

**COST AND PROFIT OF ONLINE STREAMING SERVICES AND NEWS WEBSITES****Hamza Khasawneh**

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**ABSTRACT**

The purpose of this research is to give a detailed analysis of the financial performance for online streaming services and news websites. The study analyzed the financial data for two of the largest digital media platforms in the world Netflix, Inc. and BuzzFeed, Inc. over the past three years between 2019 and 2021. The methodology used in this thesis to find the results are trend and ratio analysis applied on the two companies' financial statements. The analysis provides valuable results regarding the cost and profit for the companies over the past three years during the COVID-19 pandemic by analyzing the financial data in the balance sheets, income statements, and cash flow reports. The thesis also studied the digital media platforms industry in general by providing information and details regarding the profit and cost systems applied in the business models for these platforms, also explained the subscription plans for video-on-demand services.

**Keywords:**

online streaming services, news websites, video on demand, digital media platforms, Netflix, BuzzFeed

**INTRODUCTION**

TV channels, media production companies, music production companies, commercial agencies, newspapers, and magazines are all transitioning to digital via the internet and social media platforms because it is the most accessible technology to people. The internet and social media are, in some ways, a part of the media industry because they are based on the same concept, which is broadcasting, blogging, and communication. Entering the digital space can be simple but building a strong brand and reaching the right audience is not. As the digital space made it easier to reach people, it also increased competition and broadened the market. As a result, the competition is distinct from traditional competition. Online, new techniques are being used to compete and achieve the desired results.

Digitalization has changed business models including the media market and the ways of content distribution, it also affected the internal organization of the media business and the traditional way of working. Using web-platforms for distributing video content, TV channel editors receive three significant advantages: technological, socio-communicative, and marketing. Enterprises must have a strong digital business model to provide a great digital customer experience and create value. The digital business model major three factors are content, customer experience, and platform. The internet is an open space for comparison between companies. A great digital strategy must include a unique content creation, improving and measuring customer experience, developing a flexible global platform, and build digital business model capabilities [1]. Transforming TV and Newspapers to digital platforms main goals is to build a smarter, cheaper, faster networks with high quality content [2].

**Digital Media Platforms: Online Streaming Services and News Websites**

Online Streaming Services and News Websites is the digital model of traditional TV and newspapers, it is transforming from analog to digital with new business models. Online streaming services, video-on-demand and online news websites are taking a huge part in the digital media space. Online Streaming Service is online source for entertainment that distributes the content via the internet to computer and mobile devices. Online Newspaper or News Website is digital based source for news where news is being published online in different type of data.

TV, media, and News Digitalization has also changed the behavior of the audience, viewers started to use mobile, screen, and computer devices to watch movies and read the news. Digitalization created new habits in reaching the media data, hand in hand services is being preferred more by the audience. Video-on-demand services such as Netflix and Amazon prime, are becoming very familiar now and people prefer it more than traditional TV as well as news websites such as BBC and CNN where people follow the news instantly, these services provided for the audience more time control and content choice as well as live interaction. [3]

Digitalization has changed business models including the media market and the ways of content distribution, it also affected the internal organization of the media business and the traditional way of working. Using web-platforms for distributing video content, TV channel editors receive three significant advantages: technological, socio-communicative, and marketing. Enterprises must have a strong digital business model to provide a great digital customer experience and create value. The digital business model major three factors are content, customer experience, and platform. The internet is an open space for comparison between companies. A great digital strategy must include a unique content creation, improving and measuring customer experience, developing a flexible global platform, and build digital business model capabilities. [4]

It's very important for businesses to transform to digital as the traditional sources of income are drying up, at the same time digitization is very good for businesses to cut costs by simplifying production. Media has developed from traditional to digital in many shapes: from analog broadcasting to digital broadcasting, online media platforms as source of news, convergence of traditional broadcasting with telecommunications. [5]

Netflix and BuzzFeed are examples of new media companies that have emerged in parallel with the digitization of industrial processes and the convergence of streaming and news production platforms. Digital platforms have grown in importance as a means of coordinating a wide range of human activities, including economic, social, and political connections. [6]

Over the last decade, media distribution has shifted considerably toward linear- delayed and subscription-based watching, notably on over-the-top services. Among these platforms, Netflix has risen to the position of "the world's premier curated video entertainment provider." [7]

#### **Online Streaming and Video-On-Demand Services**

Netflix is the biggest and most known video streaming platform in the world. Many factors played a major role in making Netflix the number one video streaming service. The financial performance for Netflix from 2016 to 2019 proved its success with growth in all financial ratios with significant growth in their return on assets and return on equity ratios. Meanwhile they managed to reduce their debt ratio to reach its lowest amount in 2019. In addition, the cash and inventory ratios maintained a healthy growth between 2016 and 2019 [8]. Each online streaming service has its own business models depending on the purpose and goal it's planning to reach. Payment and revenues are the main factors for online streaming services to build the convenient business model. According to the business goals the business model will keep changing with the strategy. [9]

#### **News Websites and Journalism Digitalization**

News websites main aim is to gain popularity by getting link clicks to the website, which makes it the main factor for websites to prove its success and make profits. Social Media platforms are playing a major role for Digital News as it's the biggest resource for clicks and traffic. Facebook, YouTube, and Twitter are the most used platforms as a regular source of news. [10]

There are four different types of online journalism; Mainstream News sites, Index & Category sites, Meta & Comment sites, Share & Discussion sites. Each type has different characteristics, the main characteristics for these four types of online journalism are Hypertextuality, Multimediality, and Interactivity. [11]

Because of the loss of revenue, news publishers must rethink their business model and look for new ways to deal with the digital convergence. The escalating revenue crisis is causing concern not only in the newspaper industry, but also in other sectors of society, because comprehensive and credible news is widely regarded as a prerequisite for a well-functioning democracy. According to conventional business wisdom, revenue diversification is the best way to achieve the goal of capturing, retaining, and growing stable revenue flows. [12]

### **Online Streaming Services and News Websites Cost**

Digitization has had a positive effect on distribution because the costs have been reduced to near-zero levels, while also eradicating the negative effects of the long tail effect. Costs associated with increased subscriptions, as well as distribution costs in remote areas, have almost vanished. Costs associated with increased production are no longer related to variable cost growth and include existing fixed costs. Fixed costs absorb a portion of the total costs of digitized content production by increasing production capacity. However, the marginal cost of production is not zero; rather, it is close to zero. [13]

Producing content and material for digital media platforms along the lines up streaming services or news websites using digital context technology has so many benefits and cost-saving effective results, the particular reason for circumstance is the way how content is being produced with a shorter process and less production stages. The production process has become simpler with less steps, this actively demonstrates that the cost is lower and less time. Also, the internet and digital space is playing a major role in giving an open resource for data, digital news can be gathered online without the need for any physical presence which also means saving money, time, and efforts because there's no need to travel to gather data for any productions. Using digital files, computer applications, and telecommunications technologies will reduce overall cost by 80 to 90 percent. To sum up everything that had been stated so far, transforming from physical production to digital production will save cost and time. [14]

News and information providers have their own distinct production and distribution processes, and the procurement model does not appear to be appropriate as an analytical tool for the journalism industry. Fetscherin and Knolmayer (2004)'s content delivery model, on the other hand, is much more targeted and subject-specific. This model has five components: the product, the consumer, the revenue, the price, and the delivery; however, when confronted with digital journalism, this model has limitations. [15]

Digital journalism is a relatively recent activity in which the distribution costs of digital news are reduced and the content is more easily available. It substantially democratized the previously regulated flow of information by traditional media. The traditional one-way contact between media sources and readers was radically altered by this modern form [16].

### **Online Streaming services and news websites profits**

Online Streaming and video on demand services can make revenues from advertising while streaming. Advertisement is being paid according to views, which means pay per viewer fees. In this case the services will make profits depending on the number of views to each production [17].

According to [18] There are 3 digital business models for generating profits from displaying video content online:

- Video-on-demand model with advertising support; users can access videos and advertisements will appear during watching the video like YouTube.
- Transaction-based video on demand model in which consumer own or rent media content; users can access to videos by paying before watching a specific media content.
- Subscription-based video on demand model that allows audience to access all existing content; users have access to all content by paying every month for the service.

According to [19] there are two business models on the video on demand market based on the revenue recourse:

- Advertising financed Video on Demand model: In this model, video on demand platforms gain revenues from the advertisements on the available content. Users have free access to all services on the platform and the only way they can pay is by actually watching the advertisement that will appear in the content. In this model, the Video on demand is providing services for two different parties. First one is the user who can access the services for free. While the second one is the advertiser who is using the video on demand platform to promote. This actively demonstrates that the higher number of users the higher number of advertisements which generates to profits. The pricing type that is used in this model is Pay-Per-View, this payment happens from the advertiser where they pay for every view the advertisement gets.
- User financed Video on Demand model: In this model, Video on Demand services gain revenues from user subscription payments. Users pay according to the service without seeing any advertisements on any of the content they pay for. The pricing type in this model is called "Flatrate-Pricing" where the user payment for the service the revenue resource.

To make their business model work, newspapers must attract both advertisers and readers. To accomplish this, it may be prudent not to charge one side of the market (audiences) while forcing the other side (advertisers) to pay for the interaction [20].

Users and readers generate revenue through the following channels: a) subscriptions, b) memberships, c) donations, d) crowdfunding, e) single-copy sales, f) micropayments, and g) in-app micropayments. Advertiser revenue streams include: a) display ads, b) programmatic ads, c) promoted content (Outbrain, Taboola, etc.), d) native advertising, e) sponsored content, f) native sponsored content, g) advertorials, h) journalism sponsorships, I sponsored newsletters, j) affiliate marketing, k) branded content, l) native in podcasts or videos, p) leads generation, and q) paid links.

There are 3 revenue models for news websites: Advertising Revenue, Reader revenue, Revenue from Press Subsidies.

### **Netflix Business Model**

Netflix began in 1997 as an online DVD rental service. Most of its revenue is still generated by streaming content that was previously shown in theaters or on television. Netflix, the online DVD rental service, announced the launch of a video-on-demand (VOD) service in 2007. By 2012, Netflix was competing directly with famous television networks by launching original streaming content. By 2014, Netflix not only had a large online archive of films and television shows, but it also had original produced content as series drama and comedy [21].

According to [22] research, If Netflix continues to be the dominant player in the streaming video industry, the company's marketing techniques will almost definitely reinvent the ways in which branding remains the defining industrial practice of television.

Netflix offers categories that are specifically curated and made available within nation-state boundaries, constrained by territorial licensing, geo-blocking regulations, and cultural preferences, confirming the more accurate description of "multinational television", rather than the "global TV network" that it brands itself as [23].

Netflix produces its own media content that it distributes to the platform's subscribers. Once the content is placed on the platform and fixed costs are paid, the variable costs of each subsequent broadcast are close to zero, which means using the zero marginal cost model. According to the results of revenue analysis and revenue trends, Netflix is a very profitable platform. [24]

Netflix's strategy for capturing customers' attention included a departure from its original business model as an exhibitor of film content. Netflix, the selfproclaimed "world's premier online TV provider," focuses its economic

strategy on membership rather than open broadcast advertising, whether public or commercial. one of the main pillars for the success of this VOD service Netflix's earnings is directly proportionate to the number of paying customers because it is not reliant on advertising. Netflix has chosen to base its business strategy on the desire for technological viewing quality, as well as content mobility and accessibility. As a result, it assesses the technical condition of each replay [25].

### **BuzzFeed Business Model**

BuzzFeed was founded in 2006 as an aggregator site for amusing content obtained on social networking platforms. It gained popularity due to its amusing lists and quizzes. BuzzFeed (2017) describes itself as a “leading independent digital media company delivering news and entertainment to hundreds of millions of people around the world.”. BuzzFeed began as a news and viral content sharing platform, but it has now evolved into a full-fledged social news and entertainment corporation. BuzzFeed joined the journalism industry with significant financial resources. It not only has a massive online following, as of March 2017, it claims to have 200 million monthly unique users to its site, but it also receives a regular inflow of funding.

BuzzFeed has taken use of technology, focusing mostly on social media to expand its fan base. BuzzFeed's success is based on 'social sharing,' which occurs when individuals visit the site after clicking on articles posted on social media. Currently, this accounts for 75% of the site's traffic.

In an era when traditional news organizations are failing due to slow demand for print advertising, BuzzFeed has successfully emerged as a key player in advertising, while its competitors struggle to adapt to the digital world. The site's advertising revenue is mostly derived from native advertising, however there has been an increased emphasis on video advertising [26].

BuzzFeed's revenue was mainly generated by the model of native advertising. Though catchy headlines gave the impression that BuzzFeed was billing advertisers based on clicks, this was not totally correct. Instead, BuzzFeed paid its clients a fee for developing personalized content that was tailored to the client's audience base. BuzzFeed has been performing really well in terms of performance. Its successful run and creative business concept drew not just viewers, but also large investors. BuzzFeed's material could be divided into two categories: trademark viral articles and videos that attracted massive traffic and earned brand awareness and branded or sponsored content. BuzzFeed's major source of revenue, with no display advertising, was the latter, i.e. native advertising — companies would be marketed discretely in articles generated by BuzzFeed's staff of content producers [26].

### **Data Analysis**

The data analysis was divided into two basic data groups, namely the BuzzFeed analysis and the Netflix analysis. Within each data group, data on the financial result and the trend in the revenues and cost of revenues will be analyzed. The analysis covered a period of the years 2019, 2020, and 2021 for both platforms.

### **Income Statement Analysis**

Income statement analysis of Netflix for the three years from 2019 to 2021 shows that Netflix has increase its revenue by 47.337% from 2019 to 2021, whereas its cost of generating revenue has also been increase by 39.328%. In addition to that, operating income has been increased in 2021 by 137.861%. It is due to fact that the Netflix in 2019 and 2020 has spent hug amount of funds in marketing its products and attracting the new premium customers. The results of marketing expense have been depicted with increase in revenue in 2021 along with increase in operating income. Although, Netflix has targeted its market in 2021 that's the reason, it has decreased its marketing expenses by in 2021 as compared to 2019 and increasing a little in cost of revenue throughout 2019 to 2021. Furthermore, net income has been increased by 174.047% in the analysis period, particularity, Netflix has earned

more than 40% in 2021 and compared to last year, due to increase in interest and other income, as it has been increased by 389.540% throughout the analysis period. Net income has been increased from 1,867 million in 2019 to 5.116 million dollars 2021. The results shows that the revenue has increasing trend in the years of analysis as it was 20.156m, 24.966m and 29.697m in 2019, 2020 and 2021 respectively. In addition to that, the cost including marketing, technological development, and general administrative to producing revenue has been increased since last three years. Netflix has been investing in technological development to sustain itself in top tiers in the very competitive environment as it has increased investment in technological development from 118% in 2020 to 147% in 2021 around 29% increase in just one year.

*Table 1: Netflix Income Statement Trend Analysis*

Particulars	NetFlix (Thousands)			Trend Analysis Netflix		
	2019	2020	2021	2019	2020	2021
Revenues	\$ 20,156,447	\$ 24,996,056	\$ 29,697,844	1.00	1.24	1.47
Cost of Rev	(12,440,213)	(15,276,319)	(17,332,683)	1.00	1.23	1.39
<b>Gross Profit</b>	<b>7,716,234</b>	<b>9,719,737</b>	<b>12,365,161</b>	<b>1.00</b>	<b>1.26</b>	<b>1.60</b>
G & Admin Exp	(914,369)	(1,076,486)	(1,351,621)	1.00	1.18	1.48
R & D	(1,545,149)	(1,829,600)	(2,273,885)	1.00	1.18	1.47
Other Exp	(2,652,462)	(2,228,362)	(2,545,146)	1.00	0.84	0.96
<b>EBIT</b>	<b>2,604,254</b>	<b>4,585,289</b>	<b>6,194,509</b>	<b>1.00</b>	<b>1.76</b>	<b>2.38</b>
Int. Exp	(626,023)	(767,499)	(765,620)	1.00	1.23	1.22
Int & oth inc (exp)	84,000	(618,441)	411,214	1.00	-	4.90
<b>EBT</b>	<b>2,062,231</b>	<b>3,199,349</b>	<b>5,840,103</b>	<b>1.00</b>	<b>1.55</b>	<b>2.83</b>
Income Tax	(195,315)	(437,954)	(723,875)	1.00	2.24	3.71
<b>Net income</b>	<b>1,866,916</b>	<b>2,761,395</b>	<b>5,116,228</b>	<b>1.00</b>	<b>1.48</b>	<b>2.74</b>

On the other hand, trend analysis of Buzz feed shows that revenue increased in 2021 by 1.80x as compared to 2019. Major contribution of increase in revenue it revenue cost. As the revenue cost for 2021 has increased by 1.23times as compared in 2019. Whereas gross profit has increased trend in 2021. It is of worth to not that the revenue of BuzzFeed for the year 2019 is negative i.e. 36.9m dollars. Because of major expenses incurred in terms of general and administration. But after 2019 the management of BuzzFeed controlled the general and administration expense, resulting positive net income for year 2020 and 2021.

**Table2: BuzzFeed Income Statement Trend Analysis**

Particulars	Trend Analysis BuzzFeed (Millions)			Trend Analysis BuzzFeed		
	2019	2020	2021	2019	2020	2021
Revenues	\$ 317.900	\$ 321.300	\$ 374.900	1.00	1.01	1.18
Cost of Rev	(146.000)	(140.300)	(179.300)	1.00	0.96	1.23
<b>Gorss Profit</b>	<b>171.900</b>	<b>181.000</b>	<b>195.600</b>	<b>1.00</b>	<b>1.05</b>	<b>1.14</b>
G & Admin Exp	(165.700)	(133.700)	(132.500)	1.00	0.81	0.80
R & D	(19.700)	(17.700)	(23.800)	1.00	0.90	1.21
Other Exp	(19.500)	(17.500)	(19.000)	1.00	0.90	0.97
<b>EBIT</b>	<b>(33.000)</b>	<b>12.100</b>	<b>20.300</b>	<b>1.00</b>	<b>-0.37</b>	<b>-0.62</b>
Int. Exp	(0.300)	(1.100)	(2.100)	1.00	3.67	7.00
Int & oth inc (exp)	(3.200)	(0.700)	1.700	1.00	0.22	-0.53
<b>EBT</b>	<b>(36.500)</b>	<b>10.300</b>	<b>19.900</b>	<b>1.00</b>	<b>-0.28</b>	<b>-0.55</b>
Income Tax	(0.400)	0.900	(3.300)	1.00	-2.25	8.25
<b>Net income</b>	<b>(36.900)</b>	<b>11.200</b>	<b>16.600</b>	<b>1.00</b>	<b>-0.30</b>	<b>-0.45</b>

### Balance Sheet Analysis

Total assets of Netflix increase 10.408% annually on average. Its total assets were 16% higher in 2021 and 31% higher in 2020 and 1.31times higher in 2021 than 2019. Whereas cash and cash equivalent as considered highly liquid assets had increased by 6.704% annually at average and 1.20times higher than 2019. Whereas total current assets reached to 131% in 2021 than 2019 but rate of growth was high in 2020. Total assets of Netflix increase 10.408% annually on average. Its total assets were 16% higher in 2021 and 31% higher in 2020 and 1.31times higher in 2021 than 2019. Whereas cash and cash equivalent as considered highly liquid assets had increased by 6.704% annually at average and 1.20times higher than 2019. Whereas total current assets reached to 131% in 2021 than 2019 but rate of growth was high in 2020. In fixed assets, property and equipment of Netflix had increased at higher rate than other non- current assets. Annual growth rate on average for property and equipment is 44.716%, which is highest among total current assets. On the other side of balance sheet Netflix's total liabilities and shareholders' equity had increased by 10.408% annually on average. Just as total assets, the liabilities and shareholders' equity had increased by 1.31times in 2021 as compared to 2019. And shows increasing trend as 100, 116 and 131 percent in 2019, 2020 and 2021 respectively. The total current liabilities had increase by level 7.951% on average annually. In which major increase is in accrued expenses and other liabilities for the short term. Whereas current content liabilities on average decreases by 0.911% annually on average and accounts payable are in increased trend as shown in trend analysis. Long term debt of the company has mix trend upward and downwards as

long-term liabilities were 14.756m in 2019, increased to 15.809m in 2020 and again decreased to 14.693m dollars in 2021.

Whereas Total assets of BuzzFeed increase 11.51% annually on average. Its total assets were 35% higher in 2021 and 14% higher in 2020 and 1.315times higher in 2021 than 2019. Whereas cash and cash equivalent as considered highly liquid assets had increased by 49.630% annually at average and 2.49times higher than 2019. Whereas total current assets reached to 145% in 2021 than 2019 and this shows increasing trend throughout years of analysis. In fixed assets, property and equipment of BuzzFeed had decreased at higher rate than other non-current assets. Annual growth rate on average for property and equipment is -7.46%, which is highest among total fixed assets. It can be justified with that BuzzFeed might have decreased its contents exiting. On the other side of balance sheet BuzzFeed's total liabilities and shareholders' equity had increased by 11.519% annually on average. Just as total assets, the liabilities and shareholders' equity had increased by 1.35times in 2021 as compared to 2019. And shows increasing trend as 100, 114 and 135 percent in 2019, 2020 and 2021 respectively. The total current liabilities had increase by level 7.951% on average annually. In which major increase is in accrued expenses and other liabilities for the short term. Whereas current content liabilities on average increased by 7.672% annually on average and accounts payable are in increased trend as shown in trend analysis. Long term debt of the company has mix trend upward and downwards as long-term liabilities were 14.756m in 2019, increased to 15.809m in 2020 and again decreased to 14.693m dollars in 2021. However, total liabilities show increasing trend through the three years of analysis. The component of balance sheet, total equity of BuzzFeed has average growth rate of 11.234% annually since last three years of analysis. In 2021 the total equity reached to 229.300m dollars as compared to 2019.

#### **Cash Flow Statement Analysis**

Trend analysis of Netflix presents that the cash flow from operating activities has increasing trend in the last three years. As based on 2019 the rate of cash out flow has been decreased by 84% in 2020 and 14% in 2021. It is due to that fact that the Netflix had invested much amount of money in content assets in 2021 but due to highest income generated in 2021 brought the inflows positive as compared to last two years 2019 and 2020. In addition to that, cash outflow from investing activates has been increasing trend around 3.46 times in 2021. The main reason is the Netflix has invested huge amount of money in purchase of property and equipment amounting \$524,585 and acquisition made in 2021 costing \$788,349. It shows that the company is growing its business by investing in property, equipment and acquiring other business. However, net cash flow from financing activities increased in 2020 by 27% because of proceeds from issuance of debt and common stock and decrease by -26% in 2021 as compared to 2019 due to fact that, repayment of debt, common stock, and taxes payables. Overall, net cash flows in 2019, 2020 and 2021 are positive, while presenting the picture of Netflix that it has the ability to generate cash inflows indicating that it has strong ability to repay all debt interest component along with principal amount, dividend to common shareholders, expend its business and ready to face hard times.

Whereas trend analysis of BuzzFeed presents that the cash flow from operating activities has increasing trend in last here years. As based on 2019 figures the rate of cash out flow has been decreased by 37% in 2020 and 52% in 2021. As the cash flow from operating activities are negative in 2019 however cash flow in 2020 and 2021 were 27.60m and 10.60m dollars. It is due to that fact that the BuzzFeed had invested much amount of money in content assets in 2019 but due to highest income generated in 2021 brought the inflows positive in 2020 and 2021 as compared to last year 2019. In addition to that, cash outflow from investing activates has been mixed trend. The main reason is the BuzzFeed has invest huge amount of money in purchase of intangible assets amounting 9.80m in 2020 and 9.400m in 2021 and capital expenditure incurred around 4.70m in 2020 and 2.70m in 2021 dollars. It shows that the company is growing its business by investing in property, equipment and acquiring other business. However, net cash flow from financing activities increased in 2020 because if total debt issued amounting 237.30m and because of proceeds from issuance common stock around 0.20m, where cash from financing activities has been increase due to issuance of debt and common too in 2021. Overall, net cash flows in 2020 and 2021 are positive, while presenting the picture of BuzzFeed that it can generate cash inflows indicating that it has strong ability to repay all debt interest component along with principal amount, dividend to common shareholders, expend its business and ready to face hard times.

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### Current Ratio

The current ratio of both companies is higher than standard value of 1.0, such as for Netflix, it is 0.901, 1.251, 0.951 and for BuzzFeed, it is 3.294, 3.645 and 3.881 for years 2019, 2020 and 2021 respectively. CR of Netflix in 2021 is less than standard value of 1.0 and less than US all companies' average ratio 1.55, whereas, the BuzzFeed has maintained the Cr above the standard value and average companies' ratio in USA. Hence, it can be concluded that, Netflix has to maintain its CR ratio in order to avoid the problem of credit worthiness in the future.

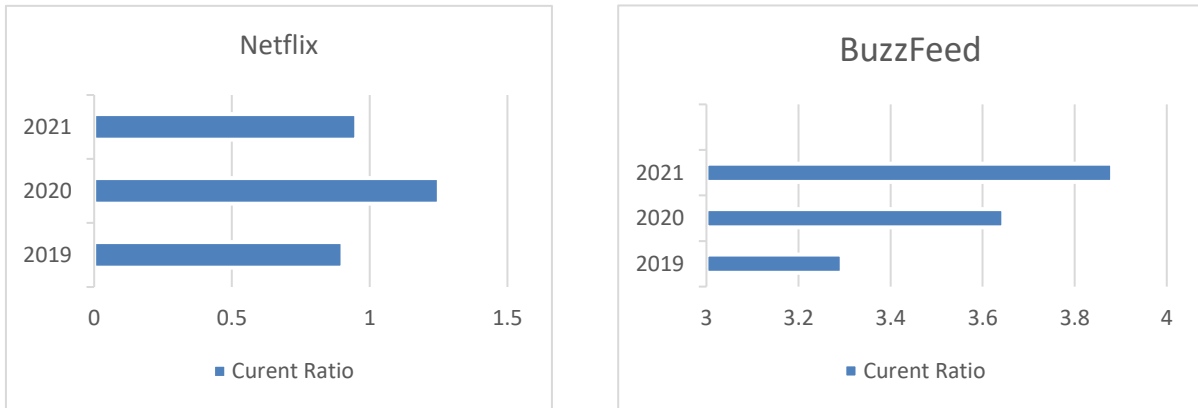


Fig1: Current Ratio

### Quick Ratio

Netflix ratio in 2019 is less than standard ratio of 1.0 but it has maintained it in 2020. Whereas, in 2021, its QR is 0.710 less than 1.0, but overall, on average it does not seem that the Netflix has the problem of meeting its current liabilities in the future. On the flipside, BuzzFeed has maintained its QR ratio above the standard value and seems that the BuzzFeed has more quick assets as compared to Netflix. All together both companies are valuable and have credit worth. Hence, Investors have open choice to invest in the BuzzFeed or Netflix, as Netflix has pretty small and consistent inventory in terms of digital content, making it financially reliable.

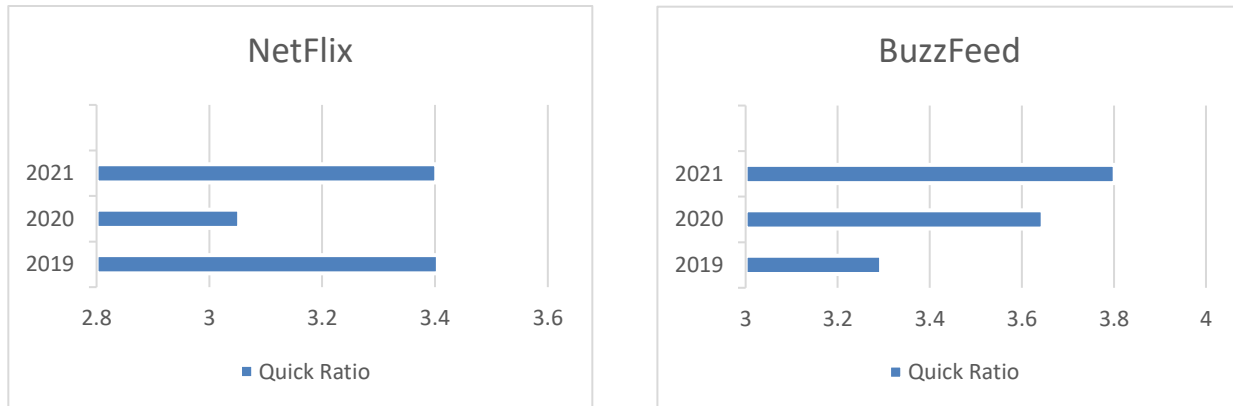


Fig2: Quick Ratio

### Debt to Equity Ratio

Netflix have 3.481, 2.550 and 1.813 debt to equity ratio in 2019, 2020 and 2021 respectively. Hence, the values are in between the defined range of 1 to 2. It indicates the Netflix can meet its obligations and takes advantage of leverage to increase equity returns. On the other hand, debt to equity ratio of BuzzFeed is less throughout the last three years than the range defined. Hence, it concluded that the BuzzFeed meet the financial obligations, but it does not take the advantage of using leverage to increase the equity returns.

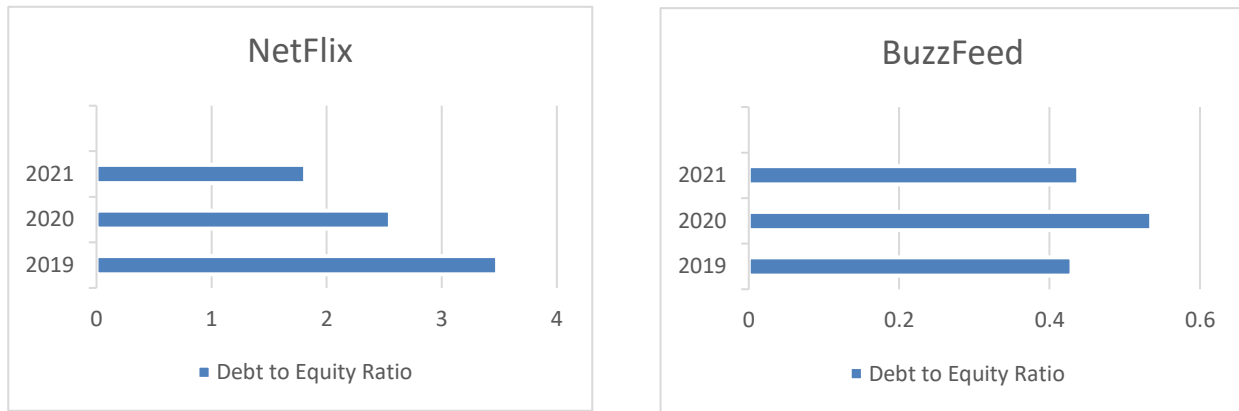


Fig3: Debt to Equity Ratio

### Return on Equity Ratio

On average, the ROE listed on S&P 500 is around 14%. The Netflix ROE ratio is 24.6%, 23.7% and 23.3% in 2019, 2020 and 2021 respectively. Therefore, it can be concluded that the Netflix is taking right investment decisions to generate the return on equity and is adding value to shareholders wealth. On the flipside, the Buzzfeed has negative return to equity in 2019 and positive in 2020 and 2021. It can be seen from results that BuzzFeed is improving its investment decisions throughout 2020 and 2021. But it recommended to management of BuzzFeed to wisely invest the funds so that it can increase value for the existing shareholders and attract the potential investors in the future.

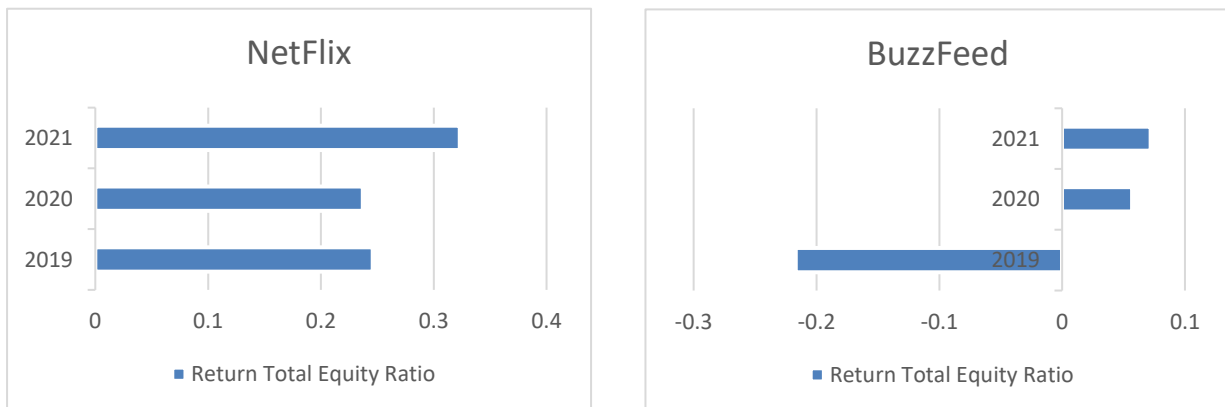


Fig4: Return on Equity Ratio

### METHODOLOGY

This research analyzed the operations of Netflix and BuzzFeed platforms based on the financial statements that were published by the two corporations and financial data gathered from yahoo finance. The research is divided into two basic segments: a) trend analysis of financial statements including income statement components, balance sheet components, and cash flow statement. b) ratio analysis to study the financial health for the two platforms during the specified period. The third section involves analyzing research results comparisons and determining the correlation between the statistical sets that have been examined. The basic goal of the research and the set question is focused on directing further research in this area of the digital media industry.

### CONCLUSION

Producing content and material for digital media platforms such as streaming services or news websites using digital context technology has numerous advantages and cost-effective outcomes. The use of digital files, computer applications, and telecommunications technologies reduces overall costs by 80 to 90 percent. The revenue diversification of the news websites industry has been channeled through advertisement and reader payments. Because social media platforms are the most important source of clicks and traffic, they play an important role in digital news.

Income statement analysis of Netflix for the three years from 2019 to 2021 along with quarterly shows that Netflix has increase its revenue by 47.337% from 2019 to 2021, whereas its cost of generating revenue has also been increase by 39.328%. In addition to that, operating income has been increased in 2021 by 137.861%. It is due to fact that the Netflix in 2019 and 2020 has spent hug amount of funds in marketing its products and attracting the new premium customers. The results of marketing expense have been depicted with increase in revenue in 2021 along with increase in operating income. Although, Netflix has targeted its market in 2021 that's the reason, it has decreased its marketing expenses by in 2021 as compared to 2019 and increasing a little in cost of revenue throughout 2019 to 2021. Furthermore, net income has been increased by 174.047% in the analysis period, particularity, Netflix has earned more than 40% in 2021 and compared to last year, due to increase in interest and other income, as it has been increased 389.540% throughout the analysis period. Net income has been increased from 1,867 million in 2019 to 5.116 million dollars 2021.

Trend analysis of BuzzFeed shows that revenue increased in 2021 by 1.80x as compared to 2019. Major contribution of increase in revenue its revenue cost. As the revenue cost for 2021 has increased by 1.23 times as compared in 2019. Whereas gross profit has increased trend in 2021. It is of worth to not that the revenue of BuzzFeed for the year 2019 is negative i.e. 36.9m dollars. Because of major expenses incurred in terms of general and administration. But after 2019 the management of BuzzFeed controlled the general and administration expense, resulting positive net income for year 2020 and 2021..

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