

Netflix: flex to the max essay



**ASSIGN
BUSTER**

Reed Hastings founded Netflix. He also is trying to revolutionize how managers work. There are five principles that guide the human resources at Netflix: pay higher-than-average salaries, provide compensation choices, foster talent hunters, let subpar employees go with their dignity intact, and limit rules to improve innovation. It has had its ups and downs, but now they are in a competitive struggle.

It is a competitive struggle that includes household names such as Blockbuster, Amazon, and Apple. Netflix has been able to maintain a competitive advantage due to their method of getting the product to the end user, their method of hiring, and their expert knowledge. As competition starts to increase due to new entrants, Netflix's business model has to be evaluated to determine if there must be some changes. Currently, the culture that surrounds Netflix has established a cost leadership strategy. Assumptions In this case, there should be an assumption that cost leadership is a key to Netflix.

There is no specific numbers, but there should be an assumption that Netflix is losing some market share to the new entrants in the industry. Netflix only serves members in America and the United Kingdom. Also, there will be a future increase in demand for VOD (Video on Demand). This creates new entries to the industry for online DVD rentals and poses a problem to Netflix as they currently do not have much invested in VOD rentals. With the advancement of technology, many companies will take advantage and enter into industries such as the DVD rental industry. Main Concern

The main concern for Netflix is that they are losing market share in a competitive landscape. The questions exist as to whether or not change the business model that has worked so well in the past and how can Netflix gain a larger consumer base leading to market share. Vantage Points Consider globalization as a potential area to gain market share Reassess high labor costs Explore a hybrid model of media-based and electronic distribution

Diagnosis Pro-Globalization Netflix can consider globalization as a potential approach of gaining market share. Currently, there are not many countries that have Netflix service.

Since there is some competition in the industry outside of these countries, there is a potential consumer base that can be reached in other countries. If it can be established, online service could be an option for these areas. According to tax rates and currency exchange rates, it could be a financially secure investment to gain market share this way. Con- Globalization The two main disadvantages in globalizing the company is that it could lose the atmosphere that Hastings wants to present and it could also be very difficult to establish the centers in other areas.

Those difficulties could come from different tax rates, currency exchanges, and some governmental regulations. These could all result in operating losses. Pro- Reassess high labor costs Netflix is known for paying their employees lavishly and showering them with freedom benefits. This attracts the managers that Hastings wants, but there could be some restructuring of the monetary rewards that are paid out at Netflix. As new entrants are entering the industry, there is going to be some price wars that will

inevitably cause prices to drop. Since Netflix has been competing on price, they could accomplish a lower cost by lowering labor costs.

Con- Reassess high labor costs The lavish amount of money presented to the managers at Netflix is part of the business model that has been successful since the establishment of the company. Hastings could easily feel like that there will be a negative impact on the company if there is a reduction in the benefits that his managers receive. The success of the company in the past could very well be a result of the amount paid to the people and what kinds of people the money attracted. Pro- Hybrid model As the future of technology is ever-changing, downloading may be the future mode of movie distribution in America.

There could be an advantage to adding some different services to the lineup of services that are available now. Increasing spending on movie downloading and adding other new services will help them be more attractive in the market. Since there could more services added to the lineup and there is a high labor amount in their competitive landscape, Netflix could be established around a focus business strategy. This has to be done while making sure customers realize the benefits of being a subscriber. Con- Hybrid model The hybrid model will work if it is initiated properly and all new services are allocated and monitored properly.

The problem would come from a miscalculation of how much to allocate to what section of the company. Also, ignoring certain segments of the industry can cause future market share loss if there is a boom in that particular segment. Prescription Netflix should implement a hybrid model of media-

based and electronic distribution. This will allow for some market share gains, and it could possibly turn into the future of the industry. As technology changes, so should Netflix. But, they should only do so in a slight manner as there is not a necessity to change the business model completely just yet.

If there is a movement to media based downloading, it may take a few years for it to be in the common household. Implementation Chart Date Theory or Strategy Resources Tactics or Action 1 Planning CEO and other Executives Plan on how much change should be done to model 2 Leading Innovative culture/employees reacting to management Start to change the model while taking the innovative risks that are custom at Netflix 3 Contingency Theory Analysis of external environment Analyze external environment and react to changes accordingly 4 Control All management Consistently monitor progress with hybrid model