

Diminishing Effectiveness of Original Content Strategy and Problem of Market Saturation for Netflix

Focus Group Report

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In order to better understand our research objectives, we conducted a focus group with six attendees, consisting of four girls and two boys. These attendees come from diverse backgrounds but they are all familiar with Netflix.

1. Findings

1.1 Insights Generated from Discussion

The process of conducting a focus group reveals several important and unexpected insights that we did not take into consideration before. The attendees were not very sensitive to the price changes in monthly subscription price as well as the advertisement delivery before the start of each episode. In addition, they felt the amount of original tv series was too overwhelming in these years and they wanted Netflix to shift some focus to produce TV shows in the future. Lastly, they also shared some unsatisfying points about Netflix and also expressed that they hold negative standpoints regarding cooperation with other industries.

- 1) They said they usually share the account with friends or with friends' friends, so they did not actually know how many different types of subscription plans that Netflix was currently offering. Also, they were not very attracted by a lower price monthly plan along with ads.
- 2) They also said that the overall quality of Netflix's original content was very good during these years, especially some Korean dramas and TV shows. They felt it might be good that Netflix could produce more original TV shows and then reduce the quantity of original TV series. Furthermore, they really enjoyed how Netflix made subscribers interact with those tv series or movies and they hoped Netflix can keep this feature and even made it as the future focus.
- 3) They also asserted the opinion that Netflix had a limited collection of international content and they had to switch to other streaming sites to watch tv series. Then, they were also not very satisfied with the update pace of new movies.
- 4) It also came to their minds that they may stop subscribing to Netflix if Disney or other competitors took lots of content or resources, such as marvel movies, away from Netflix.
- 5) They felt it was not a very good idea for Netflix to cooperate with other industries such as opening pop-store to sell peripheral products.

1.2 Further Questionnaire Questions

- 1) Would you like to see more international programs on Netflix or less?
- 2) Would you like to see more original content on Netflix? If so, what kind of original content do you prefer? E.g. Crime TV Dramas/ Korean TV Shows/ Reality TV Shows

- 3) If Netflix plans to launch some peripheral products, would you be interested?
- 4) Are you currently sharing an account on Netflix with other people?
- 5) If Netflix focuses on producing interaction content, would you be more inclined to watch this original production?
- 6) How likely, on a scale of 1 to 7, would you choose Netflix over other streaming if it purchases more latest movies?

2. Discussion Procedures

- 1) The discussion starts with attendees' watching frequency and preferences. How often do they watch Netflix? Which genres do they usually watch on Netflix? Which subscription plans are they currently using?
- 2) Next, attendees called out several specific key attributes that they prefer Netflix over other streaming channels. These features include high video quality that can deliver the audience a desired watching experience, no interruptive ads, and powerful recommender system.
- 3) The most important topic we discussed is how they perceive Netflix's original content. Most of the participants have great interests in Netflix's recent interactive content. They commented that this advanced technology and their curiosity make them keep watching those contents. While there was a shared sentiment that they feel hard to determine what to watch when a mass amount of original programs are rolling on the screen.
- 4) Then we discussed how Netflix can improve on its original content. Several participants expressed that they want Netflix to produce more crime and mystery series, include more on-air movies, and keep producing original movies and TV shows.
- 5) The last part, we brought up some possible actions related to Netflix's future development, including opening offline pop-up stores and launching a \$5.99 with 15-seconds ads subscription plan. For both plans, only one out of six attendees showed huge interest. Regarding brick and mortar stores, Others expressed their concerns about Netflix's lack of loyal fans. Also given their insensitivity of the price and Netflix's current feature, they are more willing to pay for premium plans without ads rather than choose a lower-price plan.

3.0 Recommendations

Based on the discussions and findings mentioned above, we have come up with several hypotheses that we believe are useful to the managerial decision problem. After we obtain our survey

results, we will provide estimates of the costs and benefits on the set of actions for which the hypothesis turns out to be credible from the survey results.

- 1) The primary cause of declining subscriber growth is Netflix's close-to-saturation market share in the US. Besides that, we surprisingly found out that not only household members share their subscription but college students usually co-own one premium account to share the monthly fee, dramatically decreasing the actual subscriber population. To reverse the trend and boost subscriber growth, Netflix could endeavor to dig into the most populated area - Asia - by producing more Asian-related content.
- 2) The primary cause of diminishing effectiveness in Netflix's original content strategy is the overwhelming amount of original TV series these years, making it hard for audiences to locate the content they are indeed interested in. Netflix could limit the quantity of TV series produced each year to save the budget for launching more original TV shows and the trending interactive content.
- 3) The primary cause of declining subscriber growth is the increasing competition in the streaming market. The current Netflix users may switch to 'Disneyflix' or Apple TV after these two powerful competitors officially enter the market shortly. To win this battle, Netflix could keep building on the diversity of its content by purchasing the license of hottest movies instead of engaging in a price war because the subscribers of Netflix are not willing to watch ads in exchange for a less-expensive monthly fee.