

Netflix Becomes A Streaming Video Company

Americans are giving up DVDs in favor of on-demand streaming. Internet traffic analysis shows that the more bandwidth is available, the more is used.

It's official: Netflix, once a movie-by-mail company that dabbled in online video, is now a content streaming company that dabbles in – what are they called again? – DVDs.

The company's 16 million members now watch more content streamed over the Internet than they watch on discs delivered by mail, Netflix said in November. To mark the occasion, Netflix introduced its first streaming-only subscription plan in the United States. For \$7.99 per month, members can watch unlimited movies and TV episodes on their computers or televisions. To nudge subscribers toward the streaming-only plan, the company is raising prices on its DVD-by-mail plans.

"We are now primarily a streaming video company delivering a wide selection of TV shows and films over the Internet," said Reed Hastings, Netflix cofounder and CEO. "Today's action reflects the tremendous customer value we've injected into streaming from Netflix, our initial success with a pure streaming service in Canada for \$7.99 a month and what our U.S. members tell us they want."

Since introducing content streaming in 2007, Netflix has taken steps to make it the preferred option for subscribers: It ported its software to more than 200 consumer electronics devices, enabling them to stream Netflix content directly to the TV. Through licensing deals with major content providers, it added significantly to its selection of streaming content and boosted its service higher in the video pecking order – some movies are now available on Netflix before they

appear on pay TV. In late September, the company introduced a streaming-only service in Canada, the first availability of Netflix outside the United States. Canadian service has surpassed initial expectations and encouraged the company to accelerate plans for further international expansion in 2011.

All this video streaming is making its mark on the Internet. A new traffic-analysis report from network management software provider Sandvine says Netflix now represents more than 20 percent of downstream traffic in the United States during peak hours, which correspond with TV prime time.

with 3 hours per day and 4 gigabytes per household in North America.

In Europe, zSHARE has become the leader for storage and backup services, accounting for 3 percent of downstream traffic during peak periods. Latin American subscribers are more likely to use the Internet in the same way regardless of whether they have a fixed or a wireless connection. For example, close to one-third of traffic on wireless and fixed networks is for real-time entertainment, such as YouTube or PPStream.

Another major driver affecting worldwide Internet behavior is the in-

Asia-Pacific households use three times as much bandwidth as North American households.

NO TYPICAL INTERNET USER

Sandvine's study was based on a representative cross-section of fixed and mobile data providers in the Asia-Pacific region, Europe, Latin America and North America during August and September 2010. The study found that patterns of Internet use varied widely around the world, in keeping with broadband's status as a general-purpose technology.

In the Asia-Pacific region, where a much higher percentage of Internet users have access to the fast, symmetrical speeds that fiber enables, users ramp up their Internet usage at 5 a.m., keep their connections active for 5.5 hours a day and consume close to 12 gigabytes per month per household – compared

created availability of 3G and 4G networks. Mobile Internet has become as accessible as fixed lines in many regions, and subscribers are taking full advantage of the flexibility that converged networks offer.

"The Internet has a unique way of bridging international gaps and bringing people together," says Dave Caputo, president and CEO, Sandvine. "Yet, interestingly, as we all plug into this international network to satisfy our social, professional and entertainment needs, our access patterns and online behaviors have become as unique as we are. The Internet is one single source that satisfies 500 million people, so it is no wonder that an average user does not exist." **BBP**