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Netflix, Inc. Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Deborah Crawford

Thanks, Barry. The first question is from Christa Quarles at Thomas Weisel Partners. She is asking for an update on epic, is there still a possibility to strike a content arrangement?

Reed Hastings

It's Reed. We are talking to a really broad range of content providers all the time, trying to work out deals. So, nothing specific and no specific comments on epics, but we are all talking to all of them.

Deborah Crawford

And our second question, does the new CE deal cover international and does the new Xbox deal extend internationally?

Reed Hastings

We will be able to give you more details on international probably later next year. For now, we just wanted to give everyone a heads up, but you know, it's coming and it fits within the 10% operating margin model.

Deborah Crawford

The next question is from David Miller at Caris & Company. Can you confirm whether or not you have reached with Microsoft on your Xbox streaming deal, if so can you disclose economics?

Reed Hastings

I can't disclose on either of those.

Deborah Crawford

The next question is from Steve Frankel at Brigantine Advisors. At this point, does watch-instantly have more impact on customer attention or customer acquisition?

Reed Hastings

There's no easy way to separate a positive impact of streaming between acquisition, retention and also on DVD substitution or costs, because we don't have a set of customers that are not permitted to get streaming to compare it with. So, what we are seeing is we are investing a lot in streaming, and

overall subscriber base is growing at a fantastic and accelerating rate. So, we are very encouraged by that. Streaming is getting news broadly, you know, we talked about a year ago, roughly 20% and now over 40% of subscribers using it. So, we are feeling very good about that evolution, but we don't – without a control group, we can't be certain which of those attributes are most affected by streaming.

Deborah Crawford

And a second question, if most of the new customer acquisitions tend to be at the lowest cost monthly plan, does the company need to modify its customer acquisition methods to lower SAC in order to maintain margins?

Reed Hastings

No, we are extremely happy with our customer acquisition engine. It's working very well for us.

Deborah Crawford

The next question is from Ralph Scharkar at William Blair. Is competing digital service offerings ruled out on Blu-ray, HDTV, cell phones, etcetera, both electronic sell-through and digital VoD, will this be complementary to the Netflix digital service or a competing digital service?

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