

# Netflix marketing plan and swot analysis



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## Brand or Company Description

Netflix is a subscription service on the internet that offers a variety of TV shows and movies. Netflix is a forerunner in the internet delivery of TV shows and movies, launching its streaming service in 2007. Since this time, the company has developed a wide variety of internet-connected devices and has licensed increasing amounts of content that enable consumers to enjoy their favorite TV shows and movies no matter where they are at because they can access this content on their TVs, computers or mobile devices. As a result of these efforts, Netflix has experienced growing consumer acceptance and interest in the delivery of TV shows and movies directly over the Internet (Netflix, 2018).

## Core Products or Services

Subscribers can watch unlimited TV shows and movies instantly. Content can be streamed over the Internet to their TVs, computers and mobile devices and, in the United States, subscribers can also receive standard definition DVDs, as well as Blu-ray discs, delivered directly to their homes. Netflix markets its service through various channels, including online

advertising, broad-based media, such as television and radio, as well as various strategic partnerships. In addition to various marketing strategies, the company offers free-trial memberships to new and rejoining members. According to Netflix, rejoining members are an important source of subscriber additions (Netflix, 2018).

### A Brief History

Netflix is an American entertainment company founded by Reed Hastings and Marc Randolph on August 29, 1997, in Scotts Valley, California. The company expanded into film in 2016 as well as television production and online distribution. The company is headquartered in Los Gatos, California. As of January 2016, Netflix is operating in over 190 countries and has greatly expanded the production of both film and television series. Netflix released an estimated 126 original series or films in 2016, more than any other network or cable channel. As of January 2018, Netflix had 117.58 million paying subscribers worldwide, including 54.75 million in the United States (Netflix, 2018).

### Key current competitors

The market for entertainment video is competitive and changes rapidly. Competitors have the ability to launch new businesses at relatively low costs. Many consumers maintain subscriptions to multiple entertainment video providers at once and can easily shift from one provider to another. Netflix competitors include multichannel video programming distributors with free TV everywhere and video-on-demand content including cable providers, such as Time Warner and Comcast. Direct broadcast satellite providers, such as

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as DIRECTV and EchoStar, as well as telecommunication providers such as AT&T and Verizon, are also key competitors for Netflix. Internet movie and TV content providers, such as Apple's iTunes, Amazon.com, Hulu.com and Google's YouTube are also sources of competition. DVD rental outlets such as Blockbuster and Red-box are also included in the list of key competitors that Netflix faces (Netflix, 2018).

## **SWOT Analysis**

### SWOT Analysis: Strengths

#### 1. Brand Name

After ten years, Netflix has become the sole brand name for online streaming content with a share price increase of over 6000% since 2007 (Bradshaw & Bond, 2017). Often consumers are much more likely to go with a brand name they know and trust than an off-brand that may or may not be a better value for their money. This is one way Netflix can capitalize and grow their business. Being the known familiar service provider puts them at a greater advantage of not only keeping their customers but attaining new ones.

#### 2. Large customer base

Through serving 190 countries, Netflix has access to over 100 million subscribers. This strength gives the company bargaining power when in talks with studios to secure exclusive content (Bradshaw & Bond, 2017). The popularity and convenience of Netflix is one of its greatest strengths. This makes them able to accommodate and appeal to a very large customer base and has the ability to further expand and develop in more areas,

including partnerships and expansions in various areas and with various companies in a variety of countries. Growth will likely continue as the company goes forward and continues to expand. Customers are opting for the convenience of consuming entertainment online and Netflix continues to expand internationally.

### 3. Original content

Through careful acquisitions, Netflix have secured numerous original shows that have appealed to audiences. In 2017, two Netflix shows are so popular they have pushed subscribers from 83m to over 100m in one quarter (Bradshaw & Bond, 2017). The House of Cards was a game changer for Netflix. All episodes of the first season of the show were released at the same time, and the response of the critics was overwhelmingly positive. The House of Cards not only attracted many new users but also proved that the key to their customers' loyalty is a unique and abundant content library. The company continues to work on adding new shows such as 30 kids' shows, ten new feature films, 12 documentaries, and ten stand-up comedy specials (Netflix, 2018).

#### SWOT Analysis: Weaknesses

##### 1. Cost of original content

While its original content creates a competitive advantage for the company, the cost continues to grow in order to support this content. In 2017, it is expected for Netflix to invest \$2.5 billion solely on securing original content rights. To keep prices competitively low, Netflix will need to find a balance

between maintaining good relationships with the distributors and aggressively negotiating content licensing costs with them. This type of dependence can result in a vulnerability that could prove to be very costly (Bradshaw, 2017).

## 2. Lack of rights to original content

Unlike many traditional television studios, Netflix does not own most of their original programming. Due to this, rights usually expire after a year and the original content can be shown on rival services (Bradshaw, 2017). This is an area that serves as a potential weakness especially related to retaining customers and keeping costs low.

## 3. Environmental cost

Netflix has been ranked poorly in terms of environmental awareness. This has given them bad publicity for the company as rival competitors such as Amazon and Facebook use over 40% renewable energy with their services (Lewis, 2016).

## SWOT Analysis: Threats

### 1. Increased competition

Facebook is the latest to try and take on traditional media by launching its own original content. Amazon, Hulu, HBO, and YouTube are all competing for audiences to subscribe to their platforms. For Netflix, this will continue to develop as more companies seek to buy the latest original content exclusively for their platform (Bradshaw, 2017).

## 2. Digital Piracy

For more than 30 content providers, including Netflix, piracy has led to 5.4 billion downloads of media content in 2016 alone. This threatens Netflix's business model and ability to fund content in the future (Opam, 2017). The ability for viewers to get the same content basically for free is a huge potential threat for Netflix's bottom line and ability to continue to dominate the market.

### SWOT Analysis: Opportunities

#### 1. Expansion into China

Difficulties with licensing has left Netflix unable to enter China through traditional means. The company must find a joint-venture to capitalize on the 500 million Chinese users who currently stream media content (Russell, 2017).

#### 2. Partnerships in Europe

To meet new European laws, Netflix can partner with the BBC and Canal Plus to gain access to a wealth of native-language European content and grow customers in local markets (Murgia & Bond, 2017).

#### 3. Growth of technology

With the growth of streaming content, Netflix must continue to come up with new ways to allow customers to access their content and provide further competitive advantages. A growing market for content is foreign-language programming. Partnerships with local-language content will help

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Netflix to be able to be a rival for local streaming services and help them to be a leader among this (Intel, 2016).

### Marketing Plan Focus

Based on my SWOT analysis, I believe there is an opportunity to expand internationally by partnering with telecommunications companies such as Samsung to make the application readily available for customers on their devices in overseas markets. For this marketing plan, I've come up with an idea to incorporate the Netflix application into Android devices. This would target a particular demographic, and could help to begin to solve the issues Netflix faces internationally. The app would have early childhood development movies and songs that would help little children and as well the already existing list of unending movie for all ages.

### Segmentation Approach

For this marketing plan, I've opted for a straightforward demographic approach to segmenting the market given my desire to target a specific age group. I considered a behavioral approach based on past purchase history as captured via use of the McDonald's app. However, the app was only introduced in late 2015 and age is not captured in the registration process (unless a social media login is used). Furthermore, I don't want to limit my audience to just existing customers. Given the broad appeal of the McDonald's concept and its national footprint, I did not feel geographic targeting or formal psychographic targeting was needed.

### Target Definition



My target for the Netflix K is families with young children and adolescents ranging from the age of 2 to 12 years old. An interest in learning and technology would allow for further media targeting.

#### Positioning Statement

#### Netflix K

A time for parents to have quality moments with their children while watching them learn, grow and excel academically in the privacy and comfort of home.

### **Marketing Mix Discussion**

#### Marketing Mix: Product

This marketing plan is centered around education and the benefit of families coming together and sharing quality moments with the thrill of old favorites and new exciting learning opportunities. The core idea is to use advertisement to create awareness in between episodes and popups advertisement when the application is not in use or in between episodes when in use. With the already exiting approach of having it available to Android devices it would help market itself by being readily available

#### Marketing Mix: Price

Netflix strategy would be to retain its already existing customer base by offering 10% discounts on yearly subscriptions and 15% discount to customers that have been a Netflix member for more than 3 years. Included in the price new series would be offered at a 50% off rate compared to its competitors such as Hulu.com and Amazon Prime in order to be able to win

and secure future customers. This is characterized as skimming as they are trying to take business from their competitors by offering the same service at a reduced rate.

#### Marketing Mix: Promotion

In addition to the promotional pricing deal discussed above, there would be an opportunity to redeem a promotion code to save money on a family night out package based on local available retailers. This would be a way for Netflix to partner with local companies in order to help them gain acceptance internationally.

#### Marketing Mix: Place

I would make use of a dedicated Netflix K microsite where customers could go to learn more about the promotion and app and to have the possibility to win promotion codes and save additional money on family nights out as well as the possibility of earning months free towards their Netflix subscription. This would also encourage additional downloads of the Netflix K app and promotion of a larger and growing customer base.

#### Potential Success Metrics

##### 1. Customer Satisfaction

Knowing if people are actually satisfied with the service or product is very important. Customer satisfaction can be a helpful metric in guiding a marketing campaign. Getting feedback directly from customer is an easy way to measure satisfaction. One way to do this would be to add a standard

Google consumer survey to the app or site for free. With a few simple questions, you can find if your customers are satisfied with the app or site, what they don't like about the app or site, and whether or not they will continue using the app.

- User Engagement

Tracking visits and signups is important, but focusing on how much time a user spends on your website or app is important as well. This has the ability to provide a realistic view and can base future success around this consideration.

- Progress

It is always important to keep moving forward and having a forward momentum. If a company is making strong progress on a day to day basis, then it will likely be creating new opportunities and growing the business overall. This will allow the company to accomplish its overall goal and keep them on track.

### International Considerations

Netflix faces the challenge of being able to make their international segment profitable. Netflix will need to invest in local content and better streaming quality over low bandwidth connections in order to attract subscribers. Netflix will have to expand this base quickly in order to be able to recover the associated costs. Netflix will also have to consider the competition of other providers such as Amazon and YouTube who are also looking to capture this segment of the market. Another challenge Netflix faces related to international markets such as India, is lower internet penetration and existing

connections with low bandwidth. These factors limit its target consumers in these countries to the small section of the population that have access to high speed internet. Viewing preferences is another consideration that will have to be addressed as these differ from country to country and even between different regions of the same country. In order to attract subscribers, Netflix needs to have a broad content library catering to the preferences of the diverse audience (Bradshaw & Bond, 2017).

## Conclusion

The Netflix K marketing plan should be approved for funding because it has the opportunity to generate a great deal of business and success in entering many foreign markets not previously entered in. Associating Netflix with current technology such as Samsung and then appealing to a customer base of families with children has the possibility of building a strong business base in this target population and areas abroad. This will also help build affinity and rapport with local businesses in foreign destinations helping Netflix to become a top international company not just a top American company.

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