Background Guide

Netflix Board of Directors

Composed by Jack Long

WMIDMUN-XXII

DIRECTOR'S LETTER

Dear Delegates,

I'm Jack Long (He/Him), a freshman from San Francisco, CA majoring in International Relations and Environmental Sustainability. I'm a big-time runner, a movie fanatic, and an avid adventurer. I first got involved in Model UN in my junior year of high school when I went to the National High School Model UN conference in New York. Earlier this year, I went back to New York with the W&M MUN team for a conference hosted by Columbia University and shortly after chaired a committee at W&M's high school conference.

I'm absolutely thrilled to be your chair for WMMIDMUN's Netflix Board of Directors committee! This committee is a specialized agency, which means that it will operate like a usual GA, however, there may be crisis updates that could shift the course of debate. Your focus will be to shape and guide the future of Netflix in a way that will benefit you the most. You will be given a character with unique personal and professional interests. You should write a position paper that examines their professional history and interests–along with that of the Netflix corporation and its interests. Identify policy solutions that address the given topics and keep in mind the specific interests of your given character. If you have any questions, feel free to reach out.

Best,
Jack Long
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TOPIC OVERVIEW

Netflix is in crisis and it's up to you to decide its future. Netflix's key software and marketing innovations created the video streaming industry a decade and a half ago. Back then, Netflix was a rising giant whose growth threatened to upend the entire media sector. That time is over. Rising competition is eroding Netflix's market share and threatening the company's future. Growth is slowing, confidence is waning, and paralyzing, bureaucratic stability is taking over. The corporation will need to overcome market hurdles, optimize its services, and aggressively innovate to retake its place in the sun.

This year's annual meeting of the Netflix Board of Directors features a distinguished list of voting members and a powerful cast of visiting experts, department heads, interest-holding customers, and outside representatives. They can be largely divided into several distinct groups with differing–and conflicting–interests.

The CEOs are a divided group of leaders. Ted Sarandos leads the company's production and content operations while Greg Peters spearheads market and share operations, with Reed Hastings overseeing the whole of the corporation. Each is a uniting figure dedicated to the growth of his respective sphere.

The Directors largely aim to maximize the company's profitability and market share to increase share prices–however, many disagree on how to do so.

Chief Officers want to expand the power and operations of their own departments; however, when one grows stronger, the others grow weaker. Working with the departments is essential, but overreliance on any particular one at the expense of the others could spell disaster.

Customers want content. Some want more content, some want less; some want better, higher-produced content, and some want cheaper, reality content. They don't care about share prices and will actively resist attempts to increase profitability at their own expense.

The outside experts, the scientist and film director, represent opposite–yet reconcilable–ends of the content debate. The director represents the interests of Netflix's contracted studios and employees in the entertainment industry, who want more and better original content. Opposingly, the scientist represents the interests of those aligned against increased streaming, especially fictional material. The scientist also represents the interests of the non-fiction, documentary industry.

Finally, the oversight officers from the FCC and Amazon serve to limit and ground Netflix's growth. The FCC officer is a United States federal agent responsible for maintaining market stability and preventing the formation of a streaming monopoly. The Amazon agent represents the department that controls the server infrastructure that Netflix is based on–along with being one of Netflix's major competitors.

The structure of the company, the nature of its products, and the relative importance of its departments may shift dramatically based on the choices you and your fellow delegates make. There will be opportunities for immense gain–and total loss.

BACKGROUND 1.0

Topic 1: Surviving Stifling Competition

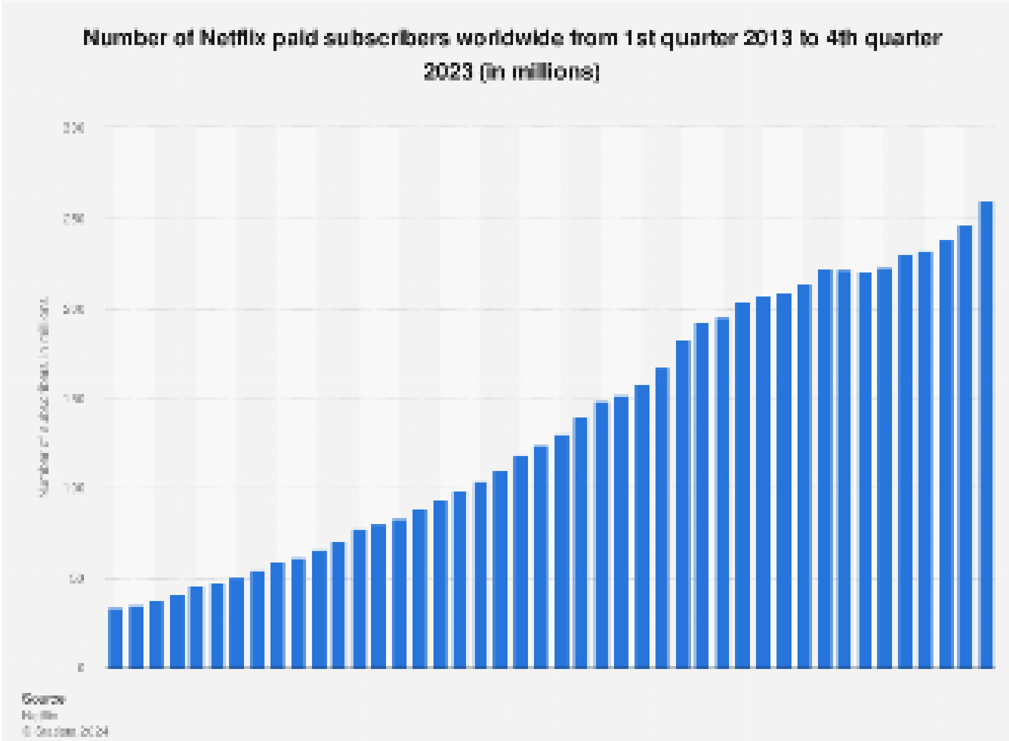
History:

Netflix launched in 1997 as a DVD delivery subscription service. Over the next decade, the company vastly expanded in popularity yet–with the fallout of the first tech bubble crash looming overhead–failed to achieve sustained profitability. After failing to sell a 49% stake in the company to Blockbuster Video three times, Netflix was on the brink of death. That all changed in 2007 when Netflix launched its video streaming branch and in 2012 when it began original productions. By 2017, Netflix was one of the highest-valued tech companies in the world and Blockbuster was in the throes of bankruptcy.

Subscription-based video streaming is Netflix's lifeblood–and it's in danger. As of 2023, Netflix's hold over the streaming market had dropped to 44.21%, continuing a multi-year trend of gradual decline coinciding with the rise in competing platforms. Before we examine the present crisis, it's vital to understand the path that led to it.

When Netflix launched its streaming platform in 2007, it did so using proprietary technology which was, at the time, unequaled. It took their largest competitor, Blockbuster, four years to launch their own service. At that point, Netflix only had around 6 million subscribers, mostly carried over from their DVD rental program–but they would have over 100 million by 2017; by 2021, that number would surpass 200 million.

BACKGROUND 1.0



Netflix was innovative, unique, and excellent; its marketing was exceptional, its brand renowned, and its product desired. No other service matched its extensive video catalog and its original series and films–House of Cards, Orange is the New Black, Beasts of No Nation, and The Crown, to name a few–were excellent of their own accord. During the opening years of the 21st century, there was no viable alternative to a Netflix subscription for a film lover.

Going into 2022, Netflix was a solidified and staunchly growing titan of the tech industry. With millions of subscribers, a proven business model, and an ever-expanding collection of originally produced Oscar and Emmy-winning movies and tv series, the company seemed unstoppable. That all came crashing down in April.

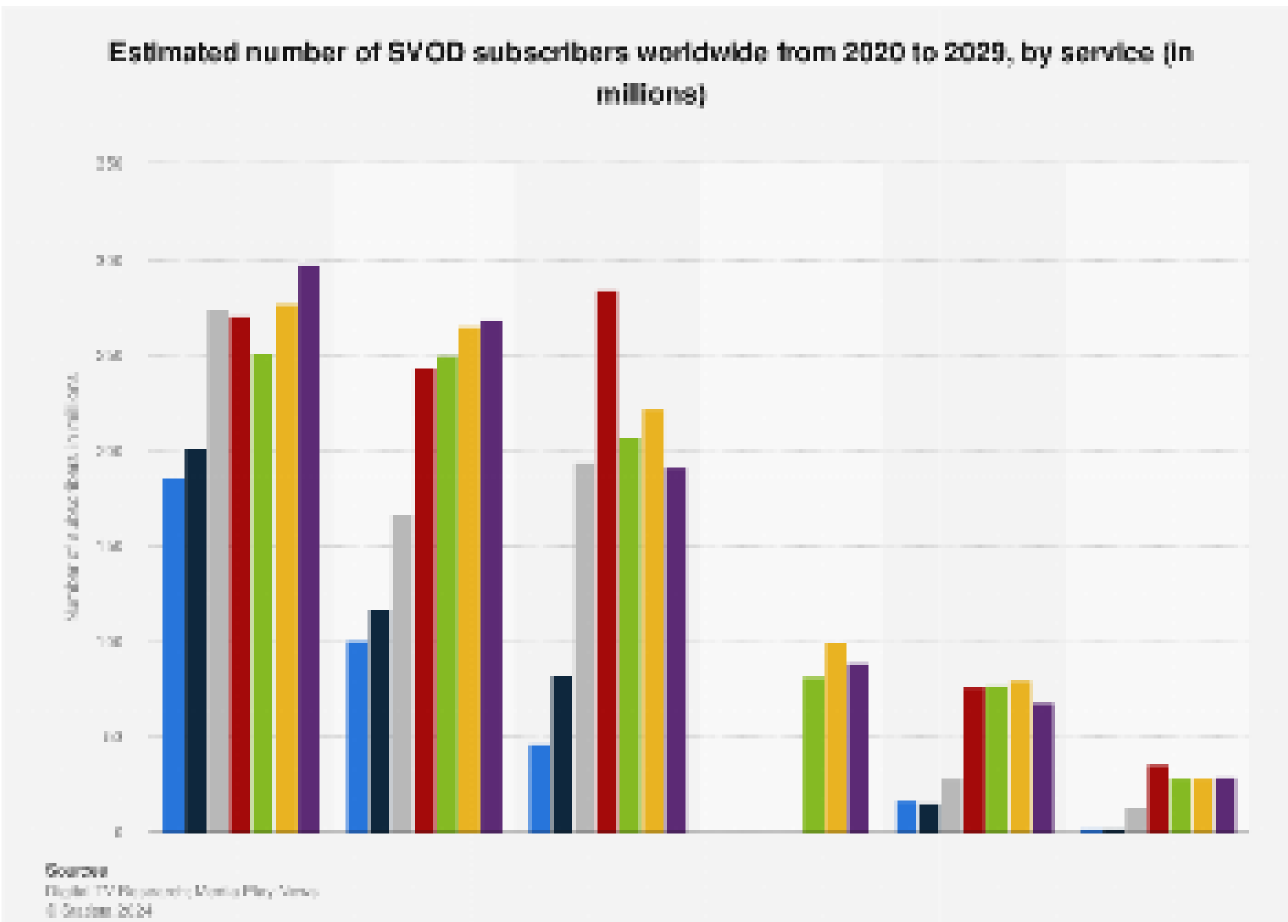
In April 2022, Netflix generated negative subscription growth for the first time in a decade. Why? Password sharing, COVID-19, and sharply rising competition. Millions of people across the world cut spending following the economic repercussions of the pandemic. For many, that meant unsubscribing from seemingly unnecessary services–like Netflix. To save, many started sharing their accounts with friends and family. By April 2022, over 100 million individuals were believed to be sharing their Netflix accounts with others, seriously impacting the company's growth.

At the same time, Amazon Prime Video, HBO Max, Disney +, Apple TV, Hulu, and Peacock were all rapidly climbing in popularity. Though none has yet surpassed Netflix, Amazon Prime Video is quickly approaching parity, with Disney + trailing and the rest falling behind. The rise in alternatives has done two things: drive up the competition for content and increase the breadth of consumer choice. Competition over content has led to Netflix losing material from its video library, thus reducing the extent and universality of its appeal and sending customers looking elsewhere. Increased consumer choice from a larger suite of video providers has led many customers to subscribe to different platforms that cater better to their specific tastes.

BACKGROUND 1.0

Current Status:

Q1 2024 growth is predicted to be modest, at best. The Crown, one of Netflix's flagship original series, ended in late 2023. The platform needs another original hit to take its place. Subscription numbers are lagging, Amazon Prime and Disney + are growing, and key pieces of media continue to leave the Netflix library as competing services buy their rights. As a result, revenue growth is largely stalling with moderate, recent increases after several quarters of negative growth. Something has to change.



RESEARCH QUESTIONS

How can Netflix differentiate itself from its competitors?

Should Netflix focus its resources on one exceptional show or movie, or spread its investment over a bigger group of new originals?

How can Netflix limit the amount of content it loses to competing services?

How can Netflix grow? What are new/creative methods board members can use?

BACKGROUND 2.0

Topic 2: Optimizing Subscriptions

History:

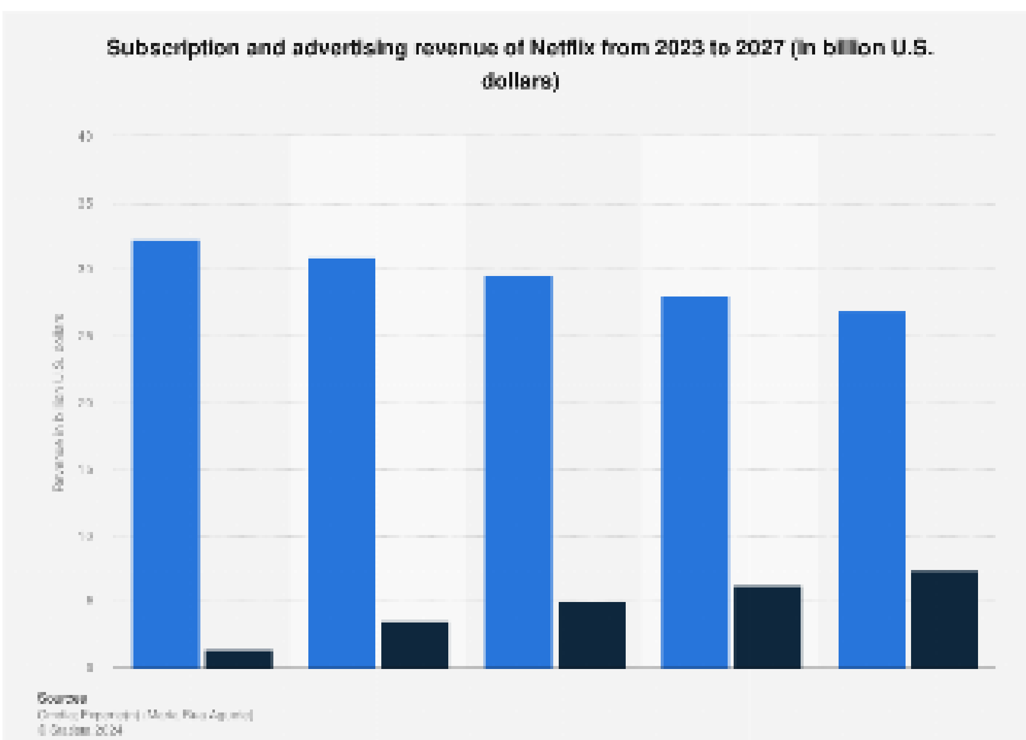
Netflix is a subscription-based service whose growth depends on an ever-increasing pool of paying users. Retaining and growing its audience–and developing new ways to extract more revenue from them–is the company's most fundamental task as a publicly traded corporation beholden to its shareholders.3 Over the course of its existence, Netflix has experimented with and adopted many different models to maximize its revenue.

In the beginning, its customers exclusively subscribed for monthly access to its DVD catalog. It innovated in 2007 by providing free access to its newly launched video streaming platform for its already paying customers before eventually splitting the two into separate subscriptions.

As the quality of streamable content advanced, Netflix again innovated by introducing several levels of streaming quality that customers could subscribe to for varying amounts, with basic through premium plans available from $9.99-19.99 per month.

When the company faced an imminent crisis in April 2022, it pivoted by scrapping its DVD program entirely and cracking down on methods of piracy, particularly taking aim at account sharing by restricting access based on the user's IP address.

Additionally, the company launched an ad-assisted plan in late 2022 which allowed customers to pay $6.99 for limited access with ads.



BACKGROUND 2.0

Current Status:

The culmination of its subscription optimization programs has been largely positive, with Netflix recording its highest recent revenue growth going into 2024. However, there's no telling if that will last.

Every additional dollar that can be extracted from Netflix's customer base is another dollar of revenue that will strengthen the company's stock price and satisfy the Board of Directors.

There are always ways to grow, optimize, innovate, and expand. Use exceptional creativity and seek out methods to make the most out of the subscribers that you have–but be careful, if you push too hard, you very well might drive them away.

RESEARCH QUESTIONS

How can you increase the amount of money you extract from each customer?

How can you ensure customer loyalty and retention while increasing revenue

What alternative forms of media could Netflix use to diversify its assets?

How can Netflix use dynamic methods to increase revenue.

Dossier

Note from the dias: For chief officers and creative/business directors please reference current resources pertaining to each individual including social media accounts and current articles as the topic will be ever changing and evolving.

This website is an excellent source for the majority of the dossier and please contact the director for any questions delegates may have.

Directors & business people

1. Reed Hastings (Executive Chairman, Director)
2. Greg Peters (co-CEO, Director)
3. Ted Sarandos (co-CEO, Director)
4. Richard Barton (Director)
5. Mathias Döpfner (Director)
6. Timothy Haley (Director)
7. Jay Hoag (Director)
8. Leslie Kilgore (Director)
9. Strive Masiyiwa (Director)
10. Ann Mather (Director)
11. Ambassador Susan Rice (Director)
12. Brad Smith (Director)
13. Anne Sweeney (Director)
14. Marian Lee (Chief Marketing Officer)
15. Bela Bajaria (Chief Content Officer)
16. David Hyman (Chief Legal Officer)
17. Guillermo del Toro (Film Director)

*Note these characters are fictional, and the internet will not provide information on them.

18. Bryan Payne (Amazon Web Services Liaison)
Charged with a thankless job, Payne maintains the link between the Amazon Web Services servers that Netflix is hosted on and the Netflix board. Payne is NOT a Netflix employee, rather being an Amazon officer–Netflix's biggest competitor. Also has an orange cat named Chorizo.
19. Wick Wilson (FCC Oversight Officer)
A hardened federal agent who served 20 years as a Marine food service specialist, Wilson has seen the worst humanity has to offer–a soggy veggie omelet for lunch on a hot, exhausting day. Wilson currently works for the FCC to ensure that a monopoly does not form in the video streaming sector and is charged with politely, and discretely disrupting any activity that would result in a market takeover. However, Wilson's consent, on behalf of the Federal Government, is also necessary for any expansionary action.
20. Carlota Nelson (Anti-Screen Time Scientist)
Nelson doesn't like movies or TV shows–or anything online. Backed by the will and power of science, Nelson is set on steering Netflix away from engaging, entertaining content and toward documentary material that "actually makes you a better person." Nelson has $21,500 worth of houseplants and is an avid canoe fiend.
21. "Sam" Nikolić (Customer 1)
Sam likes movies–a lot. Particularly, comedies and intricate capers. As a premium subscriber, Sam is willing to pay whatever for Netflix and ardently wants more, better content on the platform. Sam was once a semi-pro hockey player before the breakup of Yugoslavia. The origins of their fortune are unknown and their past is shrouded in mystery.
22. Davis Howard (Customer 2)
An ex-LAPD officer and current crab fisherman and amateur gold miner in Alaska, Howard doesn't have a whole lot of time or money to spend on shows. But they do want more reality TV and they don't care if there are more ads as long as they're able to pay less.
23. Casey Yates (Customer 3)
Yates works two jobs to pay off their three kids' college tuition and watching Netflix is the only positive constant in their hard, tumultuous life. They're absolutely loyal to the brand, but can't afford accounts for all their kids as it is, not to mention any additional price hikes. Yates loves fantasy and murder mysteries.
24 Paul Martinez (Customer 4)
Martinez likes two things: the Roman Empire and baking competitions. They want more of both. A LOT more of both. They think the price is already ridiculously high and hate ads. Martinez works as a roving boutique emerald sculptor with international accolades and fiery rivalries.
25. Aaron Kim (Customer 5)
Kim's an oil tycoon with refined tastes and sporadic memory loss resulting from fighting a bear on a company retreat back in '05. They love period pieces, dramas, classics, epics, and the type of films that "they just don't make anymore." They want a larger old movie collection and don't remember how much money they have. They might be willing to pay for anything one minute, and nothing the next.

Important References

1. https://www.statista.com/topics/842/netflix/#topicOverview
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