

# Pest analysis of netflix: how politics and the economy impact the media provider

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Netflix is a media company with a portfolio of original and licensed content. You pay a monthly subscription to have access to this portfolio. It's likely Netflix is available for you, considering it's operational in 130 countries. However, the type and amount of content vary by country. And in some places, people aren't happy with the crumbs they're offered.

This company, with more than 90 million customers worldwide, fights against more political, economic, social, and technological issues than you may think. This PEST analysis of Netflix addresses the main concerns the company faces at this moment.

Recommended read: [SWOT analysis of Netflix](#)

## **Political factors: Content restrictions limit expansions**

Availability limits.

Netflix isn't available in all countries. Similarly, it can't offer content from all country either. North Korea, Syria, and Crimea are three of the affected countries. And that's because of the U. S government. It has restricted

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Netflix — and any other American company — from conducting business in these three countries. So, even if Netflix wanted to operate there, they legally can't.

Censorship and permissions.

And yet, a U. S restriction isn't the reason why Netflix hasn't operated in China, one of the biggest economies. Instead, the blame is on censorship and the Chinese government. If Netflix wanted to operate in China, Netflix would have to heavily censor their content. Perhaps even restrict entire episodes or movies, depending on what the Chinese government wants.

U. S restriction doesn't limit Netflix from operating in China. Netflix needs permission by the Chinese government first. Censorship is prevalent in China. Netflix would need to work with these policies if they were granted permission. But how would that affect the content options for China? Netflix's own content would likely be limited in many ways. Or entire scenes in shows would be blacked out/censored to compensate Chinese rules.

Restrictions in more 130 countries.

Censorship is lesser of a concern for other countries, but the content is still problematic. For instance, American Netflix offers an expansive catalogue of content. It's what every country wants, but none have. It's not a fault of Netflix. The company can only share what countries (and television stations) allow. However, the company is looking for a solution to showcase the entirety of their library to all 130 countries.

In the meantime, people access the content illegally, either using VPN, torrents, or streaming websites.

## **Economic factors: Transforming into the cable industry**

A weak dollar and competitors.

Since Netflix operates in more than 100 countries, they're predisposed to fluctuating exchange rates. Weaker currencies can and will impact Netflix's bottom line. It's also a problem because Netflix is shelling out big bucks to add more content and create their own. Other streaming sites are emerging. They're taking content away from Netflix, forcing Netflix to create more original movies and television shows to stay relevant.

Increasing monthly subscriptions.

Customers are impacted by Netflix's monetary discretions. The monthly subscription to access Netflix has slowly increased over the years. Initially, consumers withheld backlash. Netflix created fan-favorite original content with a bolstering portfolio of shows and films (for most countries). A dollar hike in price was more or less OK'd.

However, the subscription keeps inching up. Quality shows and movies are disappearing. Netflix's original content is severely hit or miss amongst customers. So, naturally, consumers are becoming restless. Netflix's solution is to throw themselves into creating and distributing high-quality original content like *Castlevania* and *Stranger Things*. Hopefully, their efforts lead to more profits for the company.

Bigger name streaming services, like Disney.

No one knows if Netflix's monthly cost will increase again. Although, it's more likely the question of "when" rather than "if".

But with more streaming services popping up —and Disney's own service looming around the corner — customers aren't happy. Sure, they want more content options. But none are looking forward to paying for several at \$10+ a month. It's clear what direction the streaming industry is going: towards the cable industry. Too bad it's basically extinct for this exact reason.

Illegal torrenting.

Companies offering streaming services for a monthly fee should be aware of the other, free option for content: torrenting. It's illegal, but it hasn't stopped millions of people before. It won't stop them now.

### **Social factors: Everyone loves Netflix**

Fantastic work environment.

Employees love working for Netflix. Not only are they treated well, but the environment is as relaxed their dress code (no business suits or uniforms here). Not to mention workers get a number of vacations each year.

Student scholarships and PhDs.

Their hospitality spreads beyond the workplace. Netflix also gives away student scholarships. When they're not doing that, they're helping charities

providing low-income students financial aid. This includes students studying for their PhDs as well.

A compassion CEO.

The CEO of Netflix, Reed Hastings, is known for donating his personal funds to charities like the Giving Pledge Charity. Overall, the “good guy” feel of Netflix starts at the head of the company and proceeds down and out to people of need.

### **Technological factors: Saving on your monthly data bill**

High-quality content and videos.

When people subscribe to Netflix, they expect quality content. This doesn't just mean the type available, but video quality. Netflix uses a specific system to compress videos without sacrificing quality. It reduces the amount of data you need to watch the video. And for anyone with a monthly or mobile data limit, this feature is much appreciated.

UI changes customers aren't a fan.

Netflix's shift in UI and algorithms confuses their customers. Recently, they changed the content voting system. Basically, how you tell Netflix you liked or didn't like their content. Initially, the rating system was a one to five-star system. Now, it's a thumbs up or down system. If you like the content, give it a thumbs up. And if you don't like it, give it a thumbs down.

The reason behind this change, according to Netflix, is to compliment their new content suggestion algorithm. However, customers aren't a fan. Many

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suggested shows don't align with a person's interest. For example, if you watch a horror show, Netflix may recommend a drama comedy. It's a bit on the wonky side.

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