

Netflix – strategy analysis essay sample

[Technology](#), [Internet](#)



Today, whenever we think about watching movies or TV serials online, Netflix is one company that comes on everyone's minds. It is one of the world's market leading internet television network that provides members with subscription service across 40 different countries and more to enjoy movies and TV shows online anytime anywhere with the only requirement of an internet connection. Their subscription service is vastly used because of its low monthly price, hence making it affordable to a lot of masses around the globe. I guess that is why it has about 50 million members streaming more than one billion hours of movies and TV shows per month. Now isn't that amazing? The company was founded in 1997 By Reed Hastings and Marc Randolph with a small customer-centric business of offering online movie rentals and DVD rental services. And soon in 1999 they started off their now well known low priced monthly subscription service offering unlimited rentals.

Over the years the company added various services like the personalized movie recommendation system, publically traded on NASDAQ, introduced streaming that would let members stream movies and TV shows instantly on their personal computers, partnered with companies like Blu-ray, Apple Macintosh, TV settop boxes and other consumer electronics companies to stream onto the game consoles, iPad, iPhone and other internet connected devices. The company expanded its television and movie library and with the growing popularity it launched its service in various countries globally. A few of the company's rivals would be Amazon Instant video streaming, Hulu and now HBO which can provide much more content as it grows and establishes itself further. Thus the company will need to constantly evaluate its strategy

to sustain its position as the leading internet television network. As time progresses, so does the company's long term view. The company has set a few strategic goals that it is aiming to achieve with time. The company's strategy revolves around achieving strong value disciplines to maintain its place in the market.

Customer intimacy is one of the primary focus of the company. The company's target audience is potentially anyone who has access to the internet. In order to personalize its users experience, the company has developed a strong recommendation engine which is analyzing the customers and generations changing needs for suggesting them with personalized content. As a part of this, the company had even kept a prize of \$1 million for a person or team to improve the accuracy of its existing recommendation service. This shows that the company pays good attention to its user needs and is constantly working towards improving customer intimacy. The company is also constantly analyzing diversity of the content the customers watch so that they can expand its content base to attract more audience.

As a part of operational excellence, one of the basis of company success is its low priced subscription model and a good range of content provision. The video content provided by the company is taken from reliable and good quality sources. They maintain a level of transparency so that the customers are aware of the source of the video content. Along with this the company aims at improving its network capability

with the advancement of technology and adopt new and faster ways of providing content quickly to the users so as to avoid any streaming delays. This helps them achieve operational excellence and in turn enhances user experience.

To sustain product leadership, Netflix is constantly analyzing new content and expanding its content base to provide as much variety to the users as possible. The video contents are free of ads which gives it an added advantage over the television. They even have the facility to pause and play the content as per convenience or watch the same video any number of times. Another strategic step now taken by Netflix is to add original content under the Netflix subscription that is not made available by its competitors. This could give it a sustainable product leadership. On analyzing Netflix using porter's five forces we get a brief picture of any risks coming in the way of the company's success and how the company's strategy could be molded to avoid these risks. The analysis is as follows:

Threat of new Entrants: Low. This is because the initial capital investment required to set the IT infrastructure and subscription model is large. Good amount of investment on marketing would be required to take over Netflix's market share. Netflix has a great subscription service which is offered at low cost. Also the logistics to provide the customer with content is complex and would require good amount of effort to compete with Netflix. Threat of rivalry: High. The competitors like Amazon instant streaming and HBO have a growing market share. HBO has about 30 million subscriber which is getting close to Netflix's 50 million subscribers. The switching cost for customers is

low as most of the rivals offer the same service for similar rate. Competitors could also lower their rates at any given time if they are well established in the market. But as a part of the strategy the company can use its financial position to partner with more game consoles and develop more applications that would not be provided by its competitors.

Threat of Substitutes: High. Consumers behavior treats each product differently. Passive entertainment is a social norm. Substitutes like interactive social media, ipad, kindle, web surfing and video games are other growing entertainment sources which are free and could distract customers from watching Netflix at a cost.

Buyer power: Low. As the service is already offered at a minimal prices. It avoids piracy or web crime. It's content variety is so vast that it is difficult to find all of it online for free. Thus the power lies more in the hands of the company and less in the hands of the customers. Supplier power: High. The content provided by Netflix is what makes it so desirable. And this is in the hands of the suppliers of the content. Most of this is done on contract basis and the industry is litigious. Strategic alliances in Hollywood are complex. They could anytime stop providing the content if they get a better offer by another competitor.

But all in all the company's goals and strategy has created a strong foundation for the growth of the company. With the advancement in technology and increase in internet accessibility, It is yet to tap the shoulders of a lot of potential customers. I believe if the company constantly

analysis the changes in its environments and adapts itself to suit new market needs, the company's future will surely be bright.

References

1.) Netflix, Company Overview. Retrieved from:

<https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10476&contentGroup=Company+Facts>

2.) Netflix, Company Timeline. Retrieved from:

<https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10477&contentGroup=Company+Timeline>

3.) John Castele (Feb 24, 2014), Netflix vs HBO: Is the Rivalry as Intense as it Seems?. Retrieved from: <http://www.fool.com/investing/general/2014/02/24/is-the-netflixhbo-rivalry-as-intense-as-itseems.aspx>

4.) Netflix (Apr 21, 2014), Netflix Long Term View. Retrieved from: <http://ir.netflix.com/long-term-view.cfm>

5.) Charles Vickery (Dec 08, 2010), Netflix. Retrieved from:

<http://www.slideshare.net/charlesvickery/netflix-6070795>