Foresight Associates

This Quarter at Foresight

Good morning, and welcome to our first 2020 newsletter! In this issue we share our work addressing one of the toughest (and often times ignored!) questions in marketing: how do you accelerate your brand planning process while ensuring that it integrates your consumers' insights, aligns with your commercial strategy, and reflects your business priorities? Doing this effectively requires a multidisciplinary and cross functional approach. It is hard work but of paramount importance in order to maintain and execute a coherent strategy in the face of increasing complexity.

In our "In the News" section we follow up on the impact to Netflix in the aftermath of the launch of Disney+.

Hope you enjoy the reading, and as always we are happy to hear your feedback!

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Featured Article:

Integrating and accelerating brand plans: the four questions that can move your plans from good to great

A brand plan is a document that should summarize "where we are now", "where we want to play" and "how we can win". This includes a description of the marketing initiatives planned to achieve the business goals, and some of the tactical details (e.g., product, price, channel strategy, calendarized promotional activities, etc.) for each initiative and the associated budget, as well as KPI metrics to track success.

A good brand plan must be sufficiently simple to generate buy-in from senior management; yet it also needs to provide sufficient details to generate consensus and address questions from multiple stakeholders, such as finance, commercial, operations, and creative. However, this poses an inherent danger: in an attempt to meet conflicting needs and deadlines, the plan can end up being a "recooked" version of last year, reflecting an out-of-date context

(competition, consumers, macro-factors), and just a few new elements that lack real substance and integration.

In our experience this danger can be addressed by asking the following four tough questions that we have summarized in our STRAP™ approach:

1. **STRATEGIC TARGETS**: Do your initiatives reflect your strategic targets **-** the consumers, the occasions, the drivers and barriers that you want to address?

2. **RISK**: What risks have you not accounted for and need to be addressed? Consider consumer backlash, legal barriers, cannibalization, poorly tested communications, supply chain constraints, etc.

3. **ADEQUACY:** Are your initiatives adequately resourced in terms of budget, manpower, and time?

4. **PRIORITY:** Do you have a clear sense of priorities among your initiatives based on their expected impact and your business goals? This should include some sort of quantification of expected ROI, to varying degrees of sophistication based on what's feasible.

STRAP™ is a framework, supported by a customizable analytic tool, and embedded into an interactive process that puts cross-functional teams on the same page and takes a holistic view of the plan. It requires a multidisciplinary approach and is more holistic than marketing mix modeling (but can make a more strategic use of it). Statistical and data mining techniques are core components, as well as qualitative mechanisms designed to collect key information from various stakeholders.

Even without its formal application, brand owners will get a lot of value by seeking answers to these questions before signing off on their annual marketing plans. In fact, with a well-structured process and simple math, here are three steps that you can use to build your own assessment:

1. Ensure you have clearly quantified growth pillars for your brand that are going to bridge the gap between your brand's current situation and its business goals. These pillars vary by industry, and might include consumer targets, needs to address, key occasions to win, or innovation.

2. Gather all your stakeholders in one room, go through your initiatives, and rate them against their potential to deliver on each one of the growth pillars and your level of confidence for each.

3. Review the findings and compare to the marketing spend and resource allocation that you have planned against each initiative, and see if they align.

It is hard work, but research[1] shows how impactful cross-functional collaboration can be for a firm and how it can represent the next frontier to build a real competitive advantage.

[1] Hanssens, Dominique M. *Empirical generalizations about marketing impact.* 2nd ed. Marketing Science Institute, 2015. pp. 11

In the News:

Netflix vs. Disney+: The Sequel

Last issue, we took a look at the impending launch of Disney+ and made some bold prognostications about its impact on the over-the-top (OTT) streaming service market. Now that Q4 is in the books, it’s time for the sequel. We’ve had an opportunity to revisit this topic with the benefit of hindsight (it is 20/20 after all…) and recently reported earnings from both Disney+ and the category leader Netflix.

The results? Netflix narrowly wins this round, beating Wall Street expectations in terms of global subscriber growth, with more than 167 million customers around the world. However, most of that growth is coming from international markets, while the US (around 60 million subscribers) has continued to slow, in part due to a hit from the launch of new streaming competitors (read: Disney+). Consider that when Disney+ launched, it signed up about 10 million subscribers on the first *day* and closed out the quarter with an impressive 28.6 million. At the same time, Netflix missed its domestic new subscriber targets for the quarter by ~200 thousand.

But just how much of an impact Disney+ will continue to have on Netflix is up for debate. As you may know, analyzing survey data to understand consumer behavior is a passion of ours. We were interested to see that the firm Cowen & Co conducted a survey to estimate consumer switching between the services. Their conclusion? A significant, but manageable, loss of about 1 million subscribers moving from Netflix to Disney+ in Q4.

However, the outflow of consumers does not appear to be as apocalyptic as we imagined for Netflix. So far Disney+ has less engagement in terms of viewing hours, and a less crowded new content calendar. What's more, the same study estimates that there are around *19 million consumers* who are now subscribed to *both* services – rather than trading one for the other. Turns out streaming may not be a zero sum game, but come with more opportunities to retain and entice repertoire users.

On the other hand, pricing will become a bigger factor as the competition heats up – there are promotional deals including allowing free subscription to Disney+ for a year in partnership with services like Verizon – so consumers have not yet had to grapple with the full cost/benefit equation. But research from TradeDesk indicates three quarters of consumers aren't willing to pay more than $30/month for their total package…and Netflix is already half of that.

Netflix remains publicly optimistic on the future of streaming in the US, based on the category's growth vis a vis linear television, and they're not wrong. Bloomberg estimates "over 1.7 million pay-TV defections" (ie, cord-cutting) at the end of the fourth quarter. From that perspective, there remains a lot of headroom – but now even more players are launching their own platforms (HBO Max, AppleTV+, etc.), and content licensing that is currently available on Netflix *and* competitors (for example, Marvel) will become exclusive in the future. This creates an imperative for Netflix to reach deeper outside of the category for sustained domestic growth, and we'll be staying tuned to catch what happens next.

To learn more, check out these articles:

- BBC - Netflix blames competition for weak US growth
- Variety - Disney Plus Signed Up 24 Million U.S. Subscribers in November and Took Bite Out of Netflix, Analysts Estimate
- CNBC - Streaming wars will force media companies to choose between pricey subscriptions and ads
- Bloomberg – Netflix gains after analysts see low risk in Disney results

Have questions you are trying to answer?
Let us know how we can help you by replying to this email!

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