIS*, *Heartland*, *Manifest*, *Supernatural*, *Schitt's Creek*, *Gilmore Girls*, *New Girl*, *Shameless*, and *The Blacklist*.

Another sign of Netflix's strength is its ability to turn less successful shows from linear networks or other streaming platforms into hits – *Lucifer*, which originally aired three seasons on Fox, has become one of Netflix's most viewed series (seasons 4-6), CBS's *Evil* became a hit when Netflix picked it up when it needed programming during the pandemic (so CBS shifted it to its own streamer, Paramount+, where it is thriving), and NBC's *Manifest*, did quite well after Netflix picked it up. *Longmire*, which moved to Netflix after being canceled by A&E, *You*, which came over from Lifetime, and *Cobra Kai* which moved here from YouTube, became three of Netflix's most watched original series. It just picked up the comedy *Girls5Eva* (after two seasons on Peacock), which will probably now become the success it deserves to be.

Netflix has spent a massive amount of money producing a massive amount of movies. While many are instantly forgettable, many others are excellent with high-profile stars, and more than a few have been nominated for Oscars. Several of Netflix's original movies are included in the chart below.

Netflix has also become one of the top streamers of anime, with well over 100 series – some are original to Netflix, but many others come from buying up the international distribution rights to existing series and movies.

Here's a look at Netflix's subscriber growth and notable original scripted programming by year since 2013 (not including acquired shows, documentaries, stand-up comedy specials, reality, or anime).

Netflix Yearly Subscriber Growth and New Original Scripted Programming

Year (Q3)	Subscribers (millions)	Notable New Netflix Original Scripted Program Premieres
2013	38.01	House of Cards, Hemlock Grove, Orange is the New Black
2014	50.65 (+33%)	Marco Polo, Peaky Blinders, Bojack Horseman,
2015	66.02 (+30%)	Bloodline, Daredevil, Sense8, Narcos, Jessica Jones, Unbreakable Kimmy Schmidt, Grace & Frankie, Master of None, Longmire, F Is for Family, Beasts of No Nation

Netflix Yearly Subscriber Growth and New Original Scripted Programming

Year (Q3)	Subscribers (millions)	Notable New Netflix Original Scripted Program Premieres
2016	83.28 (+26%)	Love, Flaked, Luke Cage, The OA, The Ranch, Lady Dynamite, Easy, Haters Back Off, Marseille, **Stranger Things**, **The Crown**, **Black Mirror**, Fuller House, Gilmore Girls: A Year in the Life
2017	104.02 (+25%)	A Series of Unfortunate Events, Iron Fist, 13 Reasons Why, Free Rein, Greenhouse Academy, Alexa & Kate, Ozark, Mindhunter, The Punisher, Santa Clarita Diet, Dear White People, GLOW, Friends From College, Anne with an E, Atypical, Disjointed, She's Gotta Have It, Godless, Dark, Suburra: One Day At A Time, Blood on Rome, **Big Mouth**, Castlevania, The Defenders, Wet Hot American Summer: Ten Years Later, The Incredible Jessica James, Mudbound, Okja, The Babysitter
2018	130.42 (+25%)	Altered Carbon, Lost in Space, Chilling Adventures of Sabrina, On My Block, Travelers, The Kominsky Method, Narcos: Mexico, Disenchantment, The Protector, Insatiable, **Elite**, **Paradise PD,** Maniac, The Haunting of Hill House, The Ballad of Buster Scruggs, Nappily Ever After, Like Father, Roma, Bird Box, Dumplin', Lionheart
2019	158.33 (+21%)	After Life, Special, Bonding, Mr. Iglesias, Black Summer, The Order, Another Life, The Politician, Designated Survivor, Family Reunion, Raising Dion, Money Heist, **The Umbrella Academy**, **Virgin River**, **The Witcher**, **Sex Education**, **Russian Doll**, **Dead to Me**, Lucifer, **You**, Love, Death & Robots, When They See Us, The I-Land, Unbelievable, Armistead Maupin's Tales of the City, Triple Frontier, I Am Mother, The Highwaymen, El Camino, The Laundromat, Dolemite Is My Name, The Irishman, Marriage Story, American Son, The Guilty, 6 Underground, The Two Popes

Netflix Yearly Subscriber Growth and New Original Scripted Programming

Year (Q3)	Subscribers (millions)	Notable New Netflix Original Scripted Program Premieres
2020	195.15 (+23%)	Locke & Key, Young Wallander, Gentefied, Space Force, The Baby-Sitter's Club, Giri/Haji, **Outer Banks**, **Sweet Magnolias**, **Blood & Water**, **Warrior Nun**, **Ratched**, **Bridgerton**, **Never Have I Ever**, **Emily in Paris**, Barbarians, **Ragnarok**, Selena: The Series, **How to Ruin Christmas,** The Stranger, Self Made, Unorthodox, The Eddy, The Haunting of Bly Manor, The Queen's Gambit, The English Game, Hollywood, Spenser Confidential, Extraction, Da 5 Bloods, The Forty-Year-Old Version, The Old Guard, The Boys in the Band, The Trial of the Chicago 7, Hillbilly Elegy, Enola Holmes, The Devil All the Time, Mank, Ma Rainey's Black Bottom
2021	213.56 (+9%)	The Chair, , **Fate: The Winx Saga**, **Firefly Lane**, **Ginny & Georgia**, **Shadow & Bone**, **Sweet Tooth**, **Sex/Life**, **The Upshaws**, **Lupin**, **Squid Game**, **Cobra Kai**, Behind Her Eyes, Halston, Brand New Cherry Flavor, Clickbait, King of Boys: The Return of the King, Midnight Mass, Maid, Colin in Black & White, True Story, Stay Close, Passing, Malcolm & Marie, Pieces of a Woman, The White Tiger, Concrete Cowboy, Army of the Dead, The Mitchell's vs. The Machines, The Harder They Fall, The Fear Street Trilogy, Red Notice, Tick, Tick…Boom!, The Power of the Dog, Don't Look Up, The Lost Daughter
2022	223.09 (+4%)	**Vikings: Valhalla**, **The Lincoln Lawyer**, **The Sandman**, **Partner Track**, **The Imperfects**, **Heartbreak High**, **All of Us Are Dead**, **The Midnight Club**, **Manifest**, **Uncoupled**, **The Sandman**, **The Watcher**, **Blockbuster**, **Wednesday**, **Human Resources**, Inventing Anna, Anatomy of a Scandal, Anatomy of a Scandal, Blood Sisters, Boo, Bitch, Keep Breathing, Echoes, Lost Ollie, Devil in Ohio, From Scratch, Dahmer, Texas Chainsaw Massacre, A Media Homecoming, The Gray Man, Lou, Blonde, The Adam Project
Programs still airing originals in bold, animation in blue, miniseries in green, feature films in red		

Source: Subscribers (Q3 of each year) – Statista; Programming – *The Sternberg Report*

Netflix is about to do something it had shied away from, namely have a lower-priced tier that includes advertising. Starting November 3rd, "Basic with Ads," will cost $6.99 per month, three dollars less than its regular Basic tier (which allows one stream as well as episode/movie downloads to a single phone or tablet, and will reportedly contain 4-5 minutes of advertising per hour. Netflix's most popular tier is its Standard plan, for $15.99 per month, which allows two streams and downloads to two phones or tablets (and is in HD). Its Premium plan costs $19.99 per month, allows for four streams and downloads, and has 4K capability. Due to licensing issues, there will initially be an unspecified number of TV shows and movies unavailable in the Basic with Ads plan (reportedly 5-10% of its content).

Netflix has made a deal with Nielsen for audience measurement, which will be provided to advertisers. Given how Netflix in the past has said that Nielsen's streaming measurement is way off and under-reports Netflix viewing, it will be interesting to see how this works – particularly if Netflix's internal numbers are substantially higher than what Nielsen reports (which is virtually certain to be the case).

An upcoming issue of *The Sternberg Report* will focus on Ad-Supported Video on Demand (AVOD) and related measurement issues. There's little doubt, however, that this will only serve to make Netflix even more successful going forward.