NETFLIX: RESERCH & ANALYSIS

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Executive Summary

Over the past few months, we have directed our research and analysis on a set of research questions to help us suggest marketing decisions we believe will help Netflix. Price and competition are two of the main issues Netflix is currently facing. In our research, we looked at how price and competition for Netflix compare to how consumers view them compared to other video streaming platforms. Within those questions, we incorporated three more not as pressing issues Netflix has which include bad press, customizations, and the outlook of the industry. The secondary questions helped us dig deeper into our marketing problems and better understand how to solve them.

In this report, we address:

- ***Research & Survey Design:*** The research and survey design discuss the development of the marketing research questions, design of the Qualtrics survey, the sampling methods used, and the scales of measurement used. This section serves as the foundation for the rest of the research as it allowed for further research and analysis.
- ***Data Analysis & Results:*** Five tests were conducted to analyze the results from the participants. A mixture of descriptive statistics, ANOVA's, Independent T-Test's, and One Sample T-Tests were used to gather the best possible data and allow for further analysis. The test and test results are described in length, with explanations as to what that means for Netflix as a company.
- ***Conclusions, Recommendations & Limitations:*** This section underlines the recommendations we have for Netflix based on our results and research. It is also important to address the limitations of the research conducted and what further steps should be taken.

From all the research conducted on Netflix and the collection of responses, using the data collected and provided in this report, we would recommend that Netflix does not spend unnecessary money on improving young adults' experience with Netflix. Further action should be taken to gather additional information on Netflix's older target markets and focusing marketing actions directed to these individuals.

Introduction

As a multibillion-dollar company, Netflix has many marketing aspects that can be considered problems for the company. Using a SWOT analysis several marketing problems were identified including increased competition, bad public relations, lockdown, consistently increasing prices, and the fall of Netflix's customer loyalty.

An external threat that Netflix has been needing to adapt to within the recent few years is the increased level of competition within the video streaming industry. With many cable providers and other companies like Disney, ESPN, CBS, and HBO transferring their media from other platforms such as cable to video streaming services has provided a threat to Netflix losing subscribers to their platform. This competition has changed the video streaming industry by adding additional movies and television shows to take away from what Netflix currently offers. With this threat of increased competition, Netflix will need to emphasize its competitive edge to its consumers to avoid a loss in subscribers.

Netflix was able to gain their original customers by being the first company to move to having a video streaming service and they were able to gain the first consumers that would transition their intentions from cable to a streaming service. In the first couple of years, Netflix was able to gain loyal customers that found a liking for watching movies and television shows without commercials. As new video streaming platforms have edged their way into the industry Netflix has begun to lose some loyal customers. This is an important marketing problem for Netflix to address and adapt to because trying to gain new customers is more expensive for the company than retaining old ones.

Netflix has been receiving several instances of backlash and bad PR due to many cases including concerns about diversity, equity, and inclusion, large layoffs, and the most react crack down on password sharing. To start, many articles were published and became very popular on the internet covering Netflix's layoff of over 150 employees (plus contractors and part-time employees) (Koblin, 2022). These articles pointed out that many of these employees recently laid off were part of the social media team, writers, and editors who were promoting diverse content and talent on Netflix. This incident brought up much speculation about Netflix and whether they were aligned with their own goals. Netflix stated, "We believe more people deserve to see their lives on-screen and are committed to creating opportunities in front of and behind the camera for people from all backgrounds and cultures (*Inclusion & Diversity*, n.d.)." Netflix continues to fight the statement made against them, yet more stories, and statements like this one continue to arise. Currently, Netflix is undergoing much retaliation for the current password sharing. Netflix was attempting to lock down on their consumers sharing their passwords outside of their households by making the devices connect to a "home" Wi-Fi once every 31 days. This was not received well by Netflix users as many families have college-aged students or members deployed in a different country, individuals travel a lot for work, and many more instances. After hearing the news, many Netflix users went and canceled their accounts on the spot, Netflix later came out and said that it is only being test implemented in Latin America. Overall, Netflix has faced a lot of negative public relations, and this continues to be a severe marketing problem for Netflix as a whole.

The streaming platform industry is an incredibly competitive industry as well as a growing one. For consumers, this unfortunately means that prices are competitive. Netflix, for a while, focused its marketing on its more cost-efficient prices compared to cable but as it continued to soar in subscribers' prices went up. Netflix put a limit on the number of screens consumers can use at one time and if they wanted to upgrade their account they could at an additional price per month. On top of that, consumers have seen a consistent price increase each year so there is a trend pointing to a price increase for future years to come.

From the secondary research and SWOT analysis conducted, our team identified five research questions to focus our data collection on, for our team's primary research collection.

Research Design

Survey Design

Data Collection Method

As a group, we made a Qualtrics survey to collect data from individuals to help us gather data and answer our research questions. We decided to use Qualtrics as our data collection method to gain fast and confidential results as well as a resource that is easy to use and understand for our respondents. Once we had our survey completed, we sent out the first round of surveys for a trial run to ensure there were no biased questions and all our questions were correctly formatted in Qualtrics. This was also a way for us to get feedback from our respondents. Our group used different social media platforms such as Facebook, Snapchat, email, and text messaging to get our survey out to people and collect the data we needed for the next steps in our research. This seemed like the fastest way to get quality responses back from people.

Sampling Technique

Our team used multiple strategies when collecting responses for our survey. The first sampling method we used was convenience sampling, using the individual's close relationship wise to the researchers. While this is not the best way and most researchers would consider this to be a "bad" system of sampling, as a team we decided this would be the best way to get results for this project. We decided to post on our personal social media accounts to have people we followed take our survey. Another sampling method we used was purpose sampling (non-probability method). This type of sampling means that researchers look for individuals with ideal characteristics, in this case, individuals who had access to Netflix, then asked those individuals to take our survey. This was done since if the participants did not have Netflix, they would not have been able to answer any of the questions. Finally, we used chain referral sampling, each person who was asked to take the survey was asked to recommend and pass the link to their friends and roommates, this allowed us to reach individuals we did not personally know and would not normally be able to sample. We tried to get as many responses from college-aged students as possible as the larger the population the more accurate the results are. We ended up gathering approximately ninety-six responses from individuals that we were able to base our analysis and research on.

Measurement

The survey covered multiple constructs including price, competition, and incentives/personalization. Several questions were asked regarding these concepts to collect data from the participants. When possible, the questions were written in interval or ratio format. However, due to the nature of specific questions, some were written in the nominal scale of measurement. It was important to focus energy on determining the scale of measurement on the front end as this became useful later when running statistical tests as certain tests require continuous or categorical variables to run tests. For example, many of our screening questions were questions phrased like "What gender are you…What year are you in school…" These questions used a nominal scale of measurement. We also used many questions that forced the participant to use a slider to answer the question. These types of questions utilized a ratio scale of measurement. Finally, we used an interval scale of measurement by asking participants their opinion on specific questions using a horizontal multiple-choice range Strongly Agree to Strongly Disagree). Overall, our focus on interval and ratio scale of measurements allows us to utilize our data and conduct an analysis.

Analysis Procedure

All the research questions analyzed by the group fell into four categories of constructs that would be investigated through the creation of the survey and the data collection/ analysis that followed. These four concepts are price, competition, customization/personalization, and “bad press.” Each of these constructs was developed to cover a variety of research questions outlined by the group early in the process. Below is a description of the construct and the research question that falls underneath it as well as what questions were asked in the survey to discover the answer to said research questions.

Price

As previously explained with the introduction of new companies into the streaming service industry, the aspect of price is becoming more important to consumers. Many consumers are price sensitive to increases and changes and may even change their subscriptions due to them. Due to the volatility that price changes have, we wanted one of the focuses of our study to be price. The research question focused on this aspect is: *Does price affect the number of consumers with Netflix subscriptions?* This research question was asked in the qualities survey utilizing many ratio-type questions where participants were asked to state how much they would pay for a subscription. Questions were also asked how much they would pay for Netflix in comparison to other streaming services. Finally, an interval question was asked to determine how likely consumers would be to continue subscriptions if the price increased. Due to the questions asked to cover this construct and research question, we will conduct a One-Sample T-Test to determine the statistical significance of our results and conduct further analysis. The results of this test will be discussed in length in the “Results” Section.

Competition

Competition is a big concern for Netflix and other companies in the video streaming service industry. With the constant emergence of new companies and the movement of movies and shows from platform to platform, it was important to have research questions addressing competition. The two research questions addressing competition are: *Has additional competition impacted Netflix's consumer and subscription rates?* and *What is the outlook for the video streaming industry competition in the future?* This research question was covered by questions asking participants to answer many questions, some of these questions included participants ranking their preferred streaming services (ordinal) and how likely would individuals be to purchase a subscription to a new streaming service if it became available (interval). To test the research question covering additional competition, descriptive statistics (mean, median, mode) were used to see what the most preferred streaming service (out of HBO, Hulu, and Netflix) is. As for the research question concerning the outlook, an Independent T-Test was used to determine how willing individuals would be to purchase a new streaming service by who pays for a Netflix subscription (parents/guardians or friends/roommates). Our group used these two tests to conduct further analysis of these research questions; a full analysis of the results can be found in the "results" section.

Customization/Personalization

To stand apart from its competition and to continue improving Netflix has implemented more customization and personalization opportunities for its viewers. This includes more categories geared towards the viewer's interests and generated and personalized recommendations. Due to Netflix putting much time and energy into this aspect of the company the research question was studied and incorporated into the Qualtrics survey *What incentives can be offered by Netflix to increase subscription rates?* This research question was addressed by asking the question "If Netflix personalizes (recommendations, Top 10, etc.) your account, would that incentivize you to continue paying the monthly subscription? (interval). To determine whether there was statistical significance an ANOVA was performed to see whether there is a difference based on the individual year in school. A full analysis of this test was conducted and will be discussed in length in the “results” section.

Bad Press

Netflix has been surrounded by much bad press in recent years regarding internal employment DEI scandals, poor treatment of their playwriters and filmmakers, and the most recent leak of their “password sharing.” Due to the recent negative attention, Netflix is gaining from their password sharing, it was important for our team to have a question covering this topic. The research question asked that addresses this question is: *How does the “rumor” of password sharing impact consumer subscription rates?* Individuals were asked if “If Netflix were to implement password sharing, where you are required to return to a "home" WIFI once every 30 days, how likely would you (or whoever pays for your current subscriptions) be willing to purchase the new monthly subscription?” An Independent T Test was run from the individuals’ responses to these questions sorted by who pays for their access to Netflix. The independent T-Test was performed for this research question and the results and analysis will be discussed in length in the “results” section.

Results

Question 1: Does price affect the number of consumers with Netflix subscriptions?

The initial test our team completed using the data gathered was a one-sample t-test to compare the maximum price that our survey respondents reported they would pay for Netflix compared to the current price of a Netflix subscription. This test aided in our team’s understanding of how the price of Netflix affects Netflix subscribers. Furthermore, the test was used to analyze our team’s first research question of does price affects the number of consumers with Netflix subscriptions.

Our team’s null hypothesis for this test is that the mean of the sample is equal to the amount that Netflix currently charges their subscribers at the rate of $15.49. Additionally, the alternative hypothesis for this test is that the mean for our sample is not equal to the rate of $15.49 currently charged by Netflix. For this test, our significance level has been set to .05.

Based on the P-value of .592 our team will fail to reject the null hypothesis. Therefore, concluding the maximum price Netflix subscribers are willing to pay for a Netflix subscription is not statistically different from the current price of $15.49 that Netflix charges. Additionally, the current mean from the sample indicates subscribers are willing to pay $16.13. We can also conclude that we are 95% confident that the mean difference that Netflix subscribers are willing to pay for subscriptions is between -1.8299 and 3.1232. This information shares a similar conclusion to the P-value provided from the test.

Using this information, our team can conclude that Netflix has a small window in which its monthly rate can be altered. Since the mean price difference that consumers are willing to pay is not significantly different from the current price, this can entail Netflix subscriptions nearing the maximum price that consumers are willing to spend on their service.

Question 2: Has additional competition impacted Netflix's consumer and subscription rates?

Our team's third market research question is having additional competition impacted Netflix's consumer and subscription rates. To analyze this question, our team used descriptive statistics. The question in our survey that was used to analyze this question had the survey respondents rank Netflix along with Netflix's competitors, Hulu, and HBO Max.

From the descriptive statistics, our team used mean, median, and mode to gather how the sample responded to this question. From the results, our sample chose Netflix as their top choice for a streaming service 50.7% of the time. Additionally, the mode for Netflix was equal to 1 which indicates that Netflix was chosen first when ranked against Hulu and HBO Max.

Using these results from our sample, our sample indicated in many ways that Netflix was favored over the other video streaming brands. From this analysis, if our team's sample was an accurate representation of the general population (cannot be determined using descriptive statistics), then Netflix would be competing well versus its competitors. Insinuating that the competition has not played a substantial negative role in Netflix's subscription rates.

Question 3: What is the outlook for the video streaming industry competition in the future?

For our team's third marketing research question, we worked to analyze what the outlook for the video streaming industry competition will look like in the future. To answer this question, our team conducted an independent t-test. This test is used to compare the means of whose Netflix the sample is using if they do not pay for their own compared to the means of how likely the sample is to buy a new streaming service in the future. Our team screened out the respondents who stated "other" and "significant other" to reduce the chance of skewed data due to the small number of respondents for those categories.

Our team's null hypothesis from the test was that there is no significant difference in the means between the respondent's indicating parent/guardian pay for their Netflix and the respondents indicating roommate/friend pay for their Netflix. The alternative hypothesis for this test is that there is a significant difference between the two groups about how likely that group is to buy a streaming service in the feature.

The test revealed that there is no significant difference in the mean of the likelihood for people whose parent/guardian pays for their Netflix ($M_{\text{Parent/guardian}} = 2.84$) and the mean of the likelihood for people whose roommate/friend pays for their Netflix ($M_{\text{roommate/friend}} = 3$, $t = -0.213$, $P = 0.832$). This data emphasizes that both groups have a neutral feeling if they are likely to purchase another subscription in the future. With this analysis, our team can determine that more research needs to be conducted with different sample groups to determine the future of the video streaming services industry.

Question 4: How does the “rumor” of password sharing impact consumer subscription rates?

The fourth market research questions our team analyzed was how the “rumor” of password sharing impacts consumer subscription rates. To answer this question, our team conducted an independent t-test. The test compared the question within our survey that delt with password sharing and how likely the change would make the respondent want to maintain their Netflix subscription. We were able to compare this information to who pays for the respondents Netflix. Similar to the test conducted for in question 3, the other and significant other were removed to avoid skewed data from lack of responses in those categories.

This independent t-test indicated that the two-sided p-value of .086 (T=1.745, F=1.226) is greater than the alpha value of .05. Therefore, our team failed to reject the null since there is not enough evidence to support the conclusion that there are statistical differences between who pays for accounts and how likely they are to continue their Netflix subscription.

Using this conclusion from the analysis, Netflix should be cautious when dealing with the password sharing rumor because this could lead to bad public relations. With that in mind, our team’s conclusion shows that the current subscribers do not believe that the change in password sharing will correlate to them continuing their subscription.

Question 5: What incentives can be offered by Netflix to increase subscription rates?

The final market research question that our team analyzed was what incentives can be offered by Netflix to increase subscription rates. To analyze this research question, our team conducted an ANOVA test. Our team compared the mean level of customization for each year in school and compared those mean responses.

With this analysis, our team's null hypothesis was that there is no significant difference within the customization mean between years in the school of the surveyed individual. Whereas our alternative hypothesis for this test is that there is a significant difference within the means of customization for the different groups.

Based on the analysis conducted, we fail to reject the null hypothesis due to the P-value of .233 being greater than the alpha of 0.05. Therefore, our team does not have enough evidence to suggest that Netflix's personalization offers differ significantly by year in school for college-aged students. This result would entail that young adults feel similar about how the personalization options that Netflix offers. Hand, Netflix could use this information to not focus their personalization options on specific years in school, but the company would be able to treat them as one big group.

Recommendations

Based on the extensive research we have done we have synthesized a few recommendations Netflix should take into consideration and implement to better their marketing efforts. In this section, we will also highlight some of the limitations we had during our research.

Our first recommendation is to extend our research to parents and guardians of college students. In this report, we figured out that we focused too much of our attention on college-aged students. Our survey results showed that most college-aged students did not pay for their own Netflix account and the test results showed there was no statistical significance. Since many of our survey respondents were college-aged, we found that our results were not what we were expecting. If we had more time and resources to gather more data from adults that are aged between 35-45 years old, we could potentially get a better understanding of their demographics. From there Netflix would be able to allocate and set up a budget to market their brand to this generation.

Another one of our recommendations would be to open and send out our survey to international students, they are a big part of the UWL student body and would contribute feedback from a global perspective. This comes down to again needing more time and additional resources we did not have available this time around to send out surveys to international students. As per our report, we focused a lot of our research based on students and people we knew out of convenience to get the surveys out and get results.

While college students may be some of the highest viewers Netflix has on shows and movies, they need to focus their attention on an older group of individuals as we have said before. Based on the data gathered Netflix does not need to extend marketing efforts to college-aged students. From the data we found and collected it is evident that if Netflix puts in more marketing efforts directed at a younger audience it may have little to no impact on the company. When we ran our statistical tests, the results were inconclusive. This is not a bad thing for Netflix, it just means we should spend more time digging into what may be impacting Netflix.

With a growing industry, Netflix has many competitors and will likely see more competition enter the market in the coming years. We would like to propose that Netflix provides consumers the option to add live TV to their subscription. This will not only market to their target market and get new consumers to buy their services but also encourage people who already have Netflix to continue to subscribe to their service. From the data we gathered most people have an account that is paid for by a parent or guardian, or a roommate. With an older generation (I.e., parents) paying for these services, they may feel they are missing out on their typical channels like the news or sports games. If we had more time to do research and gather data, our team would focus on how Netflix could do this and if it is feasible for them to do so not.

The most significant limitation we had while researching and gathering data was time. We had to collect our data quickly to keep up with fast-approaching dates. To get a trial period of our survey we needed to create our survey and send it out to our trial recipients within one week. We then had the quick turnaround of adjusting our survey based on the recommendations given and then we sent them out to more people in less than a week. Another limitation we had was money, because this is just a report, and we had enough resources to do what we needed to do but we did not feel it was necessary to prepare a budget. However, if we were to have a budget, we could have incorporated more tools into our research to better it. We believe that if we had the time and resources at our disposal, we would have a lot more accurate results and less inconclusive results. While we know we could have bettered our results if we had these things, we also know we worked to the best of our ability with what we were given.

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Appendices

Analysis for question #1:

ONE SAMPLE STATISITCIS

	N	Mean	Standard Deviation	Std. Error Mean
The Max Price Individuals Willing to Pay	21	16.1367	5.44062	1.18724

ONE SAMPLE TEST Test Value = 15.49

	T	DF	One-Sided P	Two-Sided P	Mean Difference	Lower 95%	Upper 95%
The Max Price Individuals Willing to Pay	0.545	20	0.296	0.592	0.64667	-1.8299	3.1232

ONE SAMPLE EFFECT SIZES

		Standarize	Point Estimate	Lower 95%	Upper 95%
The Max Price Individuals Willing to Pay	Cohen's d	5.44062	0.119	-0.312	0.547
The Max Price Individuals Willing to Pay	Hedges' Correction	5.65586	0.114	-0.3	0.526

Analysis for question #2:

Descriptive Statisitics

	Hulu	HBO Max	Netflix
Valid	62	62	62
Missing	9	9	9
Mean	2.19	2.27	1.53
Median	2	2	1
Mode	3	3	1
Standard Deviation	0.765	0.793	0.695

Ranking: HULU

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ranked 1st	13	18.30%	21.00%	21.00%
	Ranked 2nd	24	33.80%	38.70%	59.70%
	Ranked 3rd	35	35.20%	40.30%	100.00%
	Total	62	87.30%	100.00%	
Missing	System	9	12.70%		
Total		71	100.00%		

Ranking: HBO Max

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ranked 1st	13	18.3%	21.0%	21.0%
	Ranked 2nd	19	26.8%	30.6%	51.6%
	Ranked 3rd	30	42.3%	48.4%	100.0%
	Total	62	87.3%	100.0%	
Missing	System	9	12.7%		
Total		71	100.0%		

Ranking: Netflix

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ranked 1st	36	50.7%	58.1%	58.1%
	Ranked 2nd	19	26.8%	30.6%	88.7%
	Ranked 3rd	7	9.9%	11.3%	100.0%
	Total	62	87.3%	100.0%	
Missing	System	9	12.7%		
Total		71	100.0%		

Analysis for question #3:

Independent Samples Test

If Brand New Service Becomes Available By Whoes Netflix is Used By Whose Account

	Levene's Test for Equality of Variances		T-test for Equality of Means							
					Significance				95% Confidence Interval of Difference	
	F	Sig	t	df	One-Sided p	Two- Sided p	Mean Difference	Std. Error Difference	Lower	Upper
Equal Variances Assumed	0.05	0.824	-0.213	43	0.416	0.832	-0.163	0.763	-1.702	1.376
Equal Variances Not Assumed			-0.161	1.051	0.449	0.898	-0.163	1.013	-11.634	11.308

Analysis for question #4:

Independent Samples Test

If Netflix were to implement password sharing how likely/willing by Do you pay for you account

	Levene's Test for Equality of Variances		T-test for Equality of Means							
					Significance				95% Confidence Interval of Difference	
	F	Sig	t	df	One-Sided p	Two- Sided p	Mean Difference	Std. Error Difference	Lower	Upper
Equal Variances Assumed	1.226	0.272	1.745	66	0.043	0.086	0.537	0.308	-0.77	1.151
Equal Variances Not Assumed			1.792	41.039	0.4	0.81	0.537	0.3	-0.68	1.142

Analysis for question #5:

ANOVA: Personalization of Netflix By School Year					
	Sum of Squares	df	Mean Square	F	Sig
Between Groups	0.868	2	0.434	1.582	0.233
Within Groups	4.941	18	0.275		
Total	5.810	20			