Good netflix case study example

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Introduction

Netflix is an American technology company that provides on-demand internet streaming media in North America, South America and parts of Europe where mailed DVDs are sent through permit Reply Mail (Netflix, 2013). The company has more than 44 million members in more than 40 countries (Netflix, 2013). Netflix has the goal to generate original content for sale to its customers. The development of original content will help the company to overcome financial losses incurred due to reduced subscriber growth that is usually witnessed during major sporting tournaments such as the upcoming FIFA world cup in Brazil. In July 2012, the company suffered from heavy viewership of the Olympic Games and it needed more than 3 million subscribers to keep its business going. The company has set aside $300 million for the development of original programming. The development of original programming will help Netflix to acquire new subscribers and retain old ones thereby enabling the company to maintain profitability in the face of decreased demand of ordinary viewing.

Direction, Vision, and Mission

Netflix plans to grow its subscriber base and retain current customers through the development of original programming. At the moment, Netflix has more than 44 million streaming customers. According to Forbes, the company is losing 400, 000 per quarter of a year but gaining more than 2 million new ones within the same period (Hartung, 2013). This has enabled the company to add desirable content and expand internationally.

The vision of Netflix is to provide its customers with quality and uninterrupted entertainment options. The company states that its customers " can watch as much as they want, anytime, anywhere on nearly any internet-connected screen". The members can " play, pause and resume watching, all without commercials or commitments" (Netflix). Netflix views itself as the company that revolutionized watching of movies and TV shows. The mission of Netflix is to " grow its streaming subscription business domestically and globally" (Netflix). The company is continuously improving the customer experience focusing on improving its customer's experiences, enhancing its user interface and extending its streaming service to even more internet-connected devices (Healy, 2010). The company does this while staying within the parameters of its consolidated income and operating segment contribution profit targets.

Performance Targets and Objectives

Since its inception, Netflix has constantly measured its progress and in terms of the number of subscribers. Notably, Netflix has targeted to add about 3. 73 million domestic subscribers in the final quarter of 2013. The same targets are to be maintained in the first and second quarters of 20114. The sales forecasts and targets are set to increase 10% from $821 million from the previous year to $904 this year (Netflix, 3013). The company also targets to partner with more movie-making companies such as Starz in order to enhance it production of original content such as its debut series, House of Cards and LilyHammer.

Current Strategy

Netflix is currently in the process of diversifying its presence around the world. Each year the company is expanding to countries in different regions. Netflix is also using horizontal integration and synergy as part of its growth and expansion strategy. In 2008, the company added six more partnerships with Starz, LG electronics, TiVo, Microsoft, Samsung and Roku to its list. Each of the partnerships serves strategic interests of Netflix. For instance, through its partnership with Samsung the company is able to send movies straight to TV screens over the internet. The development of original content in movies and TV series, the company is seen to pursue vertical integration strategies which are also recommended to fastback and sustain the business (Thompson, 2012).

The growth in profitability and subscriber base has enabled Netflix to expand and diversify its market to several regions in the world. For instance in 2010, the company launched its existence in Canada, in 2011 it entered Caribbean and Latin America, in 2012 it was launched in Ireland, the Nordics and the United Kingdom while in 2013 the company gained entry into Netherlands (Netflix, 2013). This has opened up the company to diversified customer needs and reduced several risks (Thompson, 2012). First, the regions respond a bit differently to different sporting events. For example the South American market is very passionate about football and as such this market portends significantly declined customer subscriptions during the forthcoming FIFA world cup. On the other hand, the Caribbean market and the Asian markets are not deeply passionate about football and during the world cup a very significant number of subscribers from this region will still use Netflix even during the World Cup and other major sporting tournaments. This sort of differentiation of the market will enable the company to weather seasons of low demand and declined subscription. Netflix is currently doing very well in terms of growing its subscriber base to overcome the business challenges posed by global sporting events. The company signed 2. 27 million subscribers in the first half of 2012. Having set a target of 28. 7 million subscribers by the end of that year for its US market, the company had to add more than 4. 7 million subscribers by the second half of that year (Netflix). The Olympic Games which began later that year negatively influenced the growth of the subscriber base but the company still managed to add about 1 million new subscribers.

Financially, the stock market dynamics have also indicated that Netflix can remain very profitable in the long run. The company's shares managed to regain significantly after a severe slump. In late 2011 and early 2012, Netflix's shares declined from $300/share and fell by 80% to $60/share by the end of 2011 (Netflix). The stock has now regained and is selling at $160/share. The company managed to surpass its financial goals. The domestic (US) market added 630, 000 streaming subscribers. The domestic market accounted for $671 million which is an improved amount compared to $533 million the previous year (Netflix). Analysts note that the more Netflix widens its geographic footprint; the international revenues also grew from $65 million to $166 million during the second quarter of 2013.

The company has also reduced its reliance on DVD by mail segment revenues which fell from $291 to $232 million during the quarter (Netflix). The company is now focused on the digital streaming. Although the stock seemed very volatile, investors were not scared and this points to the trust the investors and subscribers have on the company. This means that the company can hinge of aggressive marketing to gain investments and subscriber base in order to overcome competition from Hulu, Amazon and Comcast who are the main competitors.

The decline in subscriber base whenever there is a global sporting event is a drawback that the company hopes to overcome through the production of original programs. The company produced its original TV series House of Cards as a way to revamp its business strategies and attract more subscribers. The series won the appreciation of many fans and it won several awards such as three primetime Emmy Awards. Since the production of the series in 2013 the subscriber base grew from 30 million in 2012 to 44 million (Netflix). This shows that the company is doing the ultimate thing of creating value for its customers (Thompson, et al, 2012, P. 109). The production of original content is therefore seen as a valuable way of maintaining high subscriptions and consequently profitability even in times of major sporting events.

S. W. O. T. Analysis

S. W. O. T. analysis of Netflix results in several key findings.

(Netflix, 2013)

Recommendations

In order to gain more subscribers and weather potential declines in business during major global sporting events, it is important for Netflix to diversify its regional expansion. Expansion to different regions also comes with diversification of cultures and the tastes and preferences of those regions also vary greatly. As such, there is some sort of differentiation which reduces reliance on one region. The Asian region for instance values and loves cricket passionately as compared to South Americans who love football. As such, gaining large subscriber base in Asia will sustain the South American market which is definitely poised to experience a slump during a world cup season. The second recommendation would be the generation of original content. So far Netflix has managed to produce two productions; House of cards and LilyHammer. These original productions have increased the company's subscriber base significantly and brought good business to the company. The development of more original content portends very high returns and massive increments in subscriber base.

Conclusion

Netflix is an American technology company that provides on-demand internet streaming media. In the face of declining business during major sporting events and intense competition in the home-entertainment industry, the company must seek several measures to remain relevant profitable. Production of original content and diversification of its global presence have proved to be very viable means of increasing its subscriber base and maintaining profitability.

References

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