

Netflix and porter's five forces model

[Business](#)



Using Porter's Five Forces Model in Evaluating Movie Rentals By using the Porter's Five Forces Model, it is clear that the relative attractiveness of entering into the movie rentals is quite low. Using buyer power as the first force, it can be rated to be so high in the industry. Consumers in most cases have several choices in the process of making decisions on which source to rent movies from. Buyers can decide to rent videos from local video stores by ordering from their pay-per-view subscription or renting the videos online. For some movie rental companies, they hold tend to hold particular competitive advantages. The HBO subscribers are able to watch any available movie on the network at any given time. For instance, Netflix customers have the ability to order movies online at a relative lower fee of \$7.99 per month (Jones and Hill 42).

Supplier power in the movie rentals is also recognized to be too low. The low supplier power can be attributed to few distributors who all sell their products at the same price. The customers' bargaining power play a crucial role in determining the pressure they put on a particular market.

According to the Five Forces Model, there are threats of substitute and services and they are moderately high. Free online streaming is another source of movie rentals. Websites such as Crackle.com and Hulu.com allow their users to watch movies online free of charge. Even though this provides a free alternative, there is a switching cost for the current Netflix users.

Netflix customers can stream movies to their television sets through certain video game consoles. In the process of switching to the free online streaming, customers do not incur the monthly \$7.99 fee. However, this only limits them to watch the movies on an internet accessible device (Kaplan 45).

The threat of new entrants is the next force. This force can similarly be recognized to be moderately high. There are only a few barriers connected to the entry into the movie rental industry. The first barrier is the need to have the legal rights that will allow the company to supply copyrighted movies to its customers. This barrier seems tricky for a company entering the industry since it will be hard for the company to overcome the barrier. Use of online services is another potential barrier to entry. With the current technological advancements, it is important for a new business to include online involvement. This point greatly emphasizes the threat of new companies entering the movie rental industry. With the option of free online streaming, a new web-based company will probably float in the industry. Nevertheless, the threat of new entrants into this industry is not too high since the advantages of HBO and Netflix are likely to be more attractive to customers than the free online streaming. In case a new company comes into the industry under such circumstances, another entry barrier may include the need to provide its customers with a customizable movie listing and TV viewing (Porter 17).

Generally, the movie rental industry is not as harsh as other industries like computer and automobile industries. The movie rental business remains to be a good one since customers will still demand for movie rentals. Everybody will not be interested in having all the latest movies. However, if I were to start my business today; I would not start the brick and mortar store, but the kiosk market. Nevertheless, I would do it in a unique way. Despite that, the movie rental industry is not a good one to enter. HBO and Netflix, being the prominent companies in this industry, have been able to increase their number of customers. It would be a bit hard for a new entrant to top the <https://assignbuster.com/netflix-and-porters-five-forces-model/>

products already offered by these two companies.

Works cited

Jones, Gareth and Charles Hill. Strategic Management Theory: An Integrated Approach. Stamford: Cengage Learning, 2009. Print

Kaplan, Saul. The Business Model Innovation Factory: How to Stay Relevant When The World is Changing. London: John Wiley & Sons, 2012. Print

Porter, Michael. Competitive Strategy: Techniques for Analyzing Industries and Competitors. London: Simon and Schuster, 2008. Print