

Netflix: New Subscriber Acquisition

1. Problem Statement

Netflix’s revenue growth has slowed due to stagnating new subscriber acquisition. This PRD outlines product outcomes, KPIs, and edge cases to optimize the acquisition funnel and ultimately grow revenue.

2. Business Objective

Increase overall revenue by driving growth in new paid subscribers through product improvements in the acquisition journey.

3. Revenue Function Mapping

Metric	Formula
Revenue	Number of Paid Subscribers × Average Revenue Per User (ARPU)
Paid Subscribers	New Paid Subscribers + Existing Subscribers - Churn

Focus Area: New Paid Subscribers (Acquisition)

4. KPI Framework

Primary KPIs (Directly Impact New Subscriber Growth)

KPI	Definition	Why it Matters	Funnel Stage
New Subscriber Conversion Rate	Percentage of visitors converting to paid subscribers.	Direct measure of the funnel’s effectiveness in turning visitors into paying customers.	End of the funnel.
Customer Acquisition Cost (CAC)	Average marketing and operational cost per new subscriber.	Tracks efficiency of spend — high CAC reduces profitability.	Cross-stage KPI (impacts acquisition, operations, and marketing)

Secondary KPIs (Support Primary KPIs)

KPI	Definition	Why it Matters	Funnel Stage
Free Trial to Paid Conversion Rate	Percentage of free trial users converting to paid subscriptions.	Indicates perceived value and potential for long-term retention.	End of the funnel.

KPI	Definition	Why it Matters	Funnel Stage
Referral Conversion Rate	Percentage of referred users subscribing.	Measures the impact and effectiveness of referral/virality programs.	Top and Mid funnel.

Diagnostic KPIs (Identify Drop-off Points)

KPI	Definition	Why it Matters	Funnel Stage
Drop-off Rate at Each Funnel Step	Percentage of users quitting at each step of the acquisition process.	Pinpoints where users abandon the funnel, enabling precise fixes.	Step-by-step throughout the funnel.
Registration Completion Rate	Percentage of users who complete the signup process.	Identifies UX or technical friction points that need fixing.	Mid-funnel.
Payment Method Success Rate	Percentage of successful payment attempts.	Ensures the payment infrastructure is reliable and seamless.	End of the funnel.

Engagement KPIs (Indirectly Influence Acquisition)

KPI	Definition	Why it Matters	Funnel Stage
Landing Page Bounce Rate	Percentage of visitors leaving the landing page without interacting.	Indicates poor targeting, messaging, or UX design.	Top of the funnel.
Content Preference Selection Completion Rate	Percentage of users completing content preference selection during onboarding.	Good onboarding improves early engagement, which correlates with better conversion rates.	Post Signup.

5. Product Outcomes to Drive Acquisition

1. Awareness & Interest

- Optimize SEO and app store listings.
- Improve landing page messaging, value proposition clarity, and visuals.

2. Sign-Up Funnel Optimization

- Simplify signup steps and reduce friction.
- Real-time input validation and error handling.
- Regional content personalization based on location.

3. Free Trial Experience

- Transparent communication about pricing after the trial.
- Highlight popular and personalized content immediately.
- Engagement nudges during the free trial period.

4. Referral & Virality Enhancements

- Introduce a gamified referral system.
- Offer exclusive content unlocks or trial extensions for successful referrals.

6. Edge Cases & Assumptions

Edge Cases

- Internet connection drops mid-registration.
- User enters duplicate email or phone number.
- User abandons process at the payment step.
- User switches devices (mobile to desktop) mid-signup.
- Geo-restrictions impacting signup flow.
- Invalid or expired referral codes.

Assumptions

- Social login options are available.
- Pricing plans remain unchanged.
- Regional content licenses and legal requirements are already cleared.

7. Wireframes (Conceptual)

Page	Description
Landing Page	Hero section with value proposition and a prominent “Start Your Free Trial” CTA.
Sign-Up Form	Minimal fields, social login options, real-time error validation.
Free Trial Confirmation	Display plan details, trial period, and post-trial pricing.
Onboarding	Let users pick preferred genres and showcase popular content.
Referral Prompt	Show referral code, track benefit status, and enable easy sharing.

8. Success Criteria

- Increase new subscriber conversion rate by X% in the next 3 months.
- Reduce signup funnel drop-off rate by Y%.
- Improve free trial to paid conversion rate by Z%.