

## Maastricht University School of Business and Economics Problem Based Learning (PBL) Case – International Business

### Is Netflix losing ground?

As first streaming service, Netflix reached more than 2 million subscribers. However, at the beginning of this year, Netflix' founder Reed Hastings had to admit that, for the first time, they lost 200.000 subscribers. According to analysts, the peak of subscriptions has been reached, but how should Netflix safeguard growth then if the numbers of subscribers cannot increase further?

A PESTEL analysis would indicate a number of factors which are contributing to this downward trend. Specifically, the Russian invasion in Ukraine implied the end for a number of co-productions, but also the loss of Russian subscribers. The inflation might also make consumers save on luxury products like streaming services. Moreover, competition has become fierce and more extreme differences in quality arise. How can Netflix follow up on these issues, what actions could be taken? The exploration of the possibility of a soft price cut, in the form of an ad-supported tier, triggered a cascade of negative reactions on social media; Netflix would just reinvent classic television – a step backwards instead of forward. Also, the introduction of the binge-model is not paying-off, Netflix might consider introducing more slow-burn series and movies.

The deeper question for the company is whether it needs to change its actual product; emphasizing exclusive content and carrying only a fraction of classic movies. This strategy stands in strong contrast to the broad business strategy taken by, for example, Amazon, aspiring to serve everyone and meet their every need. Netflix consciously chose not to try to fulfil all needs and opted to be the emotional connection brand. Instead of going for the mass-market hits, Netflix can easily go for the long tail, given that this leads to new subscribers. Time will tell whether the peak of new subscribers has indeed been reached and how Netflix can/will solve this.