

The Effecting of Streaming Video Services on Film and TV Consumption

Abstract

As subscription video on demand services such as Netflix and Amazon Prime Video continue to grow rapidly throughout the world, many firms are left struggling with the question of how licensing their content to such services impacts consumption of that content through other more traditional channels. This leads to uncertainty in bargaining over the prices of such licenses.

In this research, we examine natural experiments caused by the launch of Netflix in both Australia and the UK to determine the effect of a film or television show's availability on Netflix on a la carte digital downloads and physical DVD sales of the same product. Our results are intriguing - availability of a film on Netflix causes, on average, a 45% drop in digital downloads of that film through services such as iTunes and Amazon. However, availability of a season of television on Netflix causes paid digital downloads to increase by about 20%, despite the fact that the overall download market appears to shrink as the streaming market grows. Finally, Netflix availability appears to have no effect on physical DVD sales of a product.

These results have important implications for content creators' decisions regarding the licensing of content as well as whether or not to vertically integrate downstream into streaming distribution.