

# Free business plan about netflix internal analysis

[Business](#), [Company](#)



- Financial Analysis:

- Liquidity:

The liquidity analysis of the Company is expressed in the form of the percentage. A growing and good liquidity position represent the capacity of the company to fulfil immediate obligations (NASDAQ. com). Netflix has an advantage in this matter, as its liquidity position has been improving along the years.

- Profitability:

Profitability ratios exhibit the performance of the company (NASDAQ. com).

The performance of Netflix over the years can be assessed as:

- Leverage:

The amount of leverage may be beneficial or unfavourable depending on the nature of business and also the leverage situation in the industry. The leverage situation of the Company over the years has been:

- Revenue Growth

The revenue growth of the Company is on an increasing trend. There was a 13% increase from the revenue in 2011 (\$3205m) to revenue collected in 2012 (\$3609m). This shows that the market for the Company is ever growing, and there is an expectation that that the Company will generate more revenues with expansion.

- How well is the present strategy working?

The performance of the Company reflects the success of any strategy adopted by the company. The value that the company creates i. e. the profits generated by the Company is the greatest indicator of how the company is operating. Profitability ratio is the important ratio of our concern.

If we analyse the trends of profitability ratios of the Company, we find that the marginal increase in profitability is in a decreasing trend. The financial report of the Company showed decreasing returns for the years, 2010, 2011 and 2012. There was an increase in the year 2013; however, the marginal increase was minimal. There was a 13% increase from the revenue in 2011 (\$3205m) to revenue collected in 2012 (\$3609m). But, the gross profit decreased from 2011 to 2012, from 36% to 27%. All these decreases have been backed up by an increase in the operating expenses of the Company (ANALYSIS, NETFLIX).

**These incidences suggest that there may require certain changes in the strategies followed by the Company.**

- What are the Company's resource strength and weaknesses?

- Skills, expertise or capability:

The Company specializes as the biggest service provider for online movie rentals. It has a reach of over 10 million subscribers worldwide. The main offering of the Company is the subscriber's success to almost 1, 00, 000 digital versatile disc titles, along with a widening library.

Many survey result shows that the company stands as the top company for customer satisfaction. It has a strong presence in the market, and it has been able to establish a competitive edge.

- Physical assets:

With the increase in its market, Netflix has also been able to expand the physical assets that it has. The presentation of an increase in the accumulation of physical assets is as follow:

- Human assets and intellectual capital:

There is no doubt that a need for capable human and intellectual capital arises for the company to be a globally successful company. The global community considers Netflix as a good place for accumulating talents and working in the field. There are a few reasons for this. The first reason is the constantly increasing financial strength of the Company. The market is also rapidly growing, reaching wide customer base. In 2013, the stock prices of the Company tripled, and it also bagged three Emmy awards.

- Organizational assets:

The total organizational assets are a combination of tangible as well as non-tangible assets. The presentation of an increasing trend in these assets is as follow:

- Intangible assets

The intangible assets have been on an increasing trend, with the amounts getting higher and higher in the billions category. The presentation of the trend in the increase is as given below:

- Achievement or attributes:

Though the profitability ratios of the Company are in decreasing trends, the liquidity of the Company is in an increasing trend. The Company's liquid assets increased by 52% in 2011, amounting to an amount of \$605m. This increase in liquid asset indicates the strong financial position of the Company. The working capital reserves are also increasing, which is an indication that the Company is capable of fulfilling its liabilities.

- Competitively valuable alliances

The major business names around the globe, including service providers such as TiVo and Samsung are working as successful partners of Netflix. The

company can continue to form associations with the Companies that it is currently associated with as well as form alliances with new partners. This way, it can cater to the increased needs of national and international audiences. Alliances will only help the Company grow.

- Are the company's prices and costs competitive with those of rivals?

Netflix has been able to develop a competitive advantage, and it is also because of the cost strategies that it adopts compared to its competitors. It has combined a number of business models to arrive at a comprehensive approach. Different schemes such as combining physical landlord model with a subscription system reflects the example of the price advantage (Marketwatch. com). The other models used are the " you can eat" models. These models let the renting of DVDs by customers; they could use the DVDs for a flat rate for a whole month. There are no late fees involved in case the customer holds the DVDs for an unlimited period. The only obligation from the customer's part was the periodic monthly subscription fee.

- Is the company competitively stronger or weaker than key rivals are?

Based on various forms of competition analysis of the industry, it can be claimed that the Company is stronger than its key rivals are. The major rival that Netflix had was Blockbuster, which was bought by Netflix, resulting in a stronger network and a business model that covered the flaws that it had.

- What strategic issues and problems merit front burner managerial attention?

The major considerations that the manager should pay attention to, in order to address the strategic issues and the problems, are listed as:

- Since there is no geographical business involved, it is important that the

manager consider virtual tools as a major source for attracting customers.

- Given the nature of the business, strategies should be formulated to retain employees to maintain profits to the business.

- The decreasing marginal rate of profitability should be given due consideration.

## **Works Cited**

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