

Proposed Marketing Strategy To Increase The Paid Subscription For Netflix

Albert Winarto* and Nuri Wulandari

School of Business and Management, Institut Teknologi Bandung, Indonesia

Email: albert_winarto@sbm-itb.ac.id

Abstract - The Covid-19 pandemic in the year 2020 has forced many people in various countries including Indonesia to stay at home to prevent more patients from becoming infected. For entertainment during this pandemic time, many people choose the streaming services and one of the most popular streaming services is the Netflix platform. The growth of Subscription Video on Demand (SVoD) in Indonesia as the market with the largest population in Asia after China and India is indeed promising. Netflix currently has 850,000 paid users in Indonesia. From the total population of productive age, Indonesia will still be a large and promising target market for Netflix. This study aims to analyses the subscription video on demand trends in the Indonesian market and to provide recommendations for Netflix on their marketing strategies to reach more subscribers. The author proposed some marketing strategies solution by diversifying and always add new contents, add local contents, partnership with local production house/telecom providers/e-wallet/e-commerce, offering variety of subscription package, establish a representative office, promote the watch party feature and simplify registration process.

Keywords - Marketing Strategy, Netflix, Subscription, Video on Demand, Contents

I. INTRODUCTION

Netflix launched in January 2016 in Indonesia. At first, it was very challenging with the country's censors which said that Netflix did not have an operating license and also deemed its content not suitable for Indonesian viewers. Indonesia's largest Internet service provider Telkom Indonesia also blocked access to Netflix shortly after. Despite that, Netflix continues to look positively at the territory as it can be a tremendous market and Netflix continues to invest in Indonesia.

The COVID-19 pandemic has led to changes in people's habits, including in Indonesia. The existence of social restrictions and stay at home conditions has forced many people to spend their spare time with home-based activities. One way to entertain is to watch streaming shows or subscription videos online which become a new lifestyle. The Subscription Video on Demand (SVoD) market for Indonesia will still experience massive growth because of its large potential with a market of 267 million people with the number of internet users in Indonesia reaching 197 million people or more than half of the population. Several global SVoD players have participated in the Indonesian market including Netflix,

Disney+ Hotstar, Viu, Vidio, HBO Go and iFlix. Competition in the video streaming service business will be tighter, especially in terms of price, service quality and content. If the platform is able to provide a lot of good quality content and competitive prices, customer loyalty will naturally grow. According to a survey by Media Partners Asia, Netflix subscribers in Indonesia by the end of 2020 is 850,000 subscribers. While some of its competitors have a much higher number of subscribers such as Disney+ Hotstar, which has more than 2.5 million, even though it only entered in September 2020. Not only lower than Disney+ Hotstar, Netflix is also behind other online streaming service providers of Viu, which already has 1.5 million users and local platform Vidio with 1.1 million subscribers. This survey shows that Netflix is getting quite fierce competition from its competitors and even from new streaming services like Disney+ Hotstar.

Netflix's major problem is the competition from other online streaming service providers which could harm Netflix's subscriber growth. The next problems are regarding the content, user experience and the membership fee which can cause people to consider and look for other competitors who can offer more creative, exclusive content and cheaper service. The objective of this study is to provide recommendations for Netflix on their marketing strategies to reach more paid subscribers in Indonesia.

II. METHODOLOGY

Data collection in this research consist of two methods which will be utilized to support the formulation of business issues, analysis and strategy. First, primary data are collected using qualitative research with in-depth interview session with the 3 experts and using quantitative research with surveys by distributing questionnaires to people who watch Video on Demand with Netflix or other video platform applications that aim at describing and explaining business issues and seeks the answers by the user of the quantitative data. This research will take the perspective of experts from 3 fields, namely those working in the same industry SVOD, customer experience experts and media creative experts according to the research objectives to address experience & content issues on Netflix. The questionnaire was collected using Google Forms from 12 June 2021 to 14 June 2021, collected from 168 respondents. The respondents' criteria are 57%

female, 86% are 25-39 years old, 92% lived in Jabodetabek and with occupation 69% are state/public employees. Second, secondary data is collected through secondary resources such as books, journals, news, Company's website and social media, annual report and other sources. For the surveys, the sample size was taken using the Hair Formula. The Hair formula is used because the population size is not known with certainty. According to Hair, if the sample size is too large, then the method becomes very sensitive so it is difficult to get good goodness-of-fit measures. It is suggested that the minimum sample size is 5-10 observations for each parameter or indicator. In this research, the number of indicators are 19 questions multiplied by 5. Based on this formula, the number of minimum samples for this research is 95 respondents who watch Video on Demand with Netflix or other video platform applications. For data analysis, the research using descriptive statistic with the relevant 4Ps from 7Ps Marketing Mix Analysis, which includes product, price, promotion and process.

The research limitation is the data collection is conducted through limited selective interviews and questionnaires with samples in the Jakarta area (based on the biggest share of the customers in Indonesia), for in-depth interview only 1 respondent from customer side due to time constraints and not incorporate the budgeting cost of the activities. The more of number of samples are the better and thus future research suggestion to add samples to represent the Netflix user population.

III. RESULTS AND DISCUSSION

This study found some probable causes that might cause the lower subscribers of Netflix compared with its competitors. Referring to the probable causes, this study is trying to build a relevant hypothesis, perform a deep interview with the experts to obtain some insight and later confirm it with a questionnaire with customers. It is important that the hypothesis and respondent responses are part of the proposed solution. Based on the relevant hypothesis that has been built, the researcher lists some questions to be asked and confirmed to the experts. The researcher performs in-depth interview with three experts.

Based on the interview results from three experts, the researcher prepares a set of related questions in a survey to be confirmed to the respondents. Lastly, the respondent responses will provide the study the analysis of the research and help the researcher to develop the proposed solution. The questionnaire was collected using Google Forms from 168 respondents with the result of 139 respondents (82.7%) subscribing to Netflix and 29 respondents (17.3%) were not. Based on the interview with the three experts, in terms of price, Netflix has the most expensive subscription fee while Disney + Hostar can offer their subscription packages with the low price. In terms of content or variety, they agree both Netflix and Disney + Hotstar offer high premium content and variety.

Netflix is a new innovation in the television industry service where the subscribers can watch programs or contents on Netflix whenever they want. If the content provided by Netflix becomes more diverse, it can be seen as a service or application that is useful for consumers in making it easier to enjoy interesting shows or videos. Based on the survey results, 56.1% of respondents who subscribe to Netflix watch content 2-5 times in a week and 43.9% think the content offered by Netflix is very good. Content is one of the most important factors for customers to subscribe to the SVOD platform and based on the survey results, respondents who subscribe to Netflix would love to add more content in Netflix such as travel (28.8%), live streaming (26.6%), music (22.3%), culinary (22.3%), science (20.9%) and sports (18%). Understand that Netflix is a global SVOD platform which offers more sophisticated contents. However, to get the middle lower market, the content and genres should be adjusted locally. There is a certain market in Indonesia who may look for a conflict drama genre, dreamer, rich/poor conflict, etc and may not look for heavy genres. In the experts' interview, they responded that Netflix does not have a lot of local Indonesia content. Similar with the respondents in the survey, this study found that 61.2% of respondents who subscribe to Netflix agree to add more local content in Netflix with content such as film (78.8%), series (44.7%), culinary (35.3%) and reality show (24.7%). Based on the survey results, 13.7% respondents who subscribe to Netflix would love to add more Anime content in Netflix. Especially for old anime content, the nostalgic contents will attract a new target market, considering the subscribers who used to watch old anime a long time ago now have income and can afford to subscribe to Netflix for nostalgic purposes. Netflix usually only owns the title of a content, but by having partnership with local production houses, Netflix can have wider exposure since local production houses will offer what contents that they have or Netflix can produce Netflix Originals contents with the production house. Based on the survey result, 61.2% of respondents who subscribe to Netflix agree to add more local content in Netflix, especially film content (78.8%) as the top selection.

In terms of subscription fee, Netflix has the most expensive fee compared to its competitors in Indonesia. Price factor is very sensitive in Indonesia's market. The one who can offer a more competitive price usually will gain the market considering they can offer the same services. The study found that 29.5% of respondents who subscribe to Netflix are very satisfied and 42.4% are satisfied. However, in the experts' interview, they responded that Netflix's subscription fee is the most expensive compared to other platforms and becomes a challenge to reach the middle lower market (price sensitivity). Similar with the respondents in the survey, this study found that 30.2% of respondents who subscribe to Netflix choose the fee range between Rp 40,000 - Rp 50,000 as the reasonable and suitable estimated fees. In

the experts' interview, they responded that the current payment method of Netflix is very limited which is only using credit card or debit card. Netflix should consider that not all potential subscribers in Indonesia have a credit card or debit card or bank account. By having more various payment methods, it will make the customer more flexible and easy to choose what is the best alternative payment solution that suits their profile. Based on the survey result, 67.6% of respondents who subscribe to Netflix feel very comfortable with the payment method using debit or credit card. Similar to the respondents in the survey, the study also surveyed the other payment methods and respondents who subscribe to Netflix choose e-wallet (72.7%) and virtual accounts (59%) as other alternatives of payment method. In the experts' interview, they responded that Netflix has a limited offer of 4 subscription packages with a monthly period subscription only. Netflix does not offer any bundling package and longer period payment package. The bundling packages can offer the combination of internet data and the subscription with Netflix. It will attract customers as well because to watch the content will use a lot of internet data and it can be catered by the free limited internet data from the telecom providers. Similar to the respondents in the survey, this study found that 34.5% of respondents who subscribe to Netflix are very likely and 25.9% likely to choose the bundling package. Based on the survey result, 69.8% of respondents who subscribe to Netflix prefer to pay the subscription on a monthly basis while 18.7% prefer to pay the subscription on a yearly basis.

Based on the survey result, 26.6% of respondents who subscribe to Netflix respond that Netflix has a lot of promotion and 33.8% of the respondents respond has sufficient promotion. However, the study analyzes that there are some factors that need to be developed by Netflix in order to promote more of the Netflix brand as one of the SVOD players in the Indonesia market by establishing a representative office, more partnership and advertising in Indonesia. In the experts' interview, they responded that Netflix does not have any representative office in Indonesia and is still managed by the representative office in Singapore. Netflix can expand their marketing strategies and to have more partnerships with locals existing institutions. It will also derive the seriousness of Netflix wanting to focus and expand their market in Indonesia. In the experts' interview, they responded that Netflix still have less partnership with telecom providers, e-wallet, e-commerce and local house production. The local existing institutions already have a big market and customers in many cities, and with these partnerships, there will be mutual benefit and easier for Netflix to penetrate the SVOD market. Netflix has a good algorithm in terms of the content recommendation to subscribers based on the historical search and the watched contents and based on the survey result, 37.4% of respondents who subscribe to Netflix are very satisfied and 46.8% are satisfied with this content recommendation feature. Based on the survey result, respondents who

subscribe to Netflix will unsubscribe Netflix if the subscription fee is too expensive (68.3%) and the contents are not updated or complete (60.4%). In the experts' interview, they responded that Netflix has a Netflix watch party but a lot of subscribers still do not know about this feature. Similar to the respondents in the survey, 64% of respondents who subscribe to Netflix do not know the Watch party feature. Netflix should promote and campaign the watch party feature as a differentiation product from Netflix. The study found that 41.7% of respondents are moderate while the others are very satisfied (27.3%) and satisfied (23%) for this feature. Netflix Indonesia still does not have its account in TikTok as one of the biggest social media now in Indonesia. In the experts' interview, they responded that to register for Netflix, they must go through the website and need an email address. However, not all people have or maintain email addresses. Similar to the respondents in the survey, this study found that 59.7% of respondents will be very comfortable if there is a flexible registration by using a phone number through the Netflix application since it is more universal and considers the significance of mobile phone users as well. Based on the survey result, 35.3% of respondents who subscribe to Netflix are very secure and 38.1% of respondents are secure in using Netflix. However, based on an interview with an expert, they found that a lot of piracy of Netflix's accounts which are offered in E-commerce with cheaper fees. Netflix to have an additional security with OTP that sends to the subscriber's phone number to avoid any hackers hacking existing Netflix's account

IV. CONCLUSION

The recommendations for Netflix on their marketing strategies to reach more paid subscribers in Indonesia is Netflix to have a lower fee by offering bundling package such as with telecom providers and offers a variety of period subscriptions packages such as 3/6/12 months and to have other alternative payment methods such as e-wallet and virtual accounts. Netflix to have a representative office in Indonesia which will derive the seriousness of Netflix wanting to focus and expand their market in Indonesia and having more partnerships with local established and existing institutions (telecom, e-wallet, e-commerce and local house production). The study recommends Netflix to promote and campaign the watch party feature to the market at the soonest as a differentiation product from Netflix. In terms of promotion in social media, Netflix Indonesia should have an account in TikTok and to have more advertisements such as live streaming or partnership with local actors or influencers or through advertisement screens in the cities and to have flexible registration by using a phone number through the Netflix application.

The content and user experience that need to be

offered by Netflix for Indonesian market is to have more variety of content in travel, live streaming, music, culinary, science, sports and to add more local content as well such as film, series, culinary and reality show. To support this plan, Netflix may take the partnership with a local production house. Netflix to have continuity, selective and fresh contents since it will attract and retain the subscribers and provide more various contents internationally from South East Asia, Asian film or series, or Anime and have additional security with OTP that sends to the subscriber's phone number to avoid any hack and piracy account.

ACKNOWLEDGMENT

Author thanks to Dr. Nuri Wulandari as final project counselor, family, all lectures and staff at MBA ITB Jakarta and Markplus, friends in S MEMBA 4 and all dearest friends.

REFERENCES

- [1] "About Netflix - Company Assets." About Netflix, <https://about.netflix.com/en/company-assets>. Accessed 18 Mar. 2021.
- [2] "Deloitte Indonesia | Audit, Consulting, Financial Advisory, Risk Management & Tax Services and Reports." Deloitte Indonesia, <https://www2.deloitte.com/id/en.html#>. Accessed 12 Apr. 2021.
- [3] Fischer, Sara. "Disney+ Races to Catch Netflix after Subscriber Numbers Surge in First Year." Yahoo Finance - Stock Market Live, Quotes, Business & Finance News, Yahoo Finance, 16 Feb. 2021, <https://finance.yahoo.com/news/disney-races-catch-netflix-subscriber-152243780.html>.
- [4] Issa, Dr Tomayess, et al. "Sustainable Business Strategies and PESTEL Framework." GSTF INTERNATIONAL JOURNAL ON COMPUTING, no. 1, Global Science and Technology Forum, Aug. 2010. Crossref, doi:10.5176/2010-2283_1.1.13.
- [5] Kemp, Simon. "Digital in Indonesia: All the Statistics You Need in 2021 — DataReportal — Global Digital Insights." DataReportal — Global Digital Insights, DataReportal — Global Digital Insights, 11 Feb. 2021, <https://datareportal.com/reports/digital-2021-indonesia>.
- [6] Kotler, Philip, et al. Marketing 4.0. John Wiley & Sons, 2016.
- [7] Ludwianto, Bianda. "Jumlah Pengguna Internet Indonesia Tahun 2020 Capai 196,7 Juta, Naik Karena WFH | Kumparan.Com." Kumparan, kumparan, 10 Nov. 2020, <https://kumparan.com/kumparantech/jumlah-pengguna-internet-indonesia-tahun-2020-capai-196-7-juta-naik-karena-wfh-1uYnJ729dTL>.
- [8] Memon, Mumtaz Ali, et al. "(PDF) Sample Size for Survey Research: Review and Recommendations." ResearchGate, unknown, 30 June 2020, https://www.researchgate.net/publication/343303677_Sample_Size_for_Survey_Research_Review_and_Recommendations.
- [9] "Netflix - Overview - Profile." Netflix - Overview - Profile, <https://ir.netflix.net/ir-overview/profile/default.aspx>. Accessed 19 Mar. 2021.
- [10] "Netflix - Watch TV Shows Online, Watch Movies Online." Netflix - Watch TV Shows Online, Watch Movies Online, <https://www.netflix.com/id-en/>. Accessed 19 Mar. 2021.
- [11] "Netflix Tops 200 Million Subscribers but Faces Growing Challenge from Disney Plus - CBS News." CBS News - Breaking News, 24/7 Live Streaming News & Top Stories, <https://www.facebook.com/CBSMoneyWatch>, 20 Jan. 2021, <https://www.cbsnews.com/news/netflix-tops-200-million-subscribers-but-faces-growing-challenge-from-disney-plus/>.
- [12] "Pengguna Smartphone Diperkirakan Mencapai 89% Populasi Pada 2025 | Databoks." Pusat Data Ekonomi Dan Bisnis Indonesia | Databoks, <https://databoks.katadata.co.id/datapublish/2020/09/15/pengguna-smartphone-diperkirakan-mencapai-89-populasi-pada-2025>. Accessed 12 Apr. 2021.
- [13] Porter, Michael E. Competitive Strategy. Createspace Independent Publishing Platform, 2017.
- [14] ---. Competitive Strategy. New York: Free Press; Toronto: Maxwell Macmillan Canada, 1980.
- [15] "Tech in Asia - Connecting Asia's Startup Ecosystem." Tech in Asia - Connecting Asia's Startup Ecosystem, <https://www.techinasia.com/disney-hotstar-achieves-25m-subscribers-indonesia-surpass-netflix>. Accessed 18 Mar. 2021.
- [16] "Video Online Konten Hiburan Paling Sering Dikunjungi Pengguna Internet Indonesia | Databoks." Pusat Data Ekonomi Dan Bisnis Indonesia | Databoks, <https://databoks.katadata.co.id/datapublish/2020/11/11/video-online-konten-hiburan-paling-sering-dikunjungi-pengguna-internet-indonesia>. Accessed 18 Mar. 2021.