Netflix stock price drops after subscribers loss announcement in April

On Tuesday, April 19, 2022, Netflix announced that they are losing 200,000 subscribers globally during the first quarter of 2022. Not long after this announcement, Netflix's share price decreased by 35%. As of 10 May 2022, Netflix's share price has dropped to 173,10 USD. A whopping 50,26% decrease in less than 1 month since the announcement. They also added that they expect around two million decreases in subscribers over the next three months.

According to Netflix the Russian Invasion of Ukraine, account sharing, and fierce competition in the streaming industry are the main problems for their subscriber's decrease. The Invasion of Ukraine was said to affect this loss heavily. After they suspended operation and service in Russia, it is reported around 700,000 accounts were lost from Netflix subscribers count.

There are also reports that this decrease was in fact, because of the recent price increase and account sharing additional costs in the other region. The pandemic also takes part in this matter, as the lifting of lockdown around the globe for some countries makes the once-closed theatre back in business after more than a year they are forced to stop operation.

Reed Hastings, co-CEO and co-founder of Netflix, said they plan to decrease subscription prices by implementing ads into their service and tackling down account sharing to overcome this situation. He expected this move will in turn bring more subscribers and more revenue to the company.

Another option that is being tested by Netflix is the monetization of account sharing. Rather than abolishing account sharing between subscribers and non-subscribers, they try to monetize this by adding additional costs for account sharing. So far, this strategy being tested only in Chile, Peru, and Costa Rica. Netflix is currently also testing an ad-supported tier service to make the subscription price decrease. Netflix CPO Greg Peters said that these changes were already being planned for quite a while. But they still try to find the right balance for this strategy to work.

During the rise of Netflix into the giant streaming platform they are now, Hasting said that account sharing “wasn’t a high priority”. But after more than a decade Netflix stayed silent about the practices of account sharing. This stance finally comes back biting at them. It is estimated around 100 million households globally accessed Netflix through account sharing. In Canada and US alone, roughly 67 million from the total 142 million households accessed Netflix using this practice.

What Netflix is trying to do right now is find the middle ground for allowing account sharing and gaining revenue from this practice. Hastings also suggested the ad-supported tier service to allow a cheaper subscription price that is funded by the ads. This ad service is a business system that has been avoided by the company for a long time.

According to the company note shared by the employee, Netflix will implement this strategy in the last three months of 2022. Currently, the premium plans cost $19.99 per month in the US with the most popular standard plan costing $15.49 per month. The ad-supported plan will cost less. Their competitors like Hulu, HBO, and Amazon have an ad-supported service. But it seems like these ads didn’t affect the viewers that much. “For good reason, people want lower-priced options.” The note added.