

NETFLIX

Strategic Analysis & Recommendations

Agenda

1. Problem Statement
2. Competitive Advantage
3. Objectives
4. SWOT
5. SWOT Analysis
6. Presentation of 3 Alternatives
7. The Big Idea
8. Data requirements to execute
9. Measurement requirements
10. Conclusion

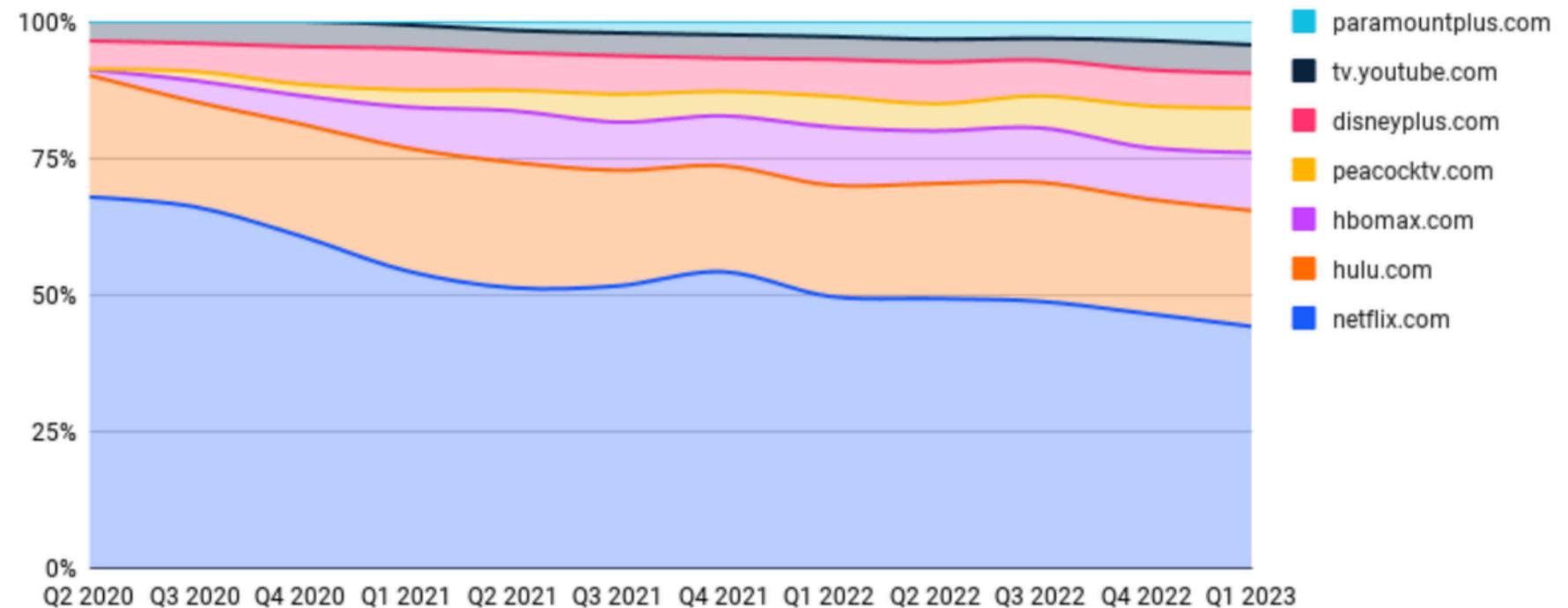
Strategic Problem

Declining Market Share

Market Share Over Time

Streaming Industry Digital Market Share

Traffic Share | Desktop & Mobile Web | March 2020 - March 2023



Problem Statement

Netflix is experiencing a concerning trend of diminishing market share in the highly competitive streaming industry. This decline poses a significant threat to the company's sustained growth and industry leadership. The reasons for this decline may include increased competition, changing consumer preferences, and the need for strategic adjustments in response to evolving market dynamics. Immediate attention is required to reverse this trend, regain lost ground, and fortify Netflix's position as the premier streaming service globally.

Competitive Analysis

Amazon Prime Video

Hulu

Disney Plus

Paramount

| Month, Year | Netflix | YouTube | Hulu | Amazon | Disney+ |
|--------------------|----------------|----------------|-------------|---------------|----------------|
| Dec 2021 | 6.4% | 5.8% | 3% | 2.1% | 1.6% |
| Jan 2022 | 6.6% | 5.7% | 3% | 2.4% | 1.8% |
| Feb 2022 | 6.4% | 5.7% | 3% | 2.3% | 1.7% |
| Mar 2022 | 6.6% | 6% | 3.3% | 2.3% | 1.8% |
| Apr 2022 | 6.6% | 6.1% | 3.3% | 2.5% | 1.7% |
| May 2022 | 6.8% | 6.7% | 3.4% | 2.6% | 1.7% |
| Jun 2022 | 7.7% | 6.9% | 3.3% | 2.9% | 2% |
| Jul 2022 | 8% | 7.3% | 3.6% | 3% | 1.8% |
| Aug 2022 | 7.6% | 7.6% | 3.7% | 2.9% | 1.9% |
| Sep 2022 | 7.3% | 8% | 3.8% | 2.9% | 1.9% |
| Oct 2022 | 7.2% | 8.5% | 4% | 2.8% | 2% |
| Nov 2022 | 7.6% | 8.8% | 3.9% | 2.6% | 2% |
| Dec 2022 | 7.5% | 8.7% | 3.4% | 2.7% | 1.9% |

| | | | | | |
|----------|------|------|------|------|------|
| Jan 2023 | 7.5% | 7.3% | 3.2% | 2.9% | 1.7% |
| Feb 2023 | 7.3% | 7.9% | 3.3% | 3% | 1.8% |
| Mar 2023 | 7.3% | 7.8% | 3.3% | 2.9% | 1.8% |
| Apr 2023 | 6.9% | 8.1% | 3.3% | 2.8% | 1.8% |
| May 2023 | 7.9% | 8.5% | 3.7% | 3.1% | 1.8% |
| Jun 2023 | 8.2% | 8.8% | 3.5% | 3.2% | 2% |
| Jul 2023 | 8.1% | 9.2% | 3.6% | 3.4% | 2% |

PESTLE Analysis

POLITICAL

- Regulation and Censorship
- Online Streaming Act of Canada
- EU regulation on European content

ECONOMIC FACTORS

- Exchange rates
- Inflation
- Piracy

SOCIAL FACTORS

- Commitment to support Black communities in the U.S
- Student scholarships
- EU regulation on European content

TECHNOLOGICAL FACTORS Exchange rates

- The Netflix HERMES Test
- Incorporation of Machine Learning

LEGAL FACTORS

- Copyright claims
- Cracking down on VPNs

ENVIRONMENTAL FACTORS

- Minimizing Electricity usage
- Using renewable energy

Objectives

- Increase the number of new subscriptions by 15% within the next quarter.
- Enhance content differentiation to retain existing subscribers and attract new ones.
- Expand and localize content libraries to cater to diverse international markets.

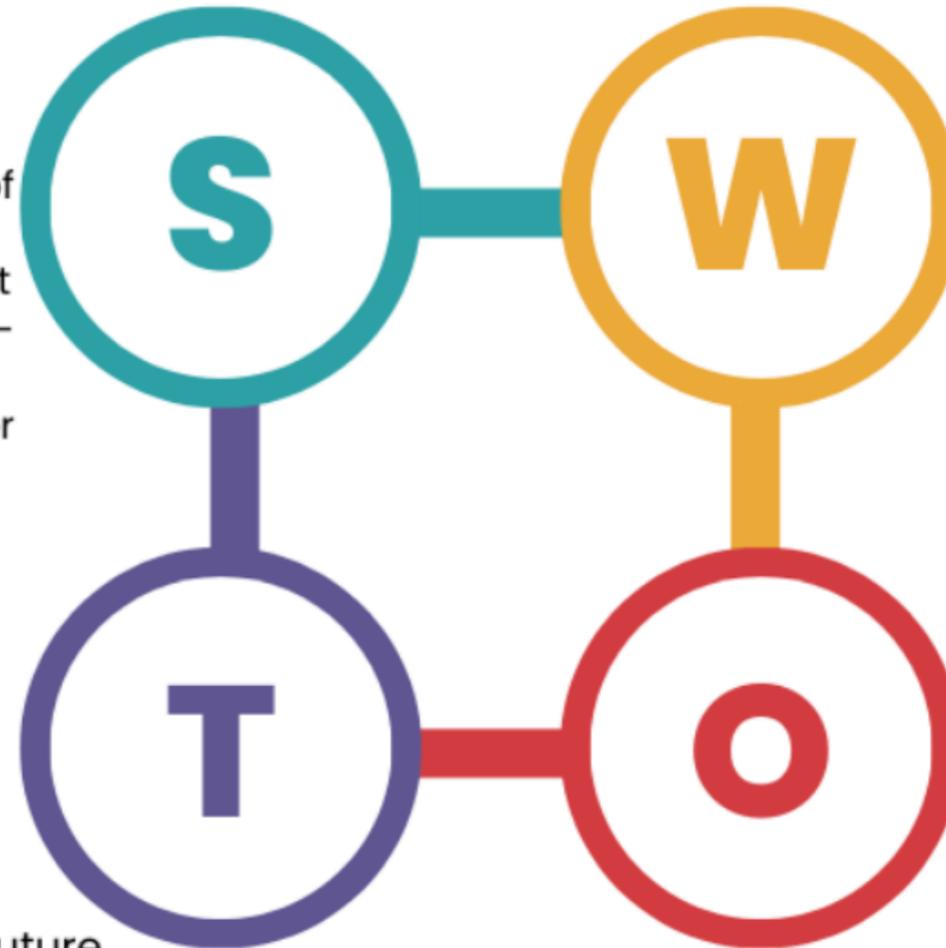
SWOT

STRENGTHS

- Favourable Brand Positioning
- Offers services to wide range of Customers
- Offer Exclusive Original Content
- Capability for Rapid Customer-centric adaptation
- Strong Influence on customer culture

THREATS

- Rising Competition
- Rampant Content Piracy
- Password Sharing
- Failure to invest in greener future
- Slowing Growth in North America
- Rising Operational Cost



WEAKNESSES

- Restricted Copyright Policies
- Worrying Relationship with Debt
- Lost it's price competitiveness
- Recent Subscriber Loss
- Over-Reliance in North American Market

OPPORTUNITIES

- Strategic Re-Branding
- Further Room for Expansion
- New Innovative Customer centric services
- Offering more local content

SWOT Analysis

STRENGTHS

- Favorable Brand Positioning: Recognized as a leading customer-centric service with a strong brand presence.
- Offers services to wide range of customers: Available in 190 countries with over 220 million paid subscribers, providing leverage in negotiations.
- Exclusive Original Content: Despite debates, successful shows like Stranger Things and Squid Game contribute 40% to the library.
- Adaptive to Customer Preferences: Constantly evolving its business model to stay competitive in a dynamic market.
- Cultural Influence: Known for shaping consumer culture phenomena and boosting actors' careers.

WEAKNESSES

- Copyright Limitations: Limited exclusive content affects revenue potential.
- Debt Concerns: Heavy investment in content development raises financial concerns.
- Pricing Competitiveness Loss: Gradual price hikes make it less competitive compared to other services.
- Subscriber Loss: Recent quarterly loss of 1.2 million subscribers due to pricing, competition, and market factors.
- Dependence on North American Market: Over 50% revenue from the U.S. and Canada poses vulnerability.

OPPORTUNITIES

- Strategic Rebranding: Focus on quality over quantity, rebuild trust, and enhance customer-centricity.
- Expansion with Local Content: Offering more regional content to attract diverse international audiences.
- Innovative Customer-Centric Services: Invest in innovative designs aligned with evolving consumer preferences.
- Enhanced International Content: Increasing focus on local content for international markets.

THREATS

- **Rising Competition:** Strong competitors like Amazon Prime Video, Disney+, and HBO Max pose challenges.
- **Content Piracy:** Despite efforts, piracy remains a significant threat, resulting in potential revenue loss.
- **Password Sharing:** Widespread practice causing substantial revenue loss, requiring effective solutions.
- **CSR Investments:** Lack of investment in sustainable practices impacting brand perception.
- **Slowing North American Growth:** Stagnation in the North American market due to various market factors.
- **Rising Operational Costs:** Ever-increasing content production expenses impacting sustainability.

Presentation of 3 Alternatives

1. Collaborate with major sports associations and become the official streaming platforms for live sports events for specific countries
 2. New plan for different content formats at a lower price
 3. Netflix library - Books and audiobooks based on their movies and TV series
- 
- A red circular graphic is located in the bottom right corner of the slide, partially cut off by the edge.

The Big Idea

Which of the 3 strategies did you pick?

Collaborative local live sports as that is personalized to every country's sport, and live sports is an untapped market for Netflix that has a lot of potential.

How are you going to roll it out?

Focusing on f1, using f1 as a base to get into the sports market. Drive to survive's popularity created.

Formula 1 U.S. TV viewership averages

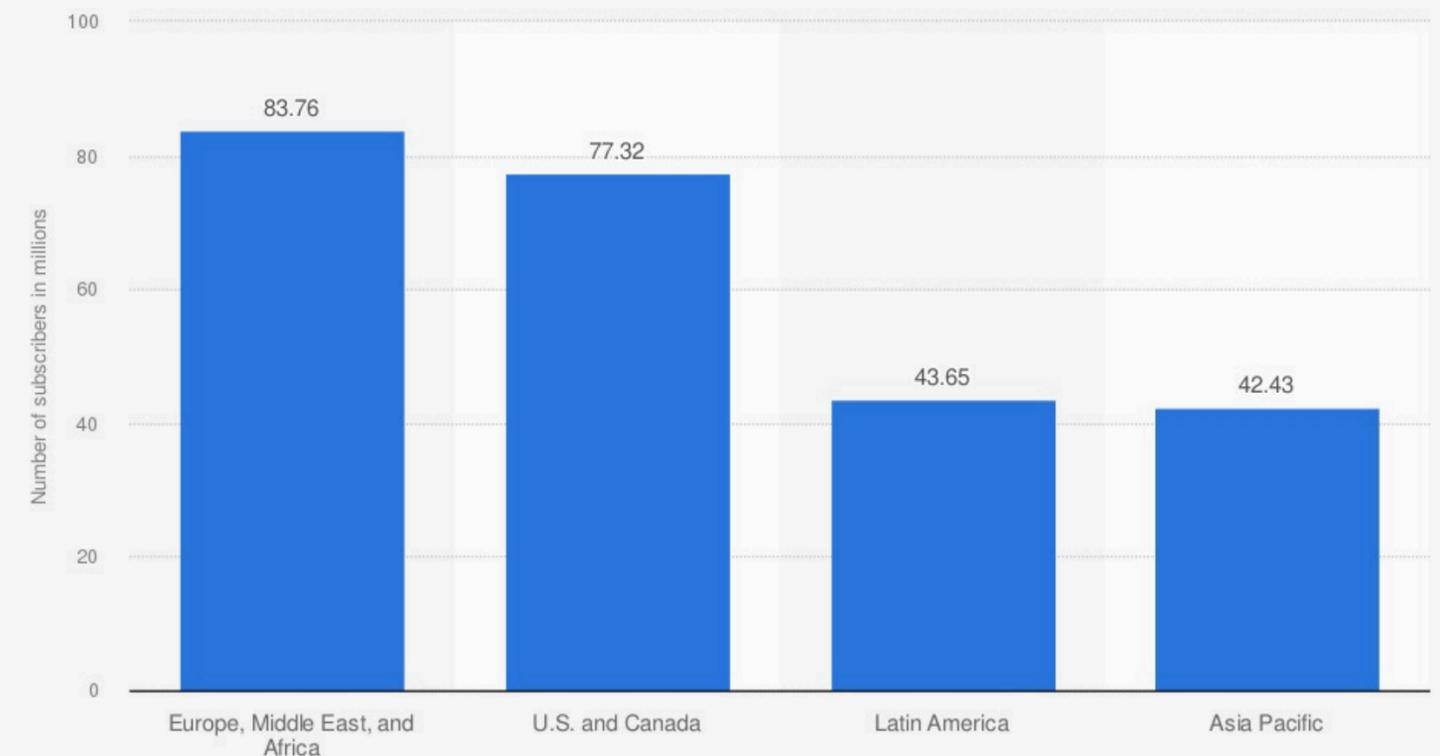
| YEAR | PER-RACE AVERAGE |
|------|------------------|
| 2022 | 1.21 million |
| 2021 | 949,000 |
| 2020 | 608,000 |
| 2019 | 672,000 |
| 2018 | 554,000 |
| 2017 | 538,000 (NBC) |

- ESPN, which has teamed with Sky Sports to air races since 2018, said that the 2021 season is averaging 949,000 viewers through 14 races, which is 53% higher than the 2020 season average and 40% higher than the first 14 comparable races in 2019.
- Last year, F1 races on ABC, ESPN and ESPN2 averaged 1.21 million viewers — the first time they've hit an average of 1 million with American audiences.
- F1 TV and F1 TV Pro in monthly or annual instalments. In Canada, F1 TV costs \$36.99 for yearly access. Or you can sign up to F1 TV Pro, which is for \$79.99/year.
- Win- win situation for netflix and f1, as f1 tv subscriptions are declining

Creative execution of the strategy

- **Countries targeting-** US, Brazil
- **National sports-** Baseball, Basketball, Rugby, Hockey
- **Approach-** Collaborate with respective major associations for the national sports chosen. Eg. MLB, NBA, NFL, and NHL
- **USP** - Live chat and involvement

Number of Netflix paying streaming subscribers worldwide as of 3rd quarter 2023, by region (in millions)



Source
Netflix
© Statista 2023

Additional Information:
Worldwide; Q3 2023

Data requirements to execute

- List of countries with max subscribers
- The national sport of the country
- Association that organizes the sport
- Who is telecasting
- Current viewers of the sport
- How are the people accessing
- Data on what consumers might be interested in watching
- Questions for players

Measurement Requirements

SUCCESS OF EXECUTION

- **Subscriber Growth:** Track the increase in Netflix subscribers in the targeted local areas where live sports are being offered.
- **Viewership Numbers:** Monitor the number of viewers for live sports events on Netflix.

SUCCESS OF FULFILLMENT

- **Subscriber Growth:** Assess the achieved growth in Netflix subscribers in the targeted local areas compared to the predefined objectives.
- **Viewership Numbers:** Evaluate the actual viewership numbers for live sports events against the projected benchmarks.

CUSTOMER RELATIONSHIP ADVANTAGES

- Live sports events will provide opportunities for interactive engagement
- It will position Netflix as a platform that understands and embraces local cultures
- Retention rate - Actively managing relationships can contribute to higher customer retention rates.

Conclusion

- Did your solution match your problem?
- Did measurement fulfill the objectives?