

Subject: Market Research Objectives

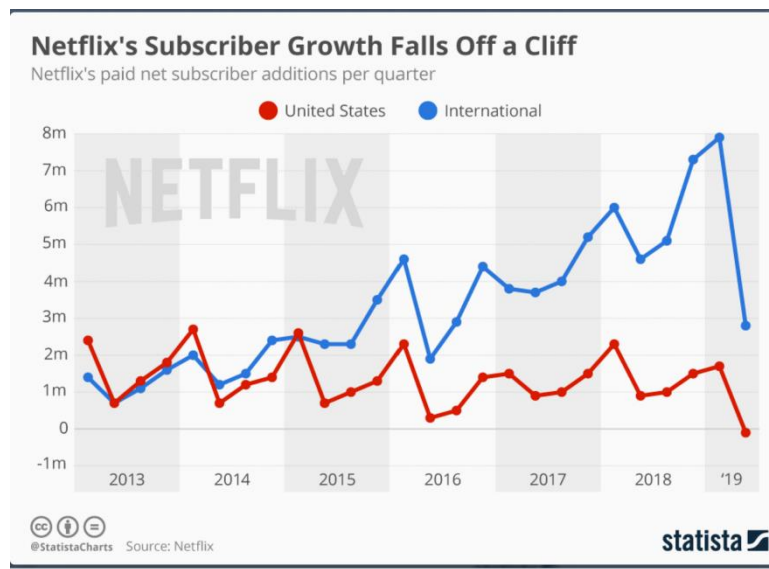
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To: Greg Peters, Chief Product Officer of Netflix

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Organization: **Netflix, Inc**

Netflix, the giant in the US streaming market, is facing the biggest threat ever. After years' rapid user growth, the company is drying up the pool of new subscribers both in the domestic and overseas markets. Netflix has already transited from an emerging company to a mature corporation, unavoidably slowing its growth. **The effectiveness of Netflix's original content strategy is diminishing, and the company is hard to meet investors' high expectations on the continuously growing subscription base.** As saturation of the streaming market, huge new content spending, and decreasing subscribers, the managerial positions need to take action to boost its growth rate or Netflix will be killed by market saturation.



Strength: Netflix is the leading online streaming site in the U.S. with massive subscribers and tremendous growth. Netflix has strong bargaining power for content from many countries, which creates the foundation of Netflix's business strategy: offering affordable price but premium value. Netflix stands out in the online entertainment industry and differentiates itself from similar competitors by offering a large collection of high-quality movies, shows, and documentaries. Besides, Netflix has an advanced user-friendly interface that provides suggestions intuitively based on personal taste and usage of the users. Also, it adapts to various technologies quickly that allows customers to enjoy the content on all internet-connected devices such as tablets and mobile phones without limitations. With the easy-to-use interface and high adaptability, Netflix has attracted customers of different generations and then maintained a growth rate of subscribers.

Weakness: Though Netflix takes advantage of being the first-mover in the streaming industry, the business model they succeeded in is easily replicated. Other companies with enough capital can readily enter this industry, leading to intense competition among streaming service companies. The crowded industry pushes Netflix to keep building on its costly original content to stand out; therefore, unavoidably issue debt to cover the expense. Another downside is Netflix's dependence on content producers. A considerable amount of TV shows and videos come from licensed content, making the company vulnerable to those content providers.

Opportunity: There is no doubt that Netflix's dominance in streaming service, strong renewal rate (highest of any streaming service at 93%) and maintaining customer loyalty. When it comes to the opportunities, Netflix can penetrate other countries and expand its services and subscribers, targeting the countries in which streaming service just emerges. Meanwhile, Netflix's current revenue is mainly from its subscribers. It can also establish a product mix expansion to boost company growth. For instance, opening a brick and mortar store in populated cities, where viewers can find the widest selection of Netflix show merchandise.

Threat: The competition is getting tougher and the streaming service market becomes saturated. Even though the invasion of rising rivals is something common for Netflix, viewers' preferences will be much harder to predict when they have enormous options. For example, Disney will publish its streaming service very soon and it will be priced at a competitive rate (maybe even more successful than Netflix. Since Netflix currently has access to Disney content, Disney may withdraw its licensed content after launching its service). Currently, customers have zero switching costs. Thus, the major decisive factor in choosing streaming service lands on the attractiveness of content. Given that Disney is good at building content and a large customer base, this situation did pose a threat to Netflix.

2. Given the SWOT analysis discussed above, it is critical for Netflix to actively take action right away to respond to these market changes and also try to come up with new strategies to boost profits. As a result, our research report will focus on how to address these problems and then try to offer some possible solutions.

1. Since Netflix focuses more on the quality of the content rather than the quantity through investing heavily in producing original series, we want to find out whether this strategy is still effective and beneficial for the company in the following period and determine viewers' watching motivation.
2. Because a single income model has gradually become the bottleneck of Netflix, it is important to know if it is the right path for Netflix to increase its income sources by collaborating with other industries such as establishing offline TV drama peripheral products sales.
3. Netflix is increasing its foreign-language content domestically, canceling some popular U.S programs such as House of Cards and Orange Is the New Black. We want to find out how this approach will affect domestic subscribers in the U.S and whether it is the right path for Netflix to pursue its international expansion.