Marketing analysis of netflix

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Netflix is an online company with corporate headquarters in Los Gatos, California. Netflix was founded by Hastings who is also the CEO of the company. Netflix's key business is online rental services in the software industry. Netflix's software business services span various software products and services. Among these are DVD movies and several other software products. Despite disappointing results on its performance at the beginning, the innovative entrepreneur continued to tailor the company while identifying and exploiting new opportunities that presented themselves. That was when the company designed and developed a website that saw it host millions of subscribers making it rake in huge profits. That was in 2006.

Netflix was founded at a time when the video industry was largely populated by small retail outlets which were characterized by long product delivery time. The market was dominated by the then giant Blockbuster Inc. Blockbuster had no real marketing strategy and customer royalty was based on impulsive buying. It enjoyed booming sales with almost 100 percent success when Netflix joined the market.

Upon its entry into the market in 1997, Netflix realized that the market that was dominated by the brick and motor marketing methods. The launch of this company was at the time of the beginning of internet retailing. Online selling was gaining an upper hand to brick and motor methods. This compelled Netflix's to launch its own website in 1998 that specialized in the use of cross platform technologies in service delivery. At this time, different pricing models were tested to increase sales volume.

Netflix was also adept at countering new entrants and developments in the market. One of this was the development of a video provision services on line.

Porter's Generic Strategy

According to Porter (1974), successful business organizations incorporate one or more of the generic strategy options to propel it to success. Among these strategies are cost leadership, focus, and group differentiation. A critical analysis and evaluation of the cases study reveals that Netflix had to various extents incorporated these strategies in its business pursuits with each generic strategy contributing to the success or failure of the company in its pursuits. Netflix emphasized on the focus strategy with the other strategies playing a minor role in the firms' pursuits.

The differentiation strategy is where a company concentrates its efforts in developing a single product then invests in identifying and incorporating unique attributes that meet customer needs (Porter, 1974). Porter (1975) asserts that by adding value to a product and creating uniqueness in product to attract customers, customers are likely to purchase the product at a higher price. That was the case with Netflix. Netflix original move into the market targeted the renting of videos in the movie industry. That strategy could be achieved by the use of recently developed and upcoming internet marketing technology which other companies had not incorporated in their business pursuits. The case study reveals that Netflix's newly launched website integrated a search engine that enabled each customer to search and access products of one's choice. Netflix's management showed such

talent and ingenuity in marketing their products by employing already available and established supply chain infrastructure and technology. One of the infrastructure tools included the US's postal services. The firm incurred slight expenses in delivering the DVD's to the customers as they were light in weight.

In creating value and uniqueness to its products using the group differentiation strategy, Netflix endeavored to characterize its products with value, user friendliness and convenience, and unique selections. That was evident when Hastings coined a term for their customers that Amazon used to refer to its customers, eBay.

According to Porter (1975), a company that invests in this approach should be led by a well skilled and dedicated team. That was the case with Netflix. Netflix's management was led by Hastings, an entrepreneur at heart. In addition to that, Porter affirms that a company organized around pursuing excellence and aiming at gaining a greater advantage in the market should have a good reputation should revolve around high product quality and innovation. The case with Netflix is outstanding here. Netflix did not only focus on DVD sales, they had other serious considerations in product innovation. Among these were a focus on video-on-demand and alternatives to VOD.

Porter (1974) argues that a company may not necessarily integrate all the generic characteristics depending on the nature of its business. An analysis of the case study indicates that Netflix did not pay much attention to cost leadership. Some of the pricing models did not work for Netflix. One such

model involved a situation where the firm spent several thousands of dollars in adverts only to gain a paltry income from such an endeavor. Netflix at times charged high rental fees for their online videos which at times drove its customers away. However, technology seems to have paced Netflix at an upper hand compared to other companies involved I the same business pursuits.

However to a large extent, Netflix incorporated the generic aspect of focus strategy. The focus strategy is where a firm concentrates on one firm and later on attempts to manipulate product prices to achieve an advantage over competitors (Porter, 1975). Netflix did not succeed with this strategy to a desirable extent but seems to have lost some customers due to that.

Porter's Five Forces

Netflix entered a market that Porter (1974) affirms is driven by five forces. These include the bargaining power of customers, threat of new entrants, bargaining power of buyers, threat of substitute products, and rivalry among competing firms. At Netflix, the bargaining buyer of customers was realized when despite intensive marketing activities, the firm earned paltry sums far below their target. Instead of earning the company more customers, thus increasing the revenue, the company was facing a loss. Customers had driven sense into the company's executives that they could determine a company's profitability and the model they use in pricing their products. This pricing element was evident when some customers felt dissatisfied by the pricing system compelling Netflix to rethink and introduce a new pricing mechanism.

Netflix could counter new entrants by its relentless pursuits to adopt new technologies and integrate them to the service sit was offering. That was the case when it entered the field of video-on-demand. Despite the huge investments it had made, Netflix did not realize quick returns as there were no technologies in the form of hardware platforms to support such services. Netflix is noted to have lost a chunk of revenue in advertising these service customers were not willing to pay for. The case study however reveals that later innovations saw Netflix succeed in this field. One other case was the entry of VOD services and the fierce completion Netflix had to fight off before they could get a foothold in this widely dominated market by Netflix. Netflix swung into action by exploiting new technology platforms that were not characterized by her competitors in gaining a firm foothold.

Another force experience in this industry was the bargaining power of buyers. As discussed above, Netflix had to succumb to buyer’s buying behavior as in some instances; new innovations could not be priced as per Netflix’s dreams. That was the case with investments and intense marketing campaigns conducted by Netflix for the newly launched services, VOD.

Porter (1975) asserts that companies can endeavor to enter a market by offering substitute products that may serve the needs of current products offered in the market. The case with Netflix is a striking one. The case study reveals that substitute products were too below bar in competing with those offered by Netflix and the company was now enjoying an undisrupted share of the market. Netflix carefully blended these generic forces to its advantage.

Rivalry among competing firms saw Netflix to be a runaway case. Arguments demonstrate how competitors went to the extent of accusing Netflix of infringing upon copy right laws in offering these videos online. This line of attack was shaken off by Netflix's executives who argued that Netflix was offering these services just like any retail outlet could buy and sell a product, except Netflix was using the new internet technology that these other firms had not put to full use.

Value Chain

Netflix's management was keen at exploiting information technology in incorporating value chain activities in its service. A striking example was when the company's turnaround time for product deliveries was drastically enhanced by the use of appropriate technology. Each customer who opted to stay or leave the company could be requested to leave an answered questionnaire about their decisions. These could be used to identify the weaknesses inherent in the system and determine new methods of fulfilling customer needs and wants. One such revelation was identified with the company's ever changing rental fees. Other value chain addition activities spanned the infrastructure the company was using and its implementation of new technologies to enhance value for its customers. Netflix's system product acquisition was also automated, with automated searches using an integrated search engine.

Implementation of Information Technology in Netflix

To stay afloat in the already large market and maintain the customer base, Netflix will have to implement an IT infrastructure that could offer reliable

support for its business transactions (Smith, & Short, 2001). One of these could be a data mining application. The data mining application could be integrated in the organizations' information system to assists in decision making. Netflix is a highly customer focused organization. Data mining could help enhance communication, help the company compare its prices with other companies evaluate customer satisfaction, evaluate supplier relationships, enhance staff skills, and provide an overview of company progress and performance.

On the other hand decision support system could be incorporated into the company to help improve decision making from the company's data warehouse, provide real time sales compressions, and model decision making context (Shermis, Stemmer, Berger, & Anderson, 1991). The outputs from this system could significantly depend on the inputs from the company's data warehouse and the decisions made could reflect the actual potion of the company.

In addition to that, a customer relationships management should be incorporated as it helps the management to sustain its old and new customers, meet customer needs, and establish a good working relationship with other companies and customers.

According to Silverman (1993), a supply chain management system if well incorporated into this company could help create competitive advantage for the firm by enabling it to optimize all factors relevant to customer satisfaction and company benefits. This system could help the company identify key factors central to its success and enable management optimize

all aspects of controls in its marketing strategies and supply and acquisition logistics (Smith, & Short, 2001).

Recommendations

Based on the above discussion, Netflix should continuously adapt to changing technological dynamism and new market opportunities in reaching various markets. Netflix's management should hire experts on cross culture management to ensure a cross culture component is incorporated in its pursuits. This could be the case since newer opportunities lie outside Netflix's current market that is characterized by a fairly uniform culture. In addition to that, the firm should incorporate user friendly software products that are cross platform and compatible with other software products to enhance usability. To maintain a large market share, the company should always incorporate faire business practices in its pursuits. In addition to that, Netflix should endeavor to develop software that can bar piracies on its products in addition to patenting its products. The company should invest in software technologies that bar any could be illegal downloading of files or unauthorized access or copying of its products. That could bar illegal usage of its video products since it denies the company legitimate profits that could accrue from those sales. The company should continuously evaluate the role played by information technology in propelling it to its position, the ever changing trends in the industry I terms of provision of services and other related services. It should continuously revise its plans to make them current and relevant to the identified changes and endeavor to incorporate new technologies in its pursuits.