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an increase in

[Business](#), [Strategy](#)



The Californians Marc Randolph and Reed Hastings started a business together in 1997 called Netflix. Originally, Marc Randolph's plan was to offer a product or service over the internet. One day, his business partner, Reed Hastings, had to pay a charge fine of \$40 because he returned a copy of a film too late. He then suggested to his partner to start renting out movies on the internet and, in this way, Randolph and Hastings started their enterprise together. The Netflix website was officially launched in 1998.

Initially, the organization had about 30 employees and 925 products available on their site. Netflix's core competency was that customers were sent DVDs via mail on a pay-per-rental basis where postal fees were applied (Keating, 2012). In 1999 the platform introduced the monthly subscription format (O'Brien, 2002); it consists in paying a flat-fee each month in exchange for unlimited rentals. The innovating feature of this business is that customers don't have due dates to return rentals, no late fees, no shipping costs, and handling fees (Redwine, 2017). The company had considered the idea of providing movies online.

In the mid-2000s the data speeds and capacity were able to offer the service of downloading movies from the internet. The idea consisted in a "Netflix box" that allowed customers to download movies overnight and watch them the day after. However, with the increasing popularity of YouTube, Netflix decided to adapt the streaming concept as well.

The plan was completed in 2007 (Kyncl, 2017). In 2006, Netflix introduced a new service which dealt with recommending movies. By using

subscribers' ratings, the platform can accurately predict which movies a subscriber would enjoy watching next by using a filtering algorithm. This service led to huge success, it caused, in fact, an increase in rentals and subscribers across the world. In 2005 Netflix gained 4.2 million members, and two years later, in 2007, it delivered its billionth DVD by mail (Liedtke, 2007). In the same year, the digital platform offered video on demand, thus streaming, to its subscribers. The big revolution of Netflix's strategy consisted in providing the opportunity to customers of watching television shows and movies instantly on their PC's and laptops as well as on the traditional television.

This service marked the beginning of streaming media as known these days. In the following years, the company partnered with electronics companies to allow streaming on electronic platforms, such as the Xbox 360, Blu-ray disc and smart TVs (Keating, 2012). In 2010 Netflix became available on Apple's iPad and iPhones, Nintendo Wii as well, and other Internet connected devices (Keating, 2012).

Hereafter, the digital platform expanded itself and made services available around the world. In April 2014, Netflix had 50 million global subscribers with 32.3% video streaming market share in the United States. The company offered its services in 41 countries worldwide. Just a couple of months later, the digital platform improved the number of subscribers, of which 36 million in the United States (Lawler, 2014). Thanks to the new service that allowed customers to watch movies and shows offline, on April 2017, Netflix reached the 100 million subscribers (Bond, 2017).

In the month of October 2017, Netflix was estimated having 109.25 million subscribers worldwide, counting 50.85 million in the United States (Huddleston, 2017).