How Netflix Can Avoid Blockbustering Itself

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It’s no secret that content is king. And from the wild, non-stop proliferation of streaming services, it looks like that’s not destined to change anytime soon. But the OG king of streaming, the disruptor of disruptors, the notorious Blockbuster killer, the one and only Netflix had a pretty nasty tumble recently. It was all because of a little churn.

As you’ve probably read by now, *The New York Times* (amongst others) reported that for the first time in 10 years, Netflix lost subscribers — 200,000 overall in Q1 of 2022. But the real gut-punch? It warned that the company expects to lose two *million* subscribers in Q2, sending its stock plummeting 35%. Year-to-date, the company’s stock is off 62%. Ouch.

While Netflix’s first quarter churn numbers are negligible — 200k out of 221 million total subscribers is just a .0009% churn rate — the Q2 prediction is pretty devastating and just another sign of why Net Retention Rate (NRR) has to be the north star for any subscription business. Otherwise, churn could be the kiss of death.

Now, we all know it’s been a bumpy quarter, or year, or even three years for some. So, you can’t discount the impact that global events can have on a business: things like economic destabilization, inflation, war (part of Netflix’s drop in subscribers comes from its pull-out from Russia) and the pandemic. But what Netflix is facing has as much to do with the increasing dog-eat-dog-ness of the streaming industry as it does with the world’s return to the office place or the

rising price of gas. Today's consumer has so many streaming options to choose from, such as AppleTV+, Hulu, YouTubeTV, Amazon Prime Video, Peacock, HBO Max and countless others – all services vying for the same consumer spend.

I guess what I'm saying is … could Netflix get *Blockbustered*?

While many industry pundits are gloomy about the company's prospects based on these latest numbers, the truth is that Netflix is an amazing company with amazing leadership in co-CEOs Reed Hastings and Ted Sarandos – two business leaders who know their success is all about the customer. So, chances are it'll be able to regain its place in the driver's seat sooner rather than later. Here's how Netflix can make it happen:

Stay customer-obsessed

For even the best companies, achieving durable growth is a challenge, and the thing that can drive the biggest drop in market confidence is the loss of customers (along with poor adoption). Sales going down is one thing, but the pain of losing customers (churn) can be 10x worse than a slow sales month.

While the old saying used to be "the customer is always right," the mantra for any modern business – and especially subscription businesses – is "the customer rules all." For Netflix, a price hike and clampdown on account sharing at a time when users are not only overcome with inflation but also overwhelmed with options, isn't just poor timing, but also a gross underestimation of the power of the consumer in the age of choice.

To right the ship, Netflix must get back to its customer-obsessed ways and do all it can to keep its viewers continuously engaged and happy.

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Netflix

Crank up the innovation engine

Netflix has got to keep the pedal to the metal and continue to innovate and differentiate itself. The good news is that the company has a strong track record here: For over a decade, it's dominated the pack in terms of investments in both the creation and curation of top content. But could those days be ending? Today, it seems more clear than ever that content alone isn't the answer; it needs to think beyond the show and focus on the overall customer experience.

The new "double thumbs up" button is a start – it gives users a better way to "express what they truly love" and improve its personalized recommendations. The company is also dabbling in gaming (is it too late?) with mobile games like "Stranger Things: 1984." But will it be enough to overcome the likes of Apple, Amazon and others who have diversified their streaming services and recurring revenue with sales of hardware, services and other goods?

Props for its recent innovations, but Netflix needs to keep going; resting on its laurels will not work.

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Get wise with data

As I mentioned above, Netflix has long been known as the disruptor of all disruptors; How many SaaS companies start their pitch with "We're going to be the Netflix of X?" How many business books have touted tits triumph over the VHS tape and DVD? One of the main reasons is: Netflix has as much customer data as any company in the world.

It's time to put it to better use – not by advertising, but by

innovating. Strong, continuous innovation like what's prescribed above can only come from one place: Your customers. By using its massive customer data sets and leveraging customer feedback, Netflix will be able to create a virtuous circle. More data leads to more innovation, which leads to happier customers, which leads to more data. It's imperative that Netflix uses its data wisely to make more "customer-informed" decisions.

No matter how you phrase it, churn sucks. But with some of the savviest leadership in tech and more than a decade of dominating the streaming industry, its recent market slips do not spell the end for Netflix. If the company focuses on the core pillars of subscriptions –customer focus, continuous innovation and big data – it can return to its ascendant status.

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