

What do your customers want?

Can you complete this line:

The main thing my customers/clients want from me is ...

You should, of course, be able to answer this. If you are a toy manufacturer, for example, your line could be “the main thing my customers want from me is safety...parents won’t buy unsafe toys for their kids.”

Once you can answer this question, you can proceed with marketing.

This week, Netflix made an announcement that it would spin off its DVD business under a new name (Qwikster). This came at the heels of a subscriber loss due in part to the 60% increase in prices announced earlier. Not only that, but Netflix’ stock price has fallen.

Apparently, Netflix failed to ask itself what its customers wanted. Ignoring their loyal fan base (as this great article in the Harvard Business Review blog discusses) is probably why there has been such an uproar.

What do Netflix customers want? Do they want more streaming video or do they want to keep getting DVDs in the mail? Do they want an easy, inexpensive way to get movies fast?

Netflix’ CEO wants to be in the streaming business, not in the DVD business. But perhaps that is not what his customers want. Perhaps his customers do not like the name Qwikster. Perhaps he didn’t ASK his customers first. Sure, companies have to make decisions based on financials etc, but part of the input should include some market research, some customer feedback. Netflix did not ask, and now they know—customers want convenience and price stability from Netflix.

What do your customers want? How will you find out?

More ways to make people dislike your company

It is the marketing kiss of death when people actively start disliking your company. People like to do business with people (and companies) they like. Except where there is monopoly-like with the power company or the phone or cable company—then people are forced to do business with companies they do not like very much.

Yesterday, Netflix became a very disliked company. In an email to subscribers (which again hit AFTER the press release hit the blogosphere), Netflix raised its prices for the second time in less than one year. The company, which was offering people a plan that allowed one DVD at a time (unlimited in a month) and unlimited streaming for \$9.99 (raised from \$8.99 last December), is now offering this combination for \$15.99 OR you can get the DVD option only for \$7.99 or the streaming option only for \$7.99. You can read it Netflix own words here:

<http://blog.netflix.com/2011/07/netflix-introduces-new-plans-and.html>

Needless to say, a price hike of this magnitude was not greeted with open arms by Netflix subscribers. Just check out the more than 6,000 comments on the blog (link above), or these stories from USA Today and the New York Post.

On Twitter, many people are expressing their dislike for this price hike and threatening to cancel their subscription altogether.

Netflix is pretty disliked right now. But what really is driving the discontent?

1. Raising rates without offering more. In effect, most people are complaining because Netflix' streaming option does not offer the equivalent value of the DVD option (i.e. you can't get everything on streaming that you can get on DVD).

2. Thinking your customers will grin and bear it. Yes, it probably will help to raise revenue....if you keep your current base! The result here is that customers will find other options better suited to the value they perceive the service should be worth.

3. Underestimating the power of social media. With Twitter and Facebook one person's discontent spreads like wildfire.

4. Underestimating your customer's intelligence. The email from Netflix about the price hike says this:

We are separating unlimited DVDs by mail and unlimited streaming into two separate plans to better reflect the costs of each. Now our members have a choice: a streaming only plan, a DVD only plan, or both.

This presumes customers want a choice or that they don't like the choice they have or that if you put it as a choice then people will accept it.

Companies that treat their customers like revenue sources and not like people who actually do have a choice in which companies they do business with, risk losing business. Netflix will probably survive this episode, but not without a lot of bad blood and bad publicity.

Inform your customers first

Perhaps you heard yesterday that Netflix is adding a streaming-only option and increasing its rates. It was reported on various different blogs, websites and of course, Twitter. Here's a sampling (and notice the date/time):

L.A. Times

ABC News

Consumerist

I am a Netflix customer, and guess what, **I heard about it from Netflix directly last night, through a company email that arrived at 6:38 p.m.** Of course, by then I already knew that I was going to be paying more.

Companies should tell their own customers about changes to ANYTHING (pricing, service, hours, etc.) before they release the information publicly. Customers should not find out that their service provider or bank or whatever will be changing its ways from third parties. It does not make good business sense. It alienates customers.

When communicating news, you must have a hierarchy:

First, communicate changes to your internal organization.

Second, communicate to your users/customers.

Third, communicate to the public at large using media relations, advertising or other mass channels.