# MSIS Case Competition

OVERVIEW

CHALLENGE

SOLUTION

RESULT

# Agenda

1) **Introduction**

2) **Recommendations**

3) **Timeline & Finance**

4) **Risks and Mitigations**

5) **Conclusion**

# Introduction



Abigail Parrish
Informatics major & Business minor



Naska Batjargal
Information Systems major & Computer Science Minor

## Situation

After dismantling Blockbuster with their DVD shipping service, Netflix has been one of the top streaming services for over a decade, inspiring many other services to follow suit. Some competitors include Hulu, Disney+, and Amazon. After facing a rough 2022, Netflix ended 2023 strong with a record breaking Quarter 4 performance.
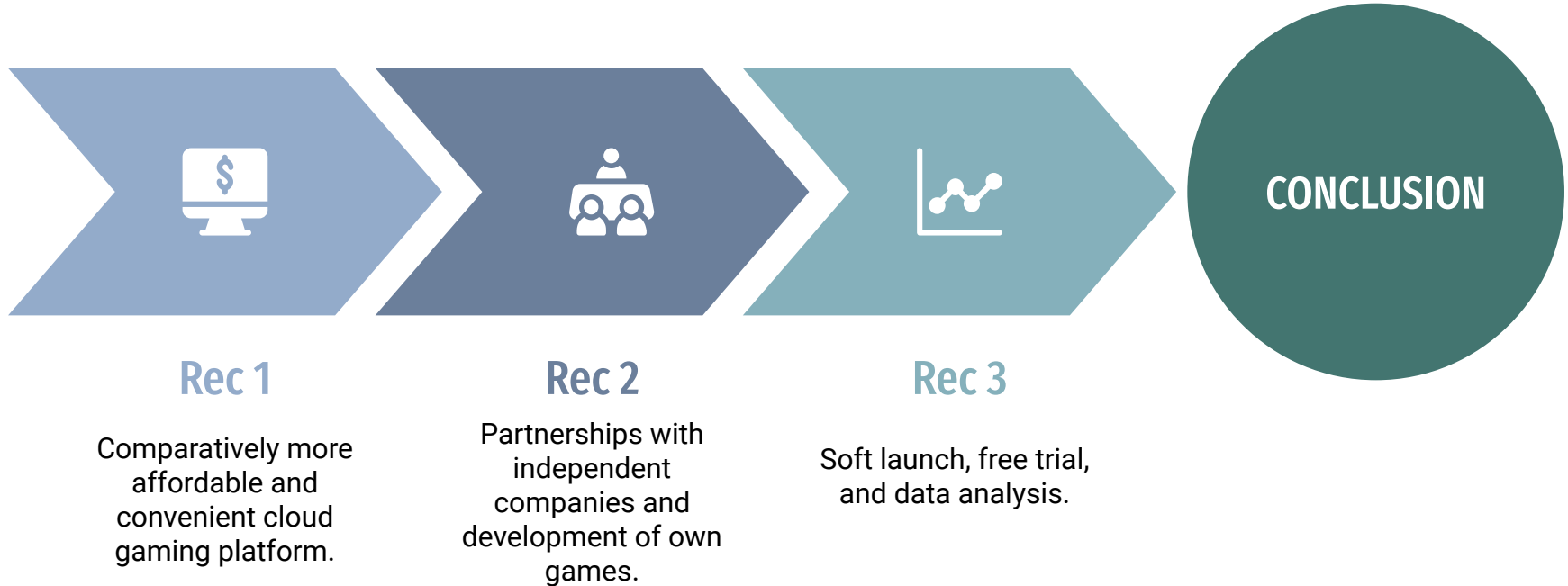
## Complication

Recently, Netflix has to worry about a different market: the cloud gaming industry. Several of Netflix's competitors, most notably Amazon with their Luna, have joined the trend of creating cloud gaming platforms. Netflix has taken blows in the past with other companies creating their own streaming services and pulling shows off of Netflix. The rising trend of cloud gaming could be another area where Netflix can fall behind.

## Question

How can Netflix utilize cloud gaming to keep customers and attract new customers with their innovative, customer centric, and data analysis marketing strategy?

# Our Recommendations

## Rec 1

Comparatively more affordable and convenient cloud gaming platform.

## Rec 2

Partnerships with independent companies and development of own games.

## Rec 3

Soft launch, free trial, and data analysis.

## CONCLUSION

**Recommendation (1): Through convenience and affordability Netflix can market to new customers and gain subscribers.**

| What? | How? |
|---|---|
| Companies, such as Xbox and Amazon, do not include their cloud gaming platforms within their main applications. Instead additional downloads are required. Netflix can seamlessly integrate their streaming platform and cloud gaming by keeping them within the same application.<br><br>In addition to Xbox Game Pass and Amazon Luna's subscriptions, additional payments are demanded by certain games. | 1) Netflix Level Up should be included within the app/website. The games and streaming options are to be kept separately. This allows for a much more appealing visual for customers along with the convenience of having their gaming and streaming in the same application.<br>2) Netflix can create a more affordable cloud gaming platform by including all their games within Netflix Level Up subscription. |

**Recommendation (2): Netflix should continue to partner with or buy indie gaming companies and develop their own games.**

| What? | How? |
|---|---|
| Due to the development of other streaming platforms, Netflix has lost some of its most popular shows/movies; such as Disney classics, *The Office*, and *Friends*. The reliance upon household named shows put Netflix at a disadvantage in the late 2010's and early 2020's.<br><br>Netflix Level Up cannot afford to risk partnering with major gaming companies and become reliant upon their popular games. Independence is Level Up's greatest strength in becoming a major competitor with other cloud gaming platforms. | 1) Netflix can partner with smaller companies by hosting these companies games on Netflix Level Up.<br><br>2) Netflix can buy individual games from indie companies. Games bought by Netflix should keep branding from original owners to promote the smaller company.<br><br>3) With Netflix's recent purchases of smaller gaming companies and development of two gaming studios, Netflix should continue to develop their own games. There should be a heavy emphasis on designing games based on Netflix owned shows/movies. |

**Recommendation (3): Netflix should soft launch Level Up to existing customers, and then later offer a limited promotion of a 3-month trial to the public.**

| What? | How? |
|---|---|
| In order to attract attention to Level Up, Netflix should "soft-launch" Level Up to their existing subscribers in order to give them a taste of the new platform. Additionally, this would be the perfect time to collect user data of what is most popular, what is not, and could be improved. After Level Up is completely ready for the public, Netflix can promote a limited offer of a 3-month trial in order to attract new potential customers and hopefully later entice them to stay. The trial would, again, be an opportunity to collect user data to better improve Level Up. | 1) Netflix could continue to use a commonly used data analysis tool called the technology acceptance model (TAM), which tracks perceived acceptance of the new technology among customers, during the launch of Level Up to track approval.<br>2) Netflix can also continue to use their machine learning to recommend video game titles to customers in order to maintain customer retention. |

# TIMELINE ~ Two Years

| | 1st & 2nd Quarter | 3rd & 4th Quarter | 1st & 2nd Quarter | 3rd & 4th Quarter |
|---|---|---|---|---|
| **Game Development** | Testing | Soft Launch | | |
| **Platform Design** | Develop Design | Soft Launch | | |
| **Marketing & Analysis** | | Analyze Data | Free Trial | Hard Launch |

# Finances

**$500 Million**
Cloud Computing/Development costs

**$750 Million**
Content development/payments to developers

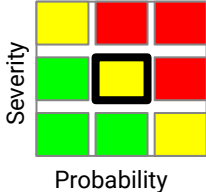**$500 Million**
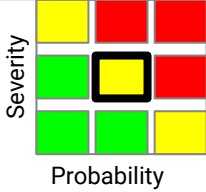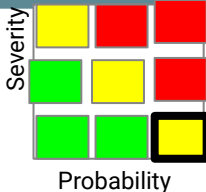Advertising/Marketing costs

**$1 Billion**
Employee salaries

**Estimated Revenue: $6 Billion**
**ROI: 45.83%**
**(All expenses divided by estimated revenue)**

Intro | Recommendations | Timeline & Finance | Risk Mitigation | Conclusion

# Risks and Mitigations

| Risk | Degree | Mitigation |
|------|--------|------------|
| Creating games based off of shows that are not made or owned by Netflix and the show getting pulled off. | Severity / Probability grid | Netflix should focus on creating games based off of Netflix original shows in order to avoid making a game based on a show that has the potential to be pulled off the platform. In return, this may give Netflix the motivation to create shows that have the potential to become popular and gain a following so that they can later create a game based off of it. |
| Wasting money on trying to develop a game to compete with Fortnite, CoD, games that have years of huge followings. | Severity / Probability grid | Netflix should focus on working with smaller developers and making hundreds of smaller games to keep variety and options open for the customers. These games can easily be scratched or updated if players do not enjoy them as much versus investing too much time and money for a big game that potentially cannot compete with big games like Fortnite. |
| Entering a new market may confuse the current customer base. | Severity / Probability grid | Netflix can enhance their machine learning to cross-promote both services and use existing user data to integrate gaming content into their recommendations. |

In conclusion, Netflix can utilize cloud gaming in many ways to attract new customers and keep existing ones. By including Level Up in Netflix's app/website and not separating it from its streaming services, Netflix offers a convenience no other cloud gaming platform has. In addition, all of Netflix's games shall be included within the additional subscription cost. This offers customers old and new a more affordable cloud gaming platform. Netflix also has the opportunity to partner with or buy from indie gaming companies. This provides Netflix with the independence to develop their own style of gaming. The soft launch and free trial will provide Netflix with enough time to collect data on what games customers do play, want to play, and don't play. This will permit Netflix to personalize gaming for its customers and save money in the future. Cloud gaming can be very lucrative for Netflix.

# Thank you!
# Any questions?

# Appendix

Recommendation 1:
- [Netflix losses with the start of other streaming services.](#)
- [losses to streaming services](#)

Recommendation 2:
- [Beginning of Netflix Gaming](#)
- [Beginning of Netflix Gaming](#)
- [gaming startups](#)

Cloud Gaming research
- [Tracing Consumer Journey of Cloud Gaming](#)

Netflix Marketing:
- [Marketing within recent years](#)

# Financial Calculations

Netflix keeps certain financial data hidden, such as how much they expend in employee salaries. We used data from Amazon and Microsoft's expenses/revenues in their gaming categories to make estimations and whatever financial data Netflix has available for their streaming to get a similar grasp. Additionally, we expect to put on a few hundred games, so we found the cost range to buy a game from developers and multiplied by our estimation of how many games we want to acquire.

https://www.gamesindustry.biz/amazon-is-reportedly-spending-nearly-usd500-million-a-year-on-its-video-game-division

https://www.aurochdigital.com/blog/2021/8/19/how-much-does-it-cost-to-make-a-game

https://www.aurochdigital.com/blog/2021/8/19/how-much-does-it-cost-to-make-a-game

https://variety.com/2024/digital/news/amazon-content-spending-2023-tv-movies-music-1235895129/?sub_action=logged_in

https://www.statista.com/statistics/964789/netflix-content-spend-worldwide/#:~:text=This%20marks%20the%20second%20decline,the%20period%202022%20to%202024.

https://www.linkedin.com/pulse/how-do-game-developers-make-money-david-mullich/

https://www.tweaktown.com/news/88846/microsoft-reveals-how-much-money-game-pass-actually-makes/index.html

https://www.theverge.com/2023/12/1/23984779/phil-spencer-says-microsoft-spends-more-than-1-billion-per-year-to-bring-third-party-games-to-xbox-g#:~:text=Dec%201%2C%202023-,Phil%20Spencer%20says%20Microsoft%20spends%20more%20than%20%241%20billion%20per,makes%20money%2C%20in%20Game%20Pass.