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# GROWTH HACKING AND AAARR FUNNEL IMPLEMENTATION FOR A SAAS COMPANY

– A case study of Netflix

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# GROWTH HACKING AND AAARR FUNNEL IMPLEMENTATION FOR A SAAS COMPANY

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Cloud computing technology and SaaS are not brand new any longer. However, there are hinderances in terms of marketing towards this type of service that is expected to grow drastically by year 2020. Growth hacking is, on the other hand, a new methods of marketing which can help SaaS companies to overcome and utilize their resources as much as possible at every point of the customer journey. This thesis is based on theory regarding growth hacking funnel and practical knowledge that are gathered from primary and secondary data resources. Challenges for a SaaS business would be addressed. This thesis suggests on how practically a SaaS company ought to implement their AAARR funnel with a concrete example of Netflix tactics.

## KEYWORDS:

Growth hacking, growth hacking funnel, SaaS

# CONTENT

**LIST OF ABBREVIATIONS (OR) SYMBOLS**    ERROR! BOOKMARK NOT DEFINED.

<b>1 INTRODUCTION</b>	<b>6</b>
1.1 Research background	6
1.2 Research motivation	6
1.3 Research purpose	7
1.4 Research questions	8
<b>2 RESEARCH METHODOLOGY</b>	<b>9</b>
2.1 Research strategy and design	9
2.2 Data collection	9
2.2.1 Secondary data collection	10
2.2.2 Primary data collection	10
2.3 Research limitation and validity	10
<b>3 LITERATURE REVIEW</b>	<b>12</b>
3.1 Challenges of SaaS companies	12
3.1.1 Cloud computing technology and SaaS model	12
3.1.2 Challenges of a SaaS company	14
3.2 Growth Hacking and AAARR funnel	15
3.2.1 Growth Hacking	15
3.2.2 Growth hacking rise factors	17
3.2.3 Growth hacking funnel	19
<b>3.3 A/B testing</b>	<b>30</b>
<b>4 NETFLIX AND ITS IMPLEMENTATION ON AAARR FUNNEL</b>	<b>32</b>
4.1 Netflix background	32
4.2 Growth Hacking funnel and tactics	33
<b>CONCLUSION:</b>	<b>47</b>
<b>BIBLIOGRAPHY</b>	<b>49</b>

## APPENDICES

Appendix 1. Heading of appendix

Appendix 2. How to use equations, figures, pictures and tables

## FIGURES

Figure 1. AARRR Funnel (Source: WeGrowth.com)	19
Figure 2. The viral coefficient formula (Source: Business2Community)	21
Figure 3. Basic referral loop (Source: Reforce.com)	27
Figure 4. Graph showing the responses from the survey (Source: Price Intelligently)	30
Figure 5. A/B testing (Source: ConversionXL)	31
Figure 6. Landing page for non-members screenshot (Source: Netflix)	35
Figure 7. Different images are given depending on what a user is interested in (Screenshot from Huffpost)	39
Figure 8. An email example from Netflix	41
Figure 9. How hypothesis is tested at Netflix (from UX Design)	45
Figure 10. Different artwork modifications result in different outcome (source: Netflix blog)	46

## LIST OF ABBREVIATIONS (OR) SYMBOLS

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If you do not use a list of abbreviations or symbols, remove this page. Remove only the text on the page, not the section break below the text! You are able to see the section break by pressing the button  from *Home* tab.

CoAC	Cost of acquiring a customer
CTA	Call-to-action
LTV	Life time Value
SaaS	Software as a Service

# 1 INTRODUCTION

## 1.1 Research background

Since the birth of Software-as-a-service (SaaS) cloud computing service back in 2005 (Marinescu, 2018), software was never easier to be purchased and installed. With SaaS software, users in both B2C and B2B benefit from the cost effectiveness and hassle-freeness. SaaS can be accessed anywhere at any time through any devices (Marinescu, 2018, p. 2), making it suitable for almost everyone no matter if they are B2C or B2B users, using personally or professionally. For example, a freelancer uses Canva - a photo editing SaaS, a photographer stores his or her photographs on Dropbox – a storage cloud computing service, or a business internally communicate through Slack – a communicating channel cloud service. Statistically, businesses use around 16 SaaS apps in their daily operation (MacDonald, 2019) and it is estimated that by 2020 by a CIO tech poll by IDG 73% of organizations will move completely to SaaS for their apps (MacDonald, 2019). It is therefore a potential market for SaaS providing vendors. However, when there is market, there is also competition. SaaS providing companies nowadays in order to be flourish, need to solve five main areas that are how to increase registrations, conversion rates, subscription revenue, cross-sells and up-sells while keeping the dropout rate as low as possible (Ishai, 2017). This thesis will look into on how SaaS companies can utilize growth hacking throughout the hacking funnel to resolve these given challenges with the concrete example of Netflix that will be discussed later in chapter four.

## 1.2 Research motivation

Beginning of February 2018, I did my practical training at Aurora Digital, a digital marketing start up in Helsinki. Being a start-up means there is a lot of work and learning, I have learned a lot from there how startups need to grow as fast as they

can, and for the first time, I heard the term “Growth hacking” from my colleagues there. It has triggered a big interest within me on “what is growth hacking?” “how different it is from digital marketing?”. The further I read about growth hacking, the more interested I have become about the topic. Examining companies such as Dropbox, Hotjar Airbnb, to name a few have gained such a huge success and begun to monetize in such a short period have proved to me that it is no longer the case for only big corporations to rule the market, but SMEs can be the market leaders if they grow effectively and efficiently fast enough.

### 1.3 Research purpose

The main purpose of this study is to identify the growth hacking approach stage by stage a SaaS business expects to perform in order to grow sustainably. By examining the case of Netflix, what they have been doing in terms of growth hacking and the insights of the survey that was done by Netflix users in order to obtain an understanding on how well Netflix strategically has done. Netflix being established by Reed Hastings and Marc Randolph in 1997 (Hosch, 2019), it is a US-based company with its original online subscription service began from 1999 (Hosch, 2019). In just 10 years, Netflix launched the streaming option through its website which later changed dynamically the way of entertainment people around the world have enjoyed (Hosch, 2019). With its success, Netflix is a reliable and authentic example of a SaaS startup implementing excellently growth hacking to make it a billion dollar worthy business (Hosch, 2019). This thesis will go through the challenges that SaaS companies nowadays have been facing and explain the growth hacking funnel theory and apply the theory on Netflix’s case. The idea is to understand in the dynamically changing current market. It is important for growth hacking to be implemented at every point of the growth funnel.

## 1.4 Research questions

- How important growth hacking is for conversion rates and customers' retention?

First of all, with the data and insights as well as examples from different SaaS companies in the literature review session, this thesis will come to a conclusion whether growth hacking is crucial for conversion rates and user's retention, especially in SaaS industry. To answer this question properly, comparison between the campaign with and without growth hacking tactics needs to be clarified. Giving examples of SaaS businesses who have achieved success using growth hacking is the easiest and the most demonstrative way.

- How does SaaS providing company benefit growth hacking?

In order to understand how a SaaS company can benefit using growth hacking, growth hacking implementation of Netflix will be elaborated in chapter 4. With concrete examples on strategies and tactics they have been using to hack their growth through all stages of the funnel, the recommendations for SaaS companies will be given.

The first session – literature review will cover theoretical framework that is used later throughout the case study of Netflix. Literature review chapter shall cover the theory of cloud computing technology and SaaS, challenges toward SaaS companies in terms of marketing, as well as growth hacking funnel that is applicable to the case study. Next is chapter 4 where the case of Netflix is studied, accompanied with the data collection from Netflix users that was done by the author.

## 2 RESEARCH METHODOLOGY

### 2.1 Research strategy and design

This thesis mainly looks at how in practice a company like Netflix has been implementing growth hacking in achieving success. Those findings would be then applied into suggesting a funnel that SaaS providing companies can benefit from. Therefore, inductive approach shall be used as the main research approach in this thesis. An inductive approach helps generate a new theory that emerges from the data collected (Gabriel, 2013). According to John Dudovski, a researcher uses inductive reasoning when he or she wants to describe or build an abstraction of the phenomenon that is being studied (Dudovski, 2013), which, in this thesis, is the case of growth hacking implementation for SaaS startups. Theories about growth hacking in this thesis is mostly obtained from existing theory and previous researches which are used to formulate the research questions to be explored (Dudovski, 2013).

As the survey is used to gain the insights of Netflix users' opinions, quantitative researches is used in this thesis, particularly a survey was done by 129 people on how they are using Netflix, which is included in the appendix session. The data collected from the survey will then be compared with the data from existing sources to reassure that the data is valid and can be applicable for other SaaS startups. Quantitative data collection method is mostly based on numbers, thus examine relationships between variables and the theory (Dudovskiy, 2013). Findings of quantitative method is easy to present, compare and thus generalize (Dudovskiy, 2013)

### 2.2 Data collection

Both primary and secondary data are collected and used to clarify the growth hacking funnel of Netflix.

### 2.2.1 Secondary data collection

Secondary data collection is used when a researcher uses information that is gathered by someone else for their own purposes (Foley, 2018). The use of secondary is considerably cost-efficient and time-saving compared to the data collection that research needs to do on his or her own (Foley, 2018). Moreover, in many cases, secondary data is available and quickly obtainable while primary data can not be accessed at all (Juneja, 2015). The secondary data used in this thesis comes throughout the growth hacking funnel of Netflix and can be obtained from articles, case study, statistics, reports, conference reports and interviews with a third party.

### 2.2.2 Primary data collection

According to Thomas Metcalf, primary research is the process of collecting data from original sources, which can be done by, for example, face-to-face interviews, surveys, email surveys as such (Metcalf, 2015). In this thesis, survey is used to gain a better insight about Netflix's users toward Netflix's. Survey is made by Google survey, which is a online survey tool and then sent out to correspondants. The responses then are collected and used for demonstration. The author used social media channels' audience such as his personal Facebook, Student Facebook group as the target group of the research. 129 people responded to the survey, the detailed questions and answers could be found in the appendix session later in this thesis.

### 2.3 Research limitation and validity

Regarding limitation, this thesis has some limitations that need to be clarified. First of all, since it is difficult to contact directly management at Netflix, most of the data from Netflix is collected based on public articles, online resources and the interviews and conferences where Netflix presentatives answered the questions

with the same interests with a third party. In addition to that, Netflix rarely publishing their marketing index material online: cost of acquisition per customer and lifetime value per customer as such, makes it more challenging for the author to collect these types of data. Secondly, in the beginning of 2019, Netflix said they will raise prices of their subscription plans which is expected to affect a wide range of their current consumers' decisions (Lee, 2019). In order to simplify the aftermaths of this action, the author will not take it into account in the scope of this thesis.

### 3 LITERATURE REVIEW

#### 3.1 Challenges of SaaS companies

##### 3.1.1 Cloud computing technology and SaaS model

Cloud computing is a computing paradigm starting emerging since 2005 (Marinescu, 2018, p. 1) that enables users to temporarily use computing infrastructure via the network. This network is provided as a service by the cloud-provider (Youseff, et al., 2015). In cloud computing, resources of hardware and software are concentrated in data centers that monetize once users pay to consume computing, storage and communication such as Amazon, Apple, Google, Microsoft, Oracle (Marinescu, 2018, p. 1) As a result, many current businesses nowadays have been changing their models to utilize this technology as their service (Youseff, et al., 2015) These services can be software applications, programming platforms, data-storage, computing infrastructure and hardware as services (Youseff, et al., 2015) Consequently, it is likely to be significant for the economical and social shift in which this new technology take a key role in storing private data (Marinescu, 2018, p. 1). As an example, iCloud from Apple launched since 2011 has changed significantly the way music, videos, movies and these kinds of content as such are stored, making it easily accessible to the data from anywhere at anytime (Marinescu, 2018, p. 2)

Cloud computing has six prominent characteristics: (1) Cloud computing utilizes Internet to offer dynamic acquisition of computing services and support a variable workload (2) Users are only charged for the services or resources that they use (3) Service providers ensure maintenance and security services (4) Service providers benefit from economy of scale thanks to specialization and centralization, (5) cloud computing is cost-effective and (6) cloud computing potentially increases reliability and security and lowers communication costs as the data is stored closer to the site where it does not depend on device and location (Marinescu, 2018, p. 2)

There are three cloud computing delivery models: (1) Software-as-a-Service (SaaS), (2) Platform-as-a-Service (PaaS) and (3) Infrastructure-as-a-Service (IaaS) (Marinescu, 2018, p. 12) according to Cloud Security Alliance - a nonprofit organization that promotes research into best practices for securing cloud computing and the use of cloud technologies to secure other forms of computing (Rouse, 2018). In this thesis, the author will mention primarily Software-as-a-Service (SaaS). SaaS is the most well-known model of cloud computing (Tyrväinen & Selin, 2011) in which an application, instead of being installed into user's device, can be crossly used via a cloud network by the service provider (Marinescu, 2018, p. 12)

SaaS has benefits overcoming traditional delivery for its characteristics (Replicon, 2009). In SaaS, applications are accessed from different devices through user's interface such as a Web browser at anytime and anywhere, making adoption rates higher (Marinescu, 2018, p. 13). In addition to that, SaaS avoids and reduces the need for complex on managing software and hardware for customers (Replicon, 2009). SaaS subscription based pricing model rather than traditional license fees along with the elimination of initial investment on IT infrastructure and operation maintenance keep the set-up investment minimal (Replicon, 2009). Likewise, with no commitment or concrete binding due to the pay-as-you-go pricing method and deploying new upgrades or versions without interrupting users with these service packs, users could avoid the all the unnecessary hassles and just focus on their operations (Replicon, 2009). Moreover, users can easily scale up or downgrade the scope the service and be able to share the SaaS product with multiple users as they wish (Movahhed, 2014)

Therefore, SaaS, from the user point of view, is an IT management outsourcing to a provider (Tyrväinen & Selin, 2011). SaaS is mostly suitable for clients that provide services in workflow management, customer relationship management, financial management, supply chain, communication and Web 2.0 (Marinescu, 2018, p. 13).

According to Forrester Research survey, the global market for SaaS product will expand drastically almost six folds from \$40.7US billion up to \$241US billion in just a nine year period 2011-2020 (Dignan, 2011). SaaS products are expected to replace the commercial software (Movahhed, 2014).

### 3.1.2 Challenges of a Saas company

SaaS company's first challenge is to fail people's demand for a product that they do not want (Schmidt, 2018). A product that does not solve any significant existing problem will end up not creating sufficient market for that product (Solomon, 2017). In other words, companies that fail to achieve product-market fit will ultimately fail. This could be cause by lack of product-market fit, fear of the unknown, poor timing and scaling too fast (Houlihan & Harvey, 2018)

Entrepreneurs in SaaS business should be able to identify a scalable way to acquire users meanwhile monetize them (Solomon, 2017). Only once lifetime value(LTV) of the customer is defined can business ensure whether LTV exceeds cost of acquiring customer(CAC), which means revenue generated is greater than money spent. This is where most SaaS companies fail to do the maths and end up choosing an ineffective business model (Solomon, 2017)

In addition to that, insufficient testing and experimenting hypotheses and assumptions has been so far one of the most mentioned reason for a company failure. According to Ashish Bhatia, founder of India Accelerator, success can only be achieved by mutually communicating ideas with users without excessive perfectionism and/or assumption (Houlihan & Harvey, 2018). SaaS companies need to get the most out of the data as the funding will unlikely last long (Payne, 2016). SaaS companies that do not have critical knowledge of the user perception toward their value proposition, due to the lack of testing, are described as poor customer discovery, which mostly also end up fail (Houlihan & Harvey, 2018) Therefore, companies ought to continuously communicate with load of potential customers in a consistent and innovative way that triggers their needs and also

obtains the idea of how users see business. And if necessary, business model could be redesigned and changed accordingly. (Khan, 2017.)

Acquiring customers is important. However, retaining them is way far more crucial to achieve sustainable growth in SaaS industry situation. As mentioned by Solomon, should churn rate (customer turnover) be greater than customer acquisition rate, the business will no longer be sustainably growing, thus SaaS companies ought to keep churn rate as low as possible (Solomon, 2017). SaaS companies that lacks knowledge in customers' insight and engagement with customers (Khan, 2017.) would easily overlook possible factors that might hinder user's satisfaction. As a result, SaaS that could not fulfill users' expectation will eventually lose active users along the way (Solomon, 2017)

Another challenge that many SaaS companies have is user onboarding process (Payne, 2016). Onboarding process is a critical phases of a SaaS vending company as it establishes the first impression with customers and thus let them decide whether or not to continue using it (Szundi, 2017). A poor onboarding process is mainly responsible for a high churn rate (Payne, 2016).

Despite having a high adoption rate as being accessible to anywhere at anytime on any devices with Web browser (Marinescu, 2018, p. 13), SaaS could be still difficult for customers to use at first (Solomon, 2017)

## 3.2 Growth Hacking and AAARR funnel

### 3.2.1 Growth Hacking

"A growth hacker is the one whose true north is growth" - Sean Ellis said in his book (Ellis & Brown, 2018). In other words, growth hacking primarily works on growth, meaning using growth hacking a business concentrates almost exclusively on scaling up the business as fast as possible regardless of tactics and hacks used (Kajabi, 2018).

Growth hacking is meant to solve the phase many business nowadays are facing that is dramatic slowed growing (Ellis & Brown, 2018, p. 15). Growth hacking is the process aiming at lucrative opportunities by consistently testing with different marketing and product-development aspects (Kajabi, 2018) Growth hacking is not just about obtaining new customers, but engaging, activating and winning customers in a particular short amount of time so they will not leave (Ellis & Brown, 2018, p. 15) and company will not suffer from inefficiency cycle of the product caused by delay in consumers demand changes, marketing channels, technological development, and product improvement (Ellis & Brown, 2018, p. 18). Regardless of the size of the company and its particular needs, growth hacking is method that should be adapted and customized accordingly (Ellis & Brown, 2018, p. 16) There is no particular formula for a growth hacking strategy, a growth hacker bases his or her finding on the audience and potential customer to determine the best way to achieve growth (Kajabi, 2018). However, growth hacking, just like every process, is built on three specific fundamental elements. First element is a combination of -cross-functional talent teams to break down the wall between conventional marketing and engineering (Ellis & Brown, 2018, p. 13) Therefore growth hacking is a mix of marketing, engineering and data analysis (Aufray, 2018) The second element is a constant utilization of data collected upon user behavior and so on, evaluating it in order to obtain better insights and understanding. Last but not least, a constant practice of testing and evaluate findings to make a quick adaptation to results. (Ellis & Brown, 2018, p. 13)

Growth hacking and digital marketing surely have same fundamental principles and mentality which is creativity, experimentation also measurement such as engagement, conversion, retention to name a few. Growth hacking does not replace marketing foundation elements such as customer psychology, identifying target personas and identifying a unique selling proposition, instead it reinforces them (Patel, 2016) Therefore, they all in that sense, are complementary (Sophie Elizabeth Smith, n.d). The prominent difference is, however, their scope of goals

or focus. (Sophie Elizabeth Smith, n.d). While digital marketers have a tendency to pay a lot more attention on acquisition and how to activate leads. Growth hacker, on the other hand, focus on all phases along sales funnel including activating, retention, referral and monetizing (Jenny, 2017). Also, as long-term path and focus on a brand and connections which requires a plenty of time, are priority for digital marketer, meanwhile growth and testing are the focused area for a growth hacker, a digital marketer has less tolerance for risk than a growth hacker (Jenny, 2017). Indeed, a digital marketer, while acquires more user and potential customers, always balances off with building a strong brand and maintaining brand reputation with storytelling (Vollert, 2017). Another difference lies in the set of skills that a growth hacker and digital marker possess. Digital marketers are not necessarily tech-savvy and sometimes work on their intuition (Jenny, 2017). Digital marketers, therefore, rely on tech guys such as developers, designers and data analyst to execute their ideas (Vollert, 2017). While a growth hackers could be able to generate and execute ideas including technical aspects and their analytical skills (Jenny, 2017)

### 3.2.2 Growth hacking rise factors

Market disruption:

Market disruption is “a profound change in the business landscape that forces organizations to undergo significant transformation rather than steady incremental changes” (Kelderman, 2015). Everytime a market disruption happens, consumers behaviour is thus affected. Growth hacking then disrupts the market by introducing a new way of using products (Kajabi, 2018). An example is Duolingo has changed the landscape of language-learning app by gamifying the whole experience. Making the learning process look more of a game where each time users complete a level, they earn points is intriguing and appealing to users (Kajabi, 2018)

Need for speed and agility:

In a rapidly changing business and technology landscape, finding a solution is not enough, but a fast and correct solution. Business, especially small and startups can not afford to be slowed down by the conventional business model with long lag and bureaucracy which can take several months to years to complete the cycle from market research to marketing (Ellis & Brown, 2018, p. 18). That is why fast tempo experiment is crucial in order to be responsive to changing demands while at the same time accelerating the products and implementing the suitable marketing and sales models (Ellis & Brown, 2018, p. 18)

Data:

Data means so much nowadays for businesses. Data provides foundation a business makes decisions on since it relates to customers, leads and prospects moving through the marketing funnel (Fogg, 2016). Moreover, data itself is a good and relevant source of content to communicate with the audience (Fogg, 2016) In order to optimize customer experience, it is necessary to gain a better understanding of customer through every touch point of the business by constantly experimenting (Laher, 2016). However data has not usually been collected in an integrated way due to the lack communication among product managers and marketing departments about the agreement on which source of data should be used, or external advertising agencies running campaigns without relevant and useful data input (Ellis & Brown, 2018, p. 19) Consequently, companies are using the irrelevant data, relying on surface level, vanity metrics, which could translate into missed ideas and opportunities. Growth hacking with its focus on data and data-driven decision making mechanism, provides a better method to tap into the pool of data and extract the relevant and real-time insight the most out of it (Ellis & Brown, 2018, p. 19) A good example is Walmart's utilization of big data across its divisions and especially its mobile app called Savings Catcher. The app allows customers to take picture of their receipt and receive cash refunds via their phone if customer finds out another chain sells the same item for cheaper prices. Walmart gathers this kind of information and therefore determines which item of them is the most cost-competitive. As a result,

Walmart can save a huge amount in advertising as Walmart's paid search teams now only focuses bidding on those items that Walmart sure they are the price leader. (Ellis & Brown, 2018, p. 20.)

### 3.2.3 Growth hacking funnel

AAARR Funnel is simple and easy to use and comprehend (Broos, 2016). It is a useful dashboard for daily use and tracking on metrics. Therefore AAARR should be utilized by startups as a framework (Broos, 2016)

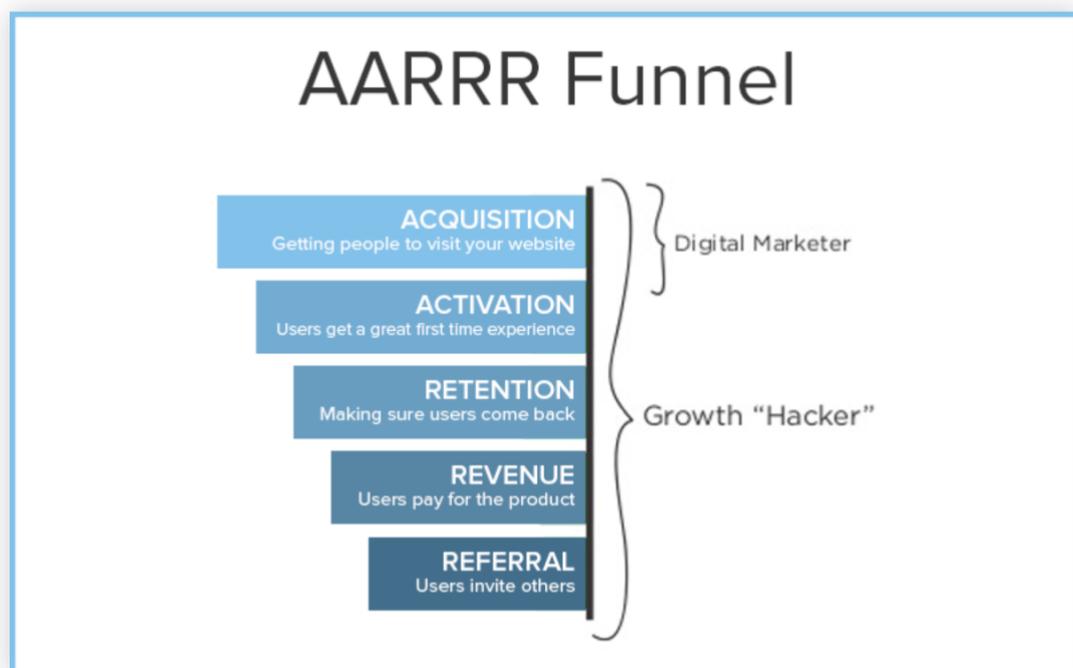


Figure 1. AARRR Funnel (Source: WeGrowth.com)

#### **Acquisition/get visitors:**

as easy as it might sound, getting traffic to a website is crucial, yet not sufficient for a successful growth hacking project. How to turn these visitors into activating customers is important. One of the most important thing in acquisition is the more audiences are targeted, the better chances these audiences would be interested and therefore converted are. The amount spent on acquisition stage should be different based on company's stage of growth, business model,

competitive situation (Ellis & Brown, 2018, p. 142). Well-established companies with viable capital can be able to employ different approaches like TV or print ad. Small and startups alike companies who might be short in cash, might have to think of more cost-effective. This could be achieved by multiple approaches, even by word of mouth. (Ellis & Brown, 2018, p. 142.) The bottom line is to find out the innovative, yet affordable and actionable technique that suits the business.

The very first thing that needs doing in the stage of acquiring customer is to identify product/market fit, which is a part of growth hacking. A company need to identify whether it has a good product and whether or not the product is compelling to the market (Ellis & Brown, 2018, p. 142). There are three variables: the customers, the problem, and the solution to look at when considering if a product actually satisfies the market (Tüfekyapan, 2018). Product/market fit is achieved once all three conditions are met which means a product that brings an efficient solution to a problem that a large enough target potential customers are facing (Tüfekyapan, 2018). According to Sean Ellis, one way to identify if one has achieved product/market fit is to do a survey on to which extent the current product users would feel disappointed when the product is no longer available. (Elmborg, 2019). It 40% of users say they would feel very disappointed, it'd indicate the product-market fit has been achieve (Ellis & Brown, 2018).

### Social Media (Virality)

Virality is a word rooted from the word "virus" which refers to a piece of content that got shared massively all over the Internet, thus has an enormous potential impact billions of audiences in either positive or negative way, for example blog post, websites, apps, games to name a few (Bernazzani, 2018). Virality is an essential part of growth hacking journey as it leverages largely on growth which is the ultimate goal while keeping the cost as low as possible (Sukhraj, 2018). Indeed, viral marketing can help small budget companies and startups to promote themselves efficiently, even for free as the information would be passed around on customer's behalf (UKEssays, 2018). For audiences who see this information

passed around, they would feel more assured about the information as it is from their friends, rather than a piece of advertisement (UKEssays, 2018). To clarify this, the business model that works and is profitable happens when Cost of acquiring customers (CoAC) is lower than customer life-time value(LTV), which will be explained later in the section Revenue. When virality occurs, CoAC would be reduced to significantly small compared to LTV, which eventually make the business more profitable (Skok, 2011). Moreover As in the digital world, where everything can be shared so fast, If a viral marketing campaign is done correctly, mainstream media such as TV or newspaper would possibly cover it, which will end up adding up the audience reach of the campaign over the mainstream media (Sukhraj, 2018). Virality just as any variables in growth hacking can be demonstrated in a mathematical structure. The most important variable in virality is the viral coefficient which is calculated by formula following:

$$k = i * c$$

Figure 2. The viral coefficient formula (Source: Business2Community)

Where  $i$  is the number of invites to a product, website, or landing page sent by customers, and  $c$  being the conversion rate (the percentage) of invites that convert successfully into customers (Skok, 2011). A campaign is regarded viral as K-factor is greater than 1 (Ely, 2015) and once it becomes viral, the campaign itself would mostly attract and convert people (Ely, 2015). There is no concrete way to affect K-factor as it is different from business to business. Therefore, many businesses nowadays are trying their best to use different marketing methods to work together in the hope to increase their K-factor (Ely, 2015). For example, a game company released a game and wished to acquire new players via virality by encouraging their current players to send out invitations to their friends. Provided that ten users decided to send out invitation to their friends, in which each user invites ten friends with the conversion rate of 20%, in other words, two out of ten users would be converted into players. We would have the K-factor is equal to 2 (10x20%). As a result, the number of players after the first cycle of

virality is 30, in which 10 is the initial number of players and 20 is the number of new players. If the virality cycles continues ten times, the number of the players will go from 10 to 20470. (DG, 2013.)

- **Activation**

After driving traffic to the site, visitors are expected to be on site as long as possible without immediate bounce (QuickSprout, 2018). Activation is the stage where an Internet user perform an action on the site. According to QuickSprout, activation is not merely random clicks and low bounce rate, but a meaningful action that is decided in advanced that guide the visitors to move along through the sales funnel. A meaningful action can be defined differently according to the services the business has to offer. It could be a purchase, validation of a basket containing for an e-commerce site, newsletter sign up for a blog or a landing page, a video view so on and so forth (Hall, 2019). One primary activation goal is preferable in most cases as more goals a campaign has, the more difficult it gets to achieve them (QuickSprout, 2018). Once a visitor lands successfully to a landing page, they need to be guided to onboard,

**Landing page:** A landing page is an optimized web page that is meant for site visitors. The ultimate goal of a landing page is to convert visitors into customers (Ledgard, 2018) A landing page, in most of the cases, is not a home page. Home page provides visitors with plenty of information, a several links and call to actions, thereby encourages them to browse the site, meanwhile a landing page does not encourage people to do the same but concentrate on converting them (Brianna, 2018). Building a well-converting landing page is a part of growth hacking process to drive traffic, improve SEO and do testing (Baldwin, 2018) More than 68% B2B businesses are using landing pages to generate leads (Baldwin, 2018) Elements that have impacts on a landing page optimization are headline, copy, design, call to action, visuals, trust indicators, therefore these elements should be included and optimized in a landing page (Sean, 2018) A

good landing is supposed to be focused, distractions-free. Content on a good landing page should be focused on the offer and precise enough so visitors do not get lost or interested, it is also supposed to guide visitors through the registration process while letting them know what they would receive in return (Baldwin, 2018).

### **On-boarding:**

As defined, customer onboarding is the process of managing the relationship between a business and a customer at the very early stage of their journey (Kunytsia, 2019). Depending on the definition of when the customer relationship starts, some say customer onboarding starts from a welcome email, while others say it should start when customers sign up for the service (Kunytsia, 2019). The first in-app experience with a SaaS is really important as the user will have the very first experience with the SaaS product to decide whether or not they like using the app any longer (Murphy, 2019). Therefore on-boarding is more than merely teaching customers how to use the product but about teaching them how to use the product given their own problems (Murphy, 2019). Basically there are different ways and elements to use when it comes to on-boarding. They could be welcome email, educational emails, product tutorial, notifications, checkup call, first login with instructive interface (Musgrove, 2019). It is highly recommended by experts that on-boarding experience should be kept as short and simple as possible with minimal vital information requirement to make users feel welcome and comfortable without feeling overwhelmed (Mehta, 2019)

### **Free trial:**

Turning a visitor into a paying customer requires a lot of communication. It is the type of communication where a business, especially a SaaS providing company tries to persuade their visitors it's worth using their service. Providing them a free trial of a SaaS will let the visitors experience the service themselves without being too persuasive (Sukhraj, 2018). Visitors can learn and interact with the software on their own prior to deciding whether or not it is what they have been looking for. This would prevent the uncertainty of making a purchase. Giving visitors a free

trial also makes it more likely to collect feedback, which is valuable data to have better insights into the products and what users do not like about it even if they abandon it (Segal, 2019). Moreover, free trials are simple to implement and set up. There would not be a need for an extra effort in creating an eBook or white paper to explain to potential customers. SaaS companies just need to give people access (Sukhraj, 2018). The most common trial length of time among SaaS products are a 7-day, 14-day and 30-day trial, the length of period is different depending on different products and whether it is adequate for a user to get to know the system and get hooked into it (Feldman, 2017). There are three kinds of trials that well-suits a SaaS business: (1) A free trial without a payment method, (2) A free trial with a payment method and (3) A paid trial with a significant discount during the trial period (Feldman, 2017)

- **Retention:**

At this stage, a visitor has successfully been converted to a user. This type of users are the most qualified ones as they have already shown their big interests in the product. Therefore retention stage is sometimes considered the most important aspect of the funnel (QuickSprout, 2018). Also an increase in retention, says just 5% yields can produce over 25% growth in profit (Relchheld, 2001). Yet increasing retention requires less time and resources than the latter (QuickSprout). However, these customers just begin to use the product a few times and understand the product concept, which does not guarantee they will end up being a regular customer (Glenn, 2017). That's why customers should be reminded and taken back to the app every now and then to get themselves used to it. The longer users stay on using product, the better opportunity it is for a business to monetize, from their up-sells, subscription renewals, and more advertising revenue due to the sufficiently big and loyal customer base (Ellis & Brown, 2018, p. 202). Moreover, users who have been retained more likely become advocates for the business as the effect of word of mouth (Ellis & Brown, 2018, p. 203). However, to retain this source of valuable users is sometimes challenging. There is always a gap between the onboarding stage when customers sign up (it could be for the free trial) and when they actually pay for the product. As estimated, nearly 60% of users who sign up for a free trial just use it once and leave it (McKenzie, 2012). SaaS providing companies need to take users back to their apps frequently until they make the first payment (Murariu, 2018). Another challenge is competitors would always release the similar products or services, or upgrade new features with the existing ones, therefore retention needs to be done quick and effectively (Ellis & Brown, 2018, p. 206).

An example of how well a business has achieved retention is that of Evernote, a note-keeping product. Evernote has achieved a continuous growth in user retention as service's usefulness improves over time with new and useful features (Ellis & Brown, 2018, p. 207). Indeed, Evernote tackled the stumbling blocks users face when interacting with the platform by recording their screen and voice so as that Evernote can discover what the users might get stuck with. It is believed

to have improved user retention rate over 15% as well as user engagement (Moebius, 2013)

### **Personalization**

It is said that a success of a SaaS product relates to how much the product itself does on the service aspect. In other words, how users feel and experience the product, whether it is simplified, adaptive, intuitive, elegant, smart, convenient determines the future of that SaaS product (Mehta, 2019). One way a user can feel being taken care of by the services that SaaS product does is that the product seems to be inclined towards them and for them, or personalized for them (Wilson, 2018). Indeed 59% of shoppers who have personalized experiences with a brand believe personalized experiences have influences on their purchases. (Infosys, 2013). Furthermore, over 81% of consumers wants brands to pay attention to them and have a better understanding when to approach them (Kirkpatrick, 2017). Personalization is a process of identifying a user as a particular user whose data such as needs, preferences, behaviors as such is analyzed and then delivering relevant content to them based on the analysis (Wilson, 2018). An example of a branding succeeds at personalizing is Google. Google keeps track of users' next flight, train, or interviews from confirmation emails and Google calendar, Google will then notifies users before that and suggest the traffic route to the destination of the event (Wilson, 2018).

### **Email marketing**

According to Invesp study, the most effective tactics for customer retention is email marketing, which account more than 56% (Saleh, 2018). Likewise, from the users' point of view, they prefer being reached by email rather than any method of communication (Madril, 2018). When someone converted into a user, it's important to stay active and consistent content in conversation with them to improve their experience with the product, email marketing helps business to be in contact with users without having to push them too much (Bernius, 2018). The email content could vary a lot from a notification, a friendly reminder, holiday/seasonal gift, a new promotion, contest as such. (Rothman, 2013).

- Referral



Figure 3. Basic referral loop (Source: Reforce.com)

Referral marketing is a marketing technique that utilizes social networking and other technologies to boost brand awareness and to obtain other marketing objectives by self-replicating (Stathopoulos, 2017). There are four types of referral programs, direct referral, implied referral, tangible referral and community referral programs (Jantsch, 2018). Direct referral is the most basic kind of referral programs, customers are offered something of value in exchange for referrals to others (Sutevski, 2018). Implied referral programs on the other hand do not offer anything for the referrer, but simply lets the target customers know that the businesses are doing working for clients like them without asking for a referral, for example, a portfolio of the projects they company have done to showcase is regarded as an implied referral program (Sutevski, 2018). Tangible referral is similar to direct referral that a customer is offered something valuable. However, in a tangible referral, a customer who receives the offer is expected to refer the offer to their circle (Jantsch, 2018). The last one is community referral programs, in which a company partner with a nonprofit organization to support it in order to get promoted by the organization (Sutevski, 2018). There are several benefits that a referral program can bring in. Firstly, in 2007 78% people globally say they

trust reference from their friends and family rather than any types of advertising (Nielsen, 2013), which makes words-of-mouth the most reliable forms of advertising. Moreover, when customers share a product or a service, it would be more likely that the targeting would be more precise as the customers know exactly what their friends need and want (Angelescu, 2018). A referred customers bring higher value than other customers. Customers that have been referred by a peer, indeed tend to have a lifetime value (LTV) on average 25% better (Miller, 2018). On the other hand, referral marketing allow business to track, identify and thereby target the most loyal customers who have referred their campaigns or products to others through their social network (Miller, 2018). A legendary example of a business utilizing referral program to achieve rapid yet sustainable growth as such is Dropbox. Dropbox is a SaaS business that offer cloud storage service that allows users to upload their files on the server and access them on any devices (Kapocsi, 2018). Dropbox witnessed a 3900% growth in just a year and three months (Vasiliadis, 2018). What Dropbox did is they encourage people who were already using their service to refer a friend of them in return of more capacity for their storage, the referred friend also get more capacity through an optimizedly easy invitation process (Vasiliadis, 2018).

- **Revenue**

Revenue is important for any startup. The ultimate goal of doing acquisition, activation, retention and referral is to generate revenue from them (Ellis & Brown, 2018, p. 233) In order to increase revenue, one must primarily consider increasing Customer Lifetime Value (LTV) over time and minizing Customer Acquisition Cost (CAC) simultaneously (Balke, 2017). Customer acquisition cost is the average amount of money a company spends on acquiring one customer (Balke, 2017). Customer Lifetime Value (LTV) is the total worth of a customer to a business over the period of their entire relationship with the business, LTV is an important metric to determine how valuable a customer is, compared to the cost to achieve them in the first place (Fontanella, 2019). Depending on a company business's model, how to monetize and to increase the revenue per customer could vary. If a company is a retail business, increase in revenue would mean increase in purchases made by consumers. On the other hand, if a

company sells SaaS product, in order to grow revenue, the company would try to get more users renew their subscriptions as well as upgrade to higher-fee levels of service (Ellis & Brown, 2018, p. 233) which could be achieved by increasing customer satisfaction and customer retention which is covered in the section of retention above. For SaaS business, pages which show pricing plans underoptimized likely to negatively affect the rate of sign-ups (Ellis & Brown, 2018, p. 235). Moreover, monetization at a global scale is something that SaaS businesses need to look at. As different countries have different payment method norms, in some countries people might prefer credit card for example than other payment method, while paypal might be preferred in different countries (Ellis & Brown, 2018, p. 239). Knowing this difference, a SaaS can be prepared to apply correct payment options accordingly. Unlike a physical product where pricing can be less complex and confusing as it's based basically on how much it costs to produce and how much profit margin a business wants to make (Dessler, 2019), pricing for a SaaS product can be more challenging, as it is based on perceived value. If the product is priced too low, potential consumers would question about the quality. On the other hand, if priced too high, there'd be a likelihood consumers would be unable to afford which causes a loss in revenue (Ellis & Brown, 2018, p. 245). In order to dig deep into what users value a SaaS product to leverage this kind of data as being one of the fundamentals of growth hacking process, it's best to ask straight from them what their willingness to pay (Dessler, 2019). Four questions that need to be answered are (1) "At what point is this way too expensive that you would never consider purchasing it?" (2) "At what point is this starting to get expensive, but you'd still consider purchasing it?" (3) "At what point is this a really good deal? (You'd buy it right away.)" and (4) "At what point is this way too cheap that you'd question the quality of it?"

# How much are your customers willing to pay?



Figure 4. Graph showing the responses from the survey (Source: Price Intelligently)

As seen from the graph, the red line shows the responses for the question (1), while the yellow, green and blue show the answers for the questions (2), (3) and (4) respectively. The diamond shaped terrain where the intersection points form is the ideal price range for the pricing test (Ellis & Brown, 2018, p. 247). Determining in which range a product is perceived reasonable for users is important for an accurate pricing plans.

### 3.3 A/B testing

One of the fundamentals of growth hacking is being able to test hypothesis in a short period of time and in an efficient way in order to find the most effective way to grow (Ellis & Brown, 2018). Therefore testing is always a part of a growth hacking journey alongside through each and every stage of the funnel.

A/B testing as known as split testing is a marketing method where audience traffic would be splitted into different groups to test different variations of a campaign made by the company. The metrics will be the measured to determine

which one of the variations outperforms others. A/B can be applied to test any marketing elements, landing pages, email copy, call-to-action buttons, headlines, visual elements, forms as such (Kolowich, 2017) Knowing which variant tends to perform and attract better customer's attention is essential to adjust and alter a strategy to create better content for the target customers (Grundy, 2016)

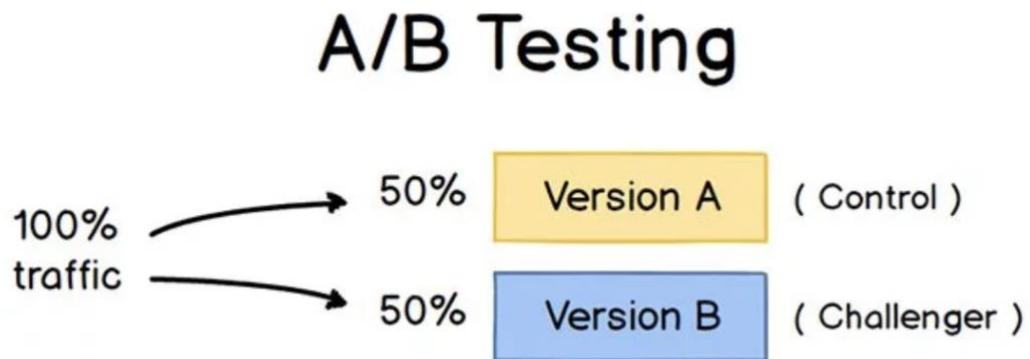


Figure 5. A/B testing (Source: ConversionXL)

Before A/B testing, one should identify which variable to test. In most cases a single variable is recommended rather than multiple variables as it would be vague to know which of the selected elements causes the changes in performance (Kolowich, 2017). Likewise, relevant metric will be also chosen in order to measure the effectiveness of the campaign. For instance, if email's subject line is being tested, it would make sense to measure the metrics like email open rate, click through link rate. Next is to determine how big the test should be regarding the scale and timeline, particularly for how long the test will be, how big the testing population would be and audience segmentation (Segal, 2017). After that, one needs to create two (or more) versions of the element, the first one is called "control" which is the same with the default element that can be seen by all the users not in the test groups The other called "challenger" is the variant that is shown only to the testing audience (Kolowich, 2017). Both of these variants would be then run simultaneously and eventually compared to one another to have a final conclusion (Kolowich, 2017)

## 4 NETFLIX AND ITS IMPLEMENTATION ON AAARR FUNNEL

### 4.1 Netflix background

Netflix is a streaming service offering users a numerous TV shows, movies, documentaries to users worldwide via different devices (Bond, 2017). Started 20 years ago by the founder and CEO of Netflix – Reed Hastings, Netflix offered its first subscription-based DVD service that delivered DVDs straight to people’s houses. It was not until 2007 that Netflix begun to deliver its very first streaming service that has made Netflix as successful as it is today (Bond, 2017). The streaming service at first was to reduce the postage and shipping costs with the mailed DVDs with just 2,000 titles available (Bowen, et al., 2014) Nowadays, the content users can find and watch on Netflix is vast with different genres even for kids with more than a hundred thousand titles. In 2010, the name “Netflix” became most popular and one of the biggest online subscription streaming services with the expansion to 43 countries worldwide (Bowen, et al., 2014) starting to conquer the era of online streaming services. Their biggest competitors were Hulu and Amazon Prime (Bowen, et al., 2014)

By definition, a SaaS is any application that are hosted on a server and be accessed through the internet. Netflix is also a SaaS as they are utilizing the cloud computing technology (Ludwing, 2011). Netflix has expanded to 190 countries with over 130 million paying users in 2018 (Sams, 2019). They increased the number of users by 110 million in just 6 years (Sams, 2019), which makes Netflix top ten internet-based companies in 2018 with total revenue of \$11.7 billion (Seth, 2018). Internet-based companies, by definition, are businesses connecting with their users and customers via the Internet. Revenue, therefore, are generated through online sales, financial transactions fees, online services fees, social media. (Seth, 2018).

## 4.2 Growth Hacking funnel and tactics

### **Acquisition:**

### **Product/market fit:**

Netflix was first established after its owner and current CEO Reed Hastings after he received a fine for his late return of the DVD he had rented. By acknowledging the problems faced by a large number of customers who rent DVDs which are the late fees, the need to drive to the physical store and high renting costs, Netflix offered a solution that later changed the whole experience in the industry. (Batraski, 2018).

### **Word of mouth:**

According to YouGov Plan and Track research in 2017-2018 on the US consumers aged between 18 and 35 years old have heard nice things about different brands and talked about them with their circle (Marzilli, 2018). Netflix ranked first with score of 75.6 which means every 100 US millennials, nearly 75 people have been talking and hearing good things about Netflix. This is due to the large committing user base, with 23 Emmy Awards awarded to Netflix films and shows, which made people talk about Netflix in a positive way. (Marzilli, 2018)

In a survey that is answered by 129 corresponds, 86% of people have referred Netflix to their friends, in which almost 64% of them have referred to at least three people in their circle. Word of mouth has been proven to positively affect conversion, 92% of people would be more likely to trust recommendations from someone they know in their circle rather than other kinds of advertising (Warren, 2019). Likewise, 94 people over 129 people surveyed which accounts for almost 73% heard of Netflix from a friend. 44 people which accounts for 34,1% said they heard Netflix from a friend and referred Netflix after that. This indicates 34,1% of them are happy with product and have become advocates for Netflix that they decided that to refer to their friends organically.

**Social media: (Virality)**

The release of Netflix original movie “Bird Box” around Christmas holidays 2018 has been a huge success for Netflix with more than 45 million accounts had watched the movie within the first week of its release, which is a remarkable record that never had happened for Netflix before. It was not until the summer of 2018 that Netflix changed its strategy of using merely notifications and email marketing to utilize the power of social media in acquiring new customers which was the main reason why Bird Box went viral all over the Internet for a while (Beer, 2019). What Netflix did is they followed the pop-culture conversation that people on the Internet were talking about and instead of ignoring the conversation, they interacted with these in an ongoing, creative dialogue with audience (Beer, 2019). The content that most of Bird Box fans created and shared organically on their social account is memes, which is the “virally-transmitted photograph that is embellished with text that pokes fun at a cultural symbol or social idea” (Gil, 2019). These memes went so phenomenal for their funny and entertaining purposes that they started to generate more genuine interest in the movie from people who saw these memes shared around all over the Internet (Romano, 2019).

**Activation:****Landing page:**

It is believed that a landing page has less than three seconds to impress and convince a visitor to stay on it (Gilliland, 2017). In order to make a landing page that converts and attracts attention in such a short period of time, a landing page should be kept simple enough with sufficient content to provide visitors relevant information and guide them what to do.

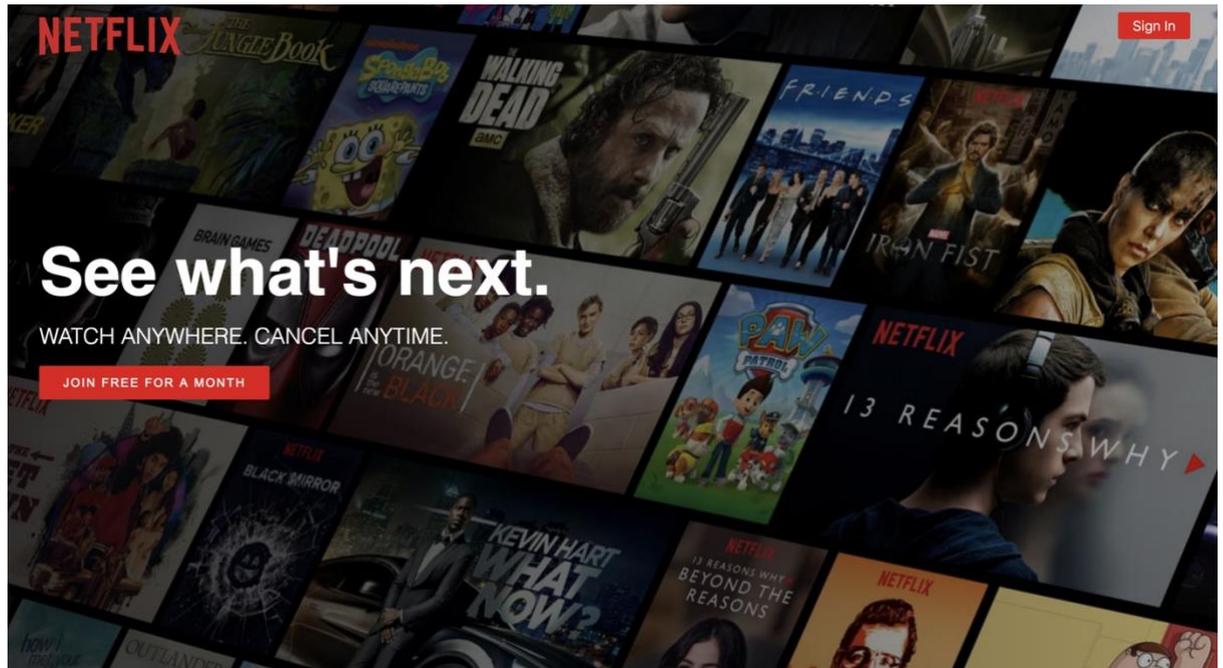


Figure 6. Landing page for non-members screenshot (Source: Netflix)

Netflix front page is made easy and straightforward for first time visitors. With lean content and direct call-to-action button, visitors are supposed to know what to do next. A research made by Unbounce (Unbounce, 2018) based on analysis of 18,639 lead gen and click-through landing pages has shown that landing pages with only one main call-to-action button tend to get highest conversion rate of 13,5%, whilst ones with more than 5 call-to-buttons receive conversion rate as low as 10.5%. According to Unbounce, landing pages in business services sector with concise content as few as 100 words converts 50% better than landing pages with more than 500 words (Unbounce, 2018). Netflix's headline is as short as "See What's next. Watch anywhere. Cancel anytime", yet informative and relevant to the service they provide.

One of the main reason hindering visitors from using a service even if it is a free trial is the commitment afterwards. By claiming right in the headline copy "Cancel anytime", Netflix has addressed this fear and made it clear with visitors. With the big prominent red color button matching Netflix's logo color on the left center of the page with the text "Join Free for a month", it is appealing for visitors to click and give it a try. Out of 129 people asked on how they see Netflix's landing page,

78 people which is 60.5% of them think the landing page is visually nice and more than half 129 of them think the landing page is easy to navigate. This shows more than half of visitors coming to Netflix like their user interface of the landing page and therefore have a good user experience.

### **Onboarding**

After the user clicked to the CTA button, they will be then directed to the first stage in a three-stage process which is the selection of plans. First they can choose from Basic, Standard and Premium which costs €7.99, €10.99€ and €13.99 respectively (Mkrtchyan, 2018). The premium tier is always chosen by default. The plan can be upgraded and downgraded or cancelled at any time. After that, they are supposed to create an account with email address, this email address will be then used also as a login account to Netflix and to receive emails from Netflix. Final step is payment, customers are allowed to choose from many different payment methods from credit or debit card such as Visa, Mastercard and Amex to online payment system like Paypal, also Netflix's gift card (Mkrtchyan, 2018). The free trial type that Netflix has been using is free trial with a payment method. A free trial with a payment method is proved to increase conversion rate up to almost 70%, which means every 10 visitors who start a free trial, seven of them would eventually turn into paying customers (Feldman, 2017). Netflix has made its onboarding experience simple and sensational (Scott, 2018). The signup page is simplified by asking users very crucial information, which makes users more likely finish the form (Scott, 2018). The homepage site after users' form completion is intuitive to encourage users to explore themselves, which in return increases the learning phase of the product (Scott, 2018). After using the first free month, 76% decided to pay for Netflix, which reflects the above statement of high conversion rate a free trial with a payment method can bring.

### **Retention:**

With more than 125 million hours spent on watching movies and TV per day (Patel, 2017), Netflix is engaging with customers in a way that it becomes a part of user's everyday life. With only 6.3% in churn rate in the USA, Netflix has lower

churn rate compared to its competitor HBO with the churn rate as high as 19.2%. (Venkat, 2018). Netflix has done well in terms of retaining customers back without them cancelling the services or changing to other streaming services.

By having an up-to-date library of licensed and its own original content, Netflix has created sufficient content for their subscribers to keep watching and ultimately pay for it. In 2018, Netflix has invested over \$8 billion solely for creating and acquiring new content. (Castillo, 2018) Like any SaaS providing vendors, Netflix earn revenue mostly based on monthly subscription-fee, the longer users decide to need the platform, the better it is for the business to earn money or up-sellings, subscription renewals, and more advertising revenue due to the sufficiently big and loyal customer base (Ellis & Brown, 2018, p. 202). Moreover, users who have been retained more likely become advocates for the business as the effect of word of mouth (Ellis & Brown, 2018, p. 203). Netflix CEO Reed Hastings pointed out that user's engagement, namely median view time was growing. In 2017, Netflix average user's viewing hours rose 9%, with over 50 minutes a day per subscriber compared to 2.8 hours a day spent on traditional TV (Castillo, 2018), which Hastings believed there would be room for more content and improvement in terms of customer engagement.

51 people over 100 subscribers of Netflix in the survey, which accounts for 51% responded they are satisfied with Netflix because of the good quality of movies and shows, followed by 34% said they want to renew the subscription to see upcoming new movies and TV shows. 8.5% people said they are get used to Netflix and do not bother to change to other streaming services. This suggests users are likely to be satisfied with the content Netflix has to offer, while also shows the reluctance in trying other products.

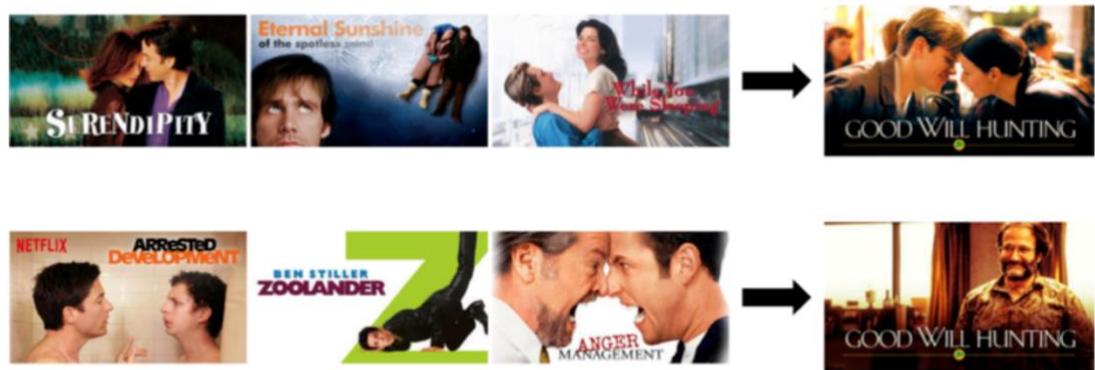
However, Park Associates' OTT Video Market Tracker on subscribers in the US canceling their subscription to different streaming services has shown over 75 other online streaming services have the churn rate as high as 60% (Park Associates, 2015). According to Brett Sappington, Director at Parks Associates, this very high percentage in people cut ties with the services after trying their services for free has something to do with Netflix users. Particularly, he said,

Netflix users were experimenting different other options while holding onto their current Netflix account. Depending on the content that they want, customers would go to a different service to see and experiment since these services are low cost (Park Associates, 2015). This is showing that even though Netflix has the lowest churn rate in comparison to Amazon Prime, Hulu and other alternatives, it does not mean Netflix's users are not looking for alternatives.

### **New Feature:**

Just like any SaaS product that need new feature and update to attract users' attention. Netflix also launched its new features once in a while. The latest launch "Smart downloads" feature on iOS devices is an example. As mentioned in section 2.2.3, the longer a user uses the service, the better it is for business in terms of subscription renewals and therefore revenue. In practice, It is estimated that for every hour spent on watching on Netflix, an average user pays around 20 cents (BeauHD, 2016). Netflix understands that in order to make subscribers spend more time watching Netflix, they need to add more valuable features besides the content which is considered seemingly sufficient. With the latest updated feature, users on iOS devices can be able to watch TV shows and movies even when they are offline. The new feature would automatically download the next episode, meanwhile delete the episodes that users have finished watching when their iOS devices are connected to Wi-Fi only. This way, users would no longer need to spend any extra time doing the work themselves like downloading the new episodes, so they can spend more time watching Netflix. This offline feature is suitable for those who have concerns regarding connectivity, for example those with limited data plan or commuters who might be losing connection at some point. (Perez, 2019)

### **Personalization:**



NETFLIX

In this example, Netflix gives you a different image depending on whether you're a bigger fan of romantic comedies or comedy in general.

Figure 7. Different images are given depending on what a user is interested in (Screenshot from Huffpost)

Netflix utilizes personalization in its streaming platform in order to attract clicks from users. Netflix uses algorithm on users' preferences and on what they have watched in order to decide what to suggest next for them (Luling, 2018). As seen on figure 7, based on what a user have watched, Netflix would recommend the next movie accordingly, even for the same movie, Netflix places different posters to make users think they might like it. For example, the first three movies are about romance and love, Netflix tends to suggest a romantic of two people kissing for the next one on the platform. On the other hand, if a user is interested in comedies and have watched three comedies in the second three movies, Netflix uses a slightly positive image with a man smiling for the exact same movie as a recommendation. (Luling, 2018). Moreover, Netflix on February announced that they are nowadays using an algorithm to go through the shows and movies to identify the best moment frame in terms of promotional purposes. (Riley, et al., 2018). This algorithm will technically find stills of character close-ups, these frames then would be ranked based on criteria such as actors, facial expression, pose, motion and frame diversity, to name a few to market to potential watchers (Riley, et al., 2018). Likewise, the rows of recommendations that appear on Netflix homepage are also sophisticatedly customized. In an announcement in 2015, Netflix emphasized the importance of rows in user experience by proving relevant

groups of videos in a row, with relevant name and in a useful order. This would allow users to quickly skim and decide which row is most suitable for them (Luling, 2018). Even the “Trending Now” row is highly personalized. Rather than showcasing the actually trending shows and movies, Netflix keeps each users’ preferences in mind and gives suggestions accordingly while “Trending Now” makes users think they are catching up to the trends and being a part of a larger community. (Luling, 2018). With all the efforts Netflix has put on personalizing content to each and every user, Netflix has created good user experiences to keep them engaged. Particularly, 75% of all content watched on Netflix comes from Netflix’s sophisticated recommendation engine (Love, 2012)

### **Email marketing**

Netflix has been using email marketing as the main communicating channel with its users (Egan, 2018). Knowing the fact that users might not have a lot of time to go through the whole email, Netflix makes it easier, quicker and somehow more creative for users to read through. With minimal text copy, title, date, users can be quickly able to get the messages. Call-to-action button is prominent and place in a recognizable place, thereby prompts users to click the button if they are interested. For new users, Netflix sends out a series of email to recommend content and encourage them to go through platform (Boinott, 2018). Moreover, Netflix also often utilizes animated GIFs in their emails. GIF is an image file format that is a combination of several other frames or images into one file, which makes it have an effect like an animated picture, usually it loops endlessly (William, 2019). The launch of Dell XPS 12 ultrabook back in 2013 has proven the effect that GIFs can make to increase user’s engagement. Dell used a GIF of the product to demonstrate to email receivers how the new product XPS 12 at the time, can transform from a laptop to tablet. (Banko, 2014) As a result, Dell witnessed a 42% increase in click rate, 103% increase in conversion rate and along with a 109% increase in revenue (Bradley, ei pvm). Likewise, during the promotion of the series named “The Punisher”, Netflix’s campaign marketing email was actually a GIF file that appeared to be a scam email at first. At the first glance, it showed a proper message about Netflix, then glitching effects kicked in

and the message turned into the Punisher's skull logo and eventually the CTA button appeared that link to Netflix's site (Pulliam-Moore, 2017)

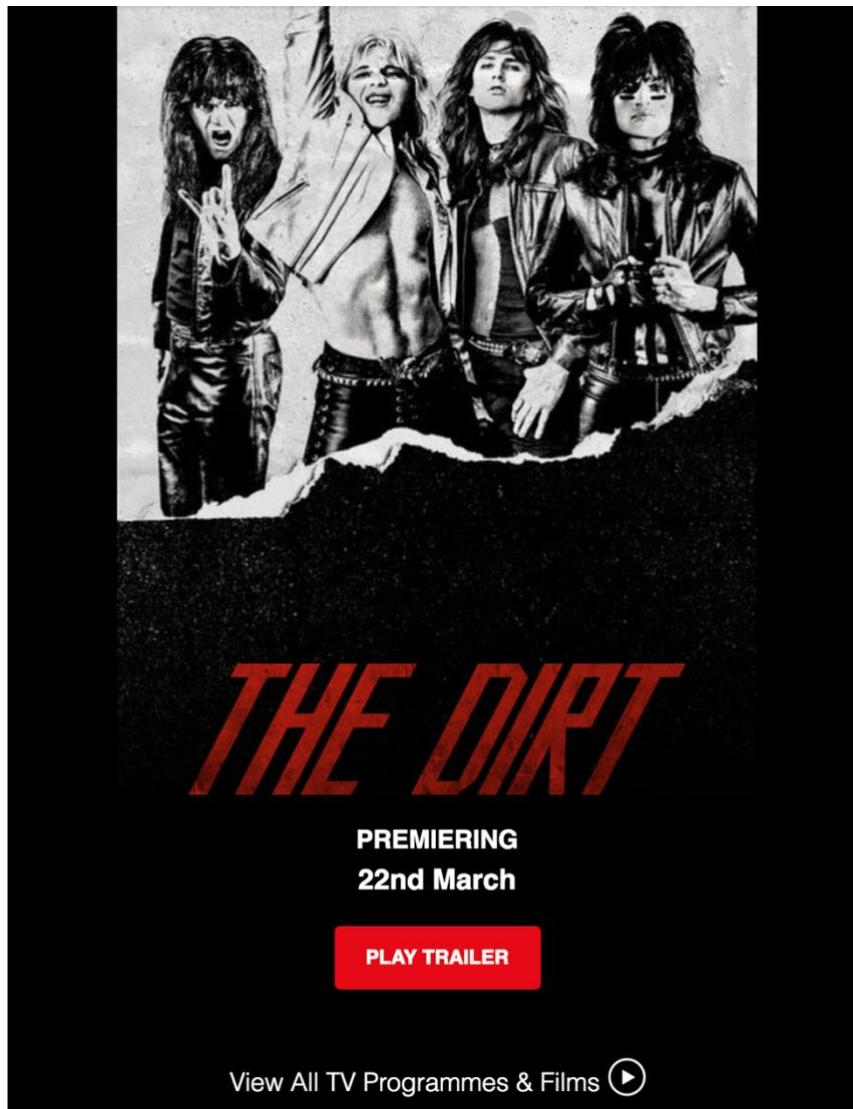


Figure 8. An email example from Netflix

36.4% people from the survey agreed Netflix has done a great job on communicating with them, they receive emails about movie recommendation from Netflix regularly. On the other hand, almost 35% said they receive the emails but they do not care at all, which suggest there is still room to improve in terms of communication and content.

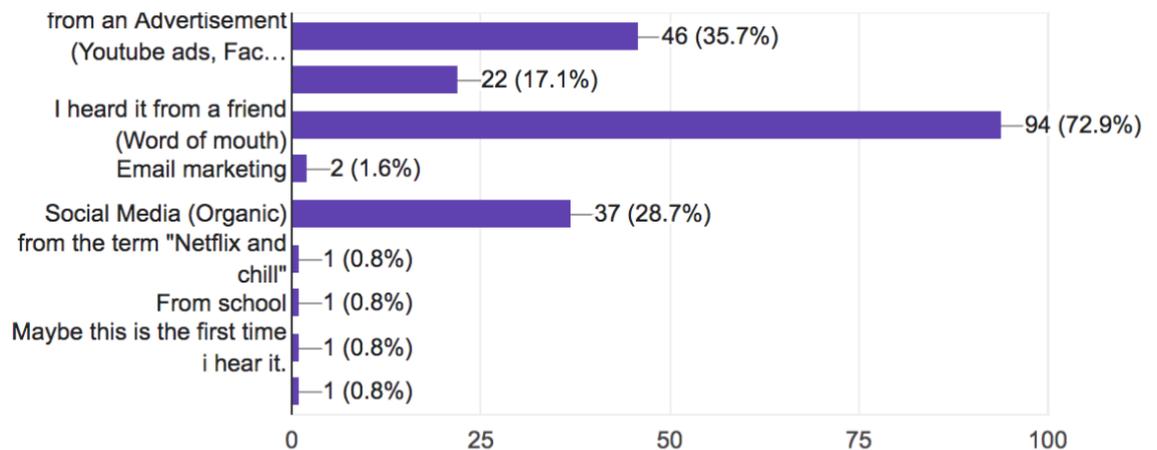
**Referral:**

Netflix used to have a referral program called Tell-A-Friend in 2005 when Netflix's main business is DVD. Netflix gave away a two weeks free trial to everyone and encouraged people to share this DVD rentals by mail service (Leong, 2018). According to Barry, the former marketing executive at Netflix from 2001 to 2012, the program went successful in a way that the cost to achieve these new subscribers was way lower compared to other channels. However, forward to 2012 when Netflix re-organized its own marketing department, it shifted its emphasis from "Netflix as content" to "Netflix as a service" because of the launch of Netflix Originals. (Enderwick, 2018)

**Word-of-mouth:**

Netflix nowadays is not running any specific referral programs (Leong, 2018). According to Vice President of Corporate Communications at Netflix – Steve Swasey said, the best marketing referral for Netflix is word-of-mouth (Leong, 2018).

As mentioned earlier in the "activation" section. The survey showed most of traffic coming to Netflix is from word of mouth. 72.9% said they come to Netflix from recommendation from friends. Likewise, 79.9% said they would recommend the same thing to their friends about using Netflix, which in this case shows the most important referral program of Netflix is word of mouth. More importantly, this referral program costs Netflix virtually nothing. What behind the extensive talk about Netflix among Internet-users can be traced back to the year 2010-2011. The term "Netflix & Chill" at that time was widely spread among teenager's slang which means "hooking up" which later was defined in Urban Dictionary (Roose, 2015). Instead of ignoring or even worse, denying the trend and the newly coined term, Netflix embraced it by posting a "Netflix and Chill" meme on its official tumblr first time in 2016 and made it into mainstream culture (Netflix, 2016).



### Revenue:

In 2011 when Netflix reorganized their pricing plan for their initial DVD-by-mail business, increasing their offer by 60% from \$10/month plan to \$16/month, they faced a big negative change (Poyar, 2018). First of all, they lost almost 800,000 subscribers, which is followed by an immediate drop in their stock price by nearly 80%, in comparison to that only four months ago (Poyar, 2018). Reed Hastings – Netflix’s CEO said that he had been unaware of the focus customers group who were mostly affected by this change and therefore had failed to listen to these users, which is mostly the reason that the change in pricing had caused such a painful experience for Netflix back then (Poyar, 2018). That explains how significant impact on revenue pricing is on revenue. According to Ampere Analysis, the cost of acquiring a new subscriber (CAC) in the US has grown from \$60 per subscriber in 2015 up to around \$100 per subscriber in 2018 (McDonald, 2018). Whereas, CAC for international markets remains relatively low of between \$40 and \$45 per subscriber (McDonald, 2018). In the US market, it takes roughly 11 months to achieve payback on new customers (McDonald, 2018). A relatively high CAC, at least for American market, has forced Netflix to focus on increasing customer lifetime value (LTV) in order to be profitable, as mentioned in the section revenue how LTV and CAC relate to one another. Moreover, customer retention and customer LTV are sensitive to pricing strategy (Dawson, 2014). Therefore

pricing strategy is a tool of importance to determine how long users stay using the service and therefore end up paying for Netflix. In 2017, Reed Hastings once again talked about Netflix's pricing strategy, this time, he strongly emphasized on value-based pricing philosophy. He agreed with the pricing should be based on value instead of guess or input based on company's cost structure (Poyar, 2018)

There are three price tiers at Netflix: Basic, Standard and Premium which costs €7.99, €10.99 and €13.99 respectively (Mkrтчyan, 2018). 86% people asked in a surveys think Netflix has designed the price plan reasonably. Most of them subscribed Premium plan with 28.7%, followed by Standard plan 25.6%.

### **A/B testing**

One of the most fundamental aspects of growth hacking is high-tempo testing and experimenting, which allows business to adapt new changes and to response quickly to trends and ever-changing customers' needs (Ellis & Brown, 2018). In an event held by Yelp in 2016, two product designers from Netflix have shared their knowledge and insights on how A/B testing are done at Netflix (Chen, 2016). According to Netflix, the idea behind their A/B testing is to test the experiences with a control group and experimental groups. The control group receives the same experiences as all Netflix users who are not included in the test, whereas members in experimental groups will be shown differently based on different variations. After having chosen these groups and made the test live, the crucial and relevant metrics will then be tracked. The winner will be defined depending on the metrics selected, for example in case of Netflix, it could be streaming hours or retention or clicks (Chen, 2016).

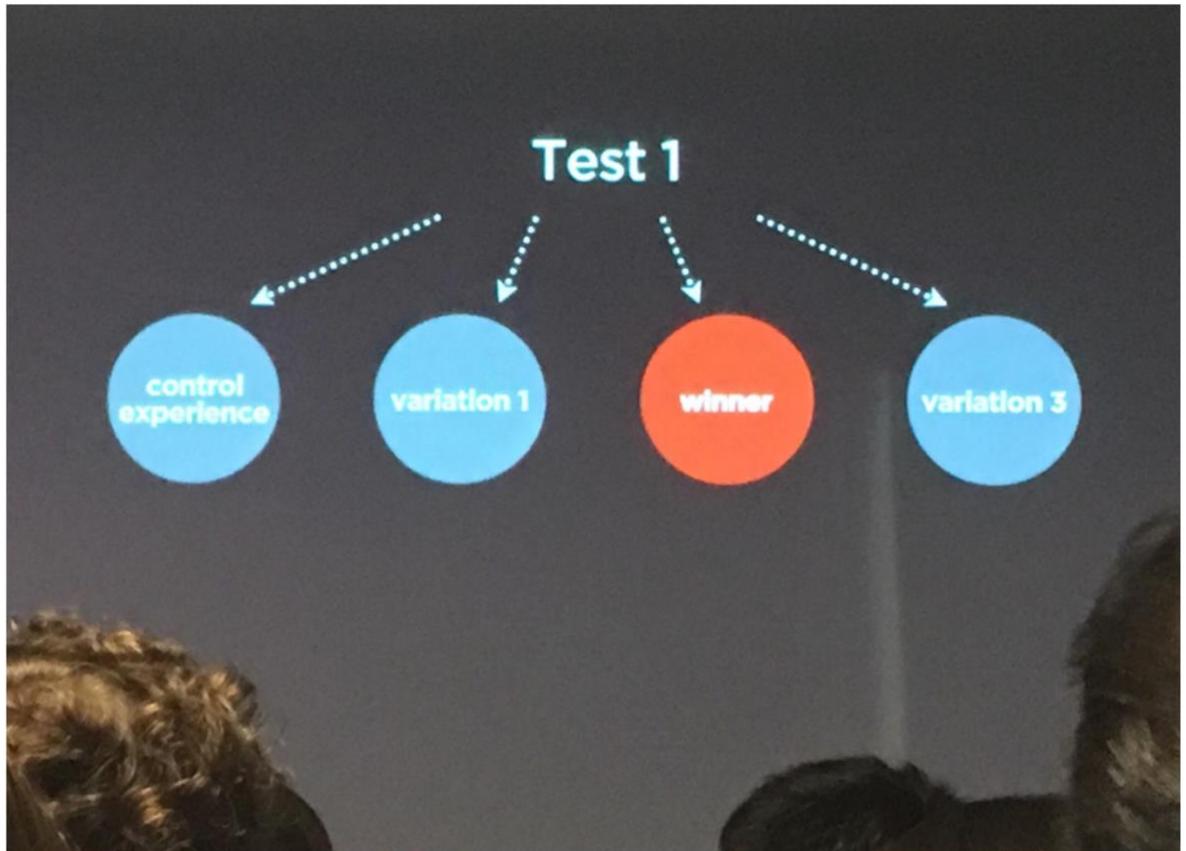


Figure 9. How hypothesis is tested at Netflix (from UX Design)

For instance, in 2013, Netflix tested its first experiment by creating a several poster variants to test which one outperformed in terms of engagement. They did so by creating three different artworks for the same poster for the movie title “The short game” (Figure 10). The result from the table below shows that rather than the default artwork which is seen by all the users, the testing variant 2 earned 14% better take rate which is measured based on click through rate, play duration and how far a user goes through a movie or series (Krishnan, 2016). This finding has revealed the fact that users are sensitive to changes in artwork and triggered to Netflix that there would be plenty of room to look into to help users to find the right content they want. (Krishnan, 2016)

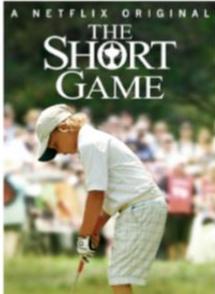
Cells	Cell 1 (Control)	Cell 2	Cell 3
<b>Box Art</b>	 <p data-bbox="568 719 831 763">Default artwork</p>	 <p data-bbox="898 712 1086 797">14% better take rate</p>	 <p data-bbox="1190 712 1442 797">6% better take rate</p>

Figure 10. Different artwork modifications result in different outcome (source: Netflix blog)

## 5 CONCLUSION:

Throughout the thesis, readers can get themselves familiarized with different concepts and ideas of growth hacking. Firstly, growth hacking funnel is throughout the whole sale funnels which would not miss out customers' journey at any point. Growth hacking, moreover, leverages different tactics to enhance conversion rate. As the examples of companies like Dropbox, Netflix, Duolingo, Walmart in the previous sessions, growth hacking is positive in enhancing conversion rates and customer retention. Therefore research question number one is answered.

In practice, a landing page is an element of importance to be taken into consideration seriously. As the case of Netflix, a landing page made simple with limited options that leads visitors through the process and eventually turns them into actual users is one of the first things to make a better conversion. Moreover, virality should never be left out in terms of growth hacking, virality decreases cost of acquiring customers dramatically, which in return increases conversion rate and ultimately the revenue. Netflix is an example of despite being a SaaS company, word-of-mouth always plays a crucial role in its strategic planning. Maintaining a two way conversation with users is necessary while many SaaS providing companies tend to overlook. Being able to realize and know what the users are talking about does not only tell the company what trend is going on among the users but also suggest them users want and need. Also as revenue phrase being a part of growth hacking funnel, it is essential to have a well-designed pricing plans where different plans are distinguished based on the value that users receive by asking users specific questions regarding prices they are willing to pay for the product. In addition to that, offering potential customer free trial of the product is proved to boost conversion rates. Growth hacking process in SaaS business should not miss out on retention phase as it is said in the section 3.2.3. Retention, only 5% increase in retention results in over 60% increase in revenue. Netflix clearly has a great focus on its retention phase. It is Netflix's personalized content and email marketing that keep users satisfied and

up-to-dated, which in return keep them come back to the platform and spend more hours.

Along with growth hacking funnel, A/B testing should be applied to each and every stage of the funnel in order to test and gain a better understanding of what works and and what not, so that costs would be saved while performance would be enhanced. A/B testings should be easy to monitor to see which one outperform and not cost too much to implement.

#### Future research

As being a new concept, growth hacking is receiving a lot of attention. However, there are not many researches in terms of growth hacking, especially in a quantitative approach. There would be a plenty of room to dive into growth hacking quantitatively to obtain a more precise study. In addition to that, SaaS and E-commerce are usually the main topic for growth hacking researches, there are more industries that can benefit from the use of growth hacking that also can be a great source for deeper study. Moreover, within a growth hacking funnel, there are different stages that are worth elaborated and studied [more](#).

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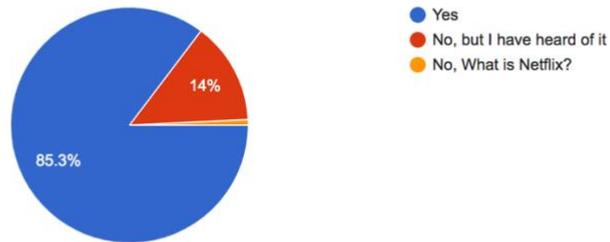
Wilson, J., 2018. *How to Take Your UX to A New Level with Personalization*. [Online]  
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## Heading of appendix

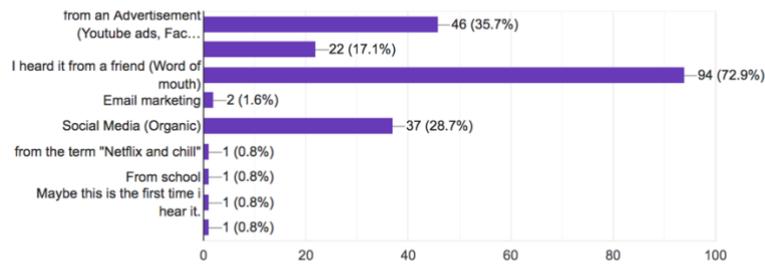
### Have you used Netflix before?

129 responses



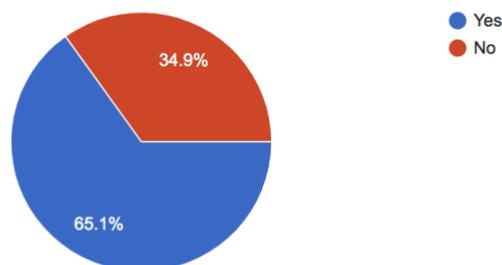
### How did you hear of Netflix?

129 responses



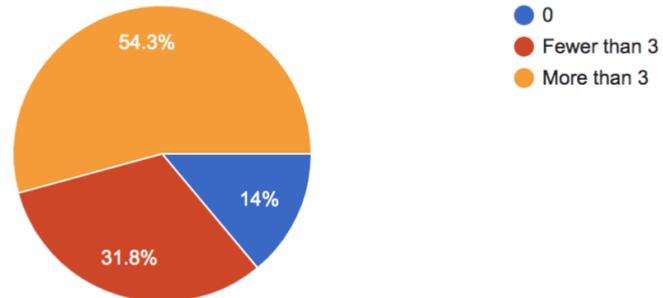
### Do you find messaging on Netflix different platforms and channels consistent?

129 responses



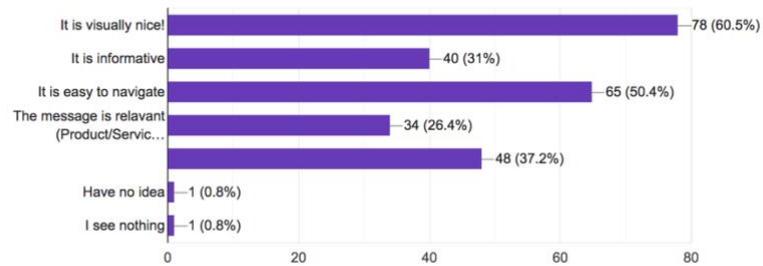
## How many friends have you referred to Netflix?

129 responses



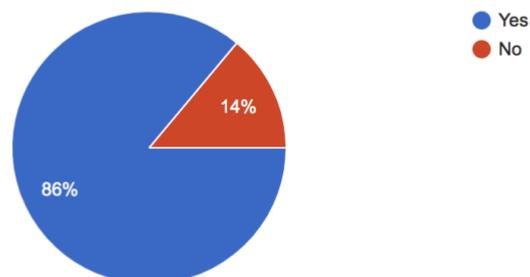
## After visiting Netflix, How do you see the landing page? (Choose more than one)

129 responses



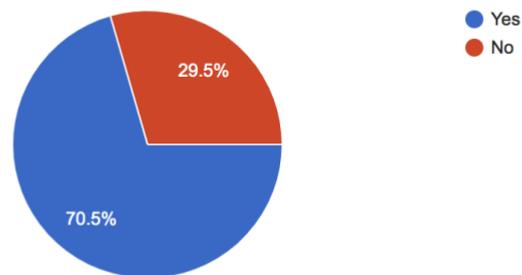
## In your opinion, is the price plan well-designed?

129 responses



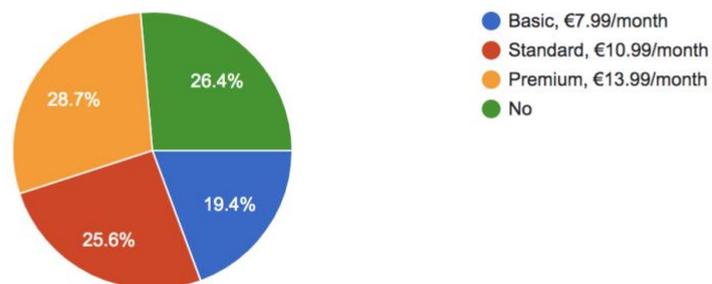
### Are you a member of Netflix?

129 responses



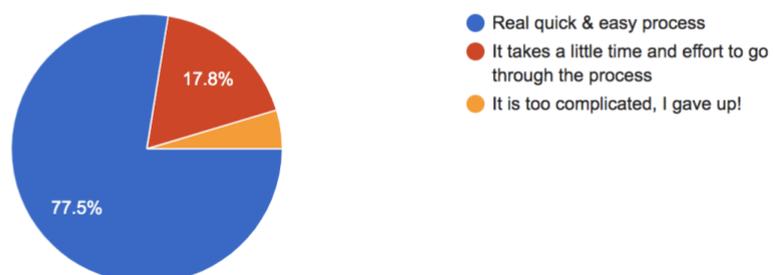
### Which subscription plan have you got?

129 responses



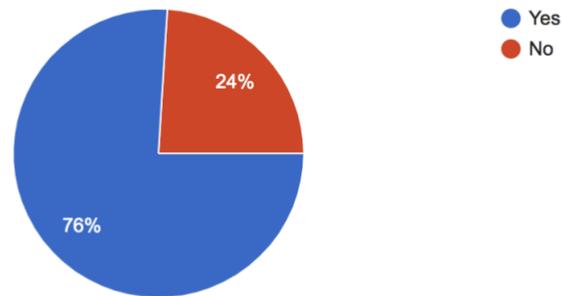
### How do you feel about the signing up process?

129 responses



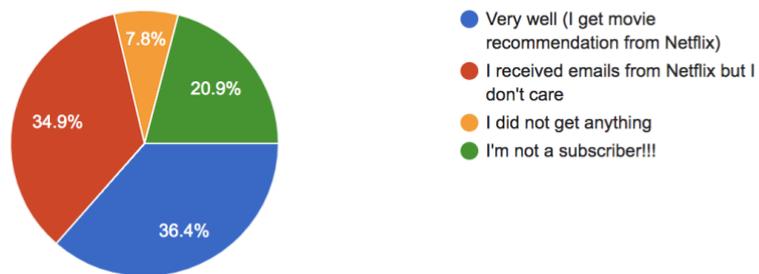
### After the free trial month, Did you decide to subscribe Netflix?

129 responses



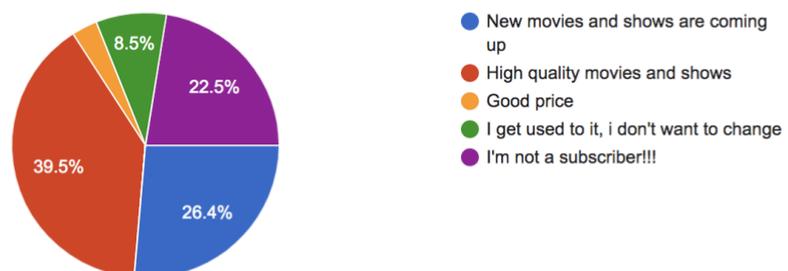
### How well does Netflix communicate with you?

129 responses



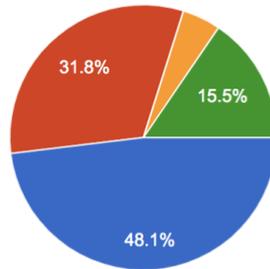
### What are the things that keep you satisfied and want to renew subscription with Netflix?

129 responses



### Have you recommended Netflix to your circle?

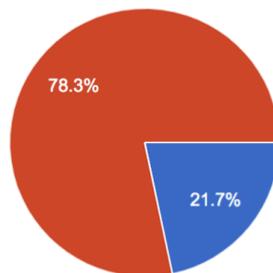
129 responses



- Yes, I always highly recommended it to my friends
- No, But I definitely will
- No, I don't think it is a good idea
- I'm not a subscriber!!!

### Are you male or female?

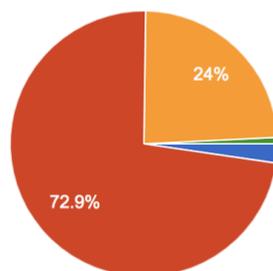
129 responses



- Male
- Female
- Other

### How old are you?

129 responses



- <18 years old
- 18-25 years old
- 25-35 years old
- >35 years old