

# 4 Key Partnerships for Netflix in 2011

## Despite a huge stock runup, the company needs more content

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A new deal by **Netflix** (NASDAQ:[NFLX](#)) to distribute more than 700 movies from Miramax via its streaming video service shows that more content producers are realizing that it's more important to work with Netflix rather than against them.

Make no mistake — Netflix's partnerships are essential to its continued growth and success. Shareholders who have stuck with the company throughout its dramatic transition from DVD rental business to streaming video industry leader may not realize how vital it is for Netflix to find new partners while maintaining old relationships.

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[Netflix price](#) to the summer signing of a new content deal.

But keep in mind that the company grew to 20 million subscribers in 2010 thanks to its amount of content as much as its ease of access and cost. Research firm Brand Keys' annual survey of consumer brand loyalty published in February ranked Netflix No. 1 out of 528 brands thanks to its ability to "delight" consumers.

But despite a huge stock runup, Netflix is at a crossroads. As content partners like Miramax embrace the company, others are clinging to their shows and movies hoping to enhance their value. Showtime Networks said last week that it is pulling some of its original television content like *Californication* and *Dexter* from

Netflix needs to strengthen old ties and forge new bonds to keep subscriber growth healthy in 2011. Here are two new partnerships the company needs to pursue, and two existing ones that it needs to strengthen.

### HBO

The home of such massive hits as *The Sopranos* and *Six Feet Under* will be the crown jewel of Netflix's streaming service when it finally secures a deal. Unless a competitor makes significant headway against Netflix, it's a matter of when, not if, HBO comes to Netflix. HBO, owned by **Time Warner** (NYSE:[TWX](#)) has been keen to stay independent of other streaming outlets, starting up multiple services like HBO On Demand through cable service and HBO GO as a devoted streaming competitor on smartphones and Web browsers.

A partnership with Netflix would ultimately benefit the company, though, as licensing fees would help fill the gap left by dwindling DVD sales. The sooner this partnership is forged, the better for both.

### The Criterion Collection

Netflix's instant-streaming service did offer Criterion Collection films like *Rushmore* and *Seven Samurai* until the distribution company left the company for Hulu in February. This means that Netflix needs a new agreement with a lost partner, rather than a brand new collaborator. Not only does Netflix need to recapture the Criterion Collection's film library, it needs to leverage the same supplementary content such as documentaries and other features that has made the Hulu partnership such a promising lure for audiences. Netflix needs to begin filling out the range of services available through instant streaming, and reconnecting with the Criterion Collection is the place to start.

### NBC Universal

NBC television content, now majority-owned by **Comcast** (NASDAQ:[CMCSA](#)) has been a strength of Netflix's instant-streaming service since began, but it could be emboldened significantly with more content. NBC has been desperately searching for ways to improve viewership hoping to recapture the glory days of its 1990s programming schedule. A good way to do this is to re-evaluate its current

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licensing deals with Netflix, and bring more new content to the service that still have growing audiences, as well as legacy content. **News Corp.'s** (NYSE:[NWS](#)) Chase Carey already said that [Netflix's strength is going to reduce syndication fees](#). It's time to discuss bringing syndication giants like *Seinfeld* to Netflix. Netflix can, in turn, start considering multiple tiers of subscription to add premium fees to extra content like NBC legacy programming.

#### Disney (NYSE:[DIS](#))

Netflix has already made bold steps to strengthen its relationship with Disney. A December deal between the two companies brought ABC and Disney Channel television to the streaming service. As with NBC Universal, Netflix has an opportunity to strengthen its ties with Disney by testing more subscription options, offering access to a broader range of content for a higher fee. By giving Netflix subscribers access to a complete archive of Disney's animated features, both companies would see financial benefits in the form of higher subscription and subsequently licensing fees.

*As of this writing, Anthony John Agnello did not own a position in any of the stocks named here. Follow him on Twitter at [@ajohnagnello](#) and become a fan of [InvestorPlace on Facebook](#).*

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