

Netflix case study example

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



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Introduction

Netflix is the world's most successful company that specializes in providing rental services for the home movies to various online consumers after paying the required fees for the product. The company has experienced success and failures in their daily operations as a result of internal and external company factors that are the key determinants in the success of any business operation. The company's financial returns increased from 500 million dollars in the year 2004 to 1.2 billion dollars at the end of 2010 with an increase in consumers from 1.6 million recorded in 2004 to 15 million subscribers recorded in 2010. (Thompson, 2012) These are aided by an increase in sales of the DVDs whereby over 2 million DVDs are shipped to the company's subscribers. Among the main issues that made the company's marketing

plan to fail in the provided case studies is the Chief Executive officer's inability to communicate to the clients after they decided to separate video streaming issues among other issues.

The company was however able to apply some of its strengths such as the application cinematch satisfy the needs of the customers among other success factors so as to intensify their marketing strategies which outdid their main competitors such as Blockbuster and Movie Gallery who have experienced a tremendous decrease in sales of their movies. The company was able to outdo their competitors through adopting products differentiation strategies that makes their products varied and more outstanding as well as adopt delivery services that ensures the subscribers get access to the movies as fast as possible hence avoiding any form of delay. Also through the high number of subscribers, the company has received a numerous peer reviews and comments which have enabled the company to increase their sales. In the video clip Netflix: An explanation and some reflections, Netflix CEO, Reed Hastings sends an apology to the company's customers due to their failure in communicating their plan to make changes on the video streaming strategy known as Qwikster that intended to intensify the sales campaign for the video streaming products. This strategy was aimed at separating video streaming and DVD rentals with an aim of increasing sales for each rental method (Thompson, 2012). The subsequent videos cases (Netflix backtracks on Qwikster and Netflix kills Qwikster) analyzes the various reasons that led to the fail of Qwikster strategy and instead decided to retain the company brand name in the movie stream subscription and DVD rentals.

This paper generally analyzes the case study involving the internal and external driving forces that have enabled the Netflix Company to carry out their online business operations successfully. This involves analyzing the internal company's strengths and weaknesses as well as derives some of the market opportunities and threats as portrayed in the case studies while accessing some of the strategies that the company could adopt in solving the issues that affect their business operations.

Background information and industry analysis

Movie industry is one of the highly rising global businesses as a result of an increased desire for home based form of entertainment. This urge has resulted in an increase in online movies sales and rentals whereby the interested customers subscribe to movie rental companies such as Netflix, Blockbusters among other leading movie rental companies who have a wide variety of movies to choose from. The nature of this industry requires a vibrant competitive strategy for the involved companies whereby they have to come up with marketing and sales strategies that outdo those of their competitors. One of the main ideas is to have a wide range of continuous streaming movies subscribers and DVD movie buyers who have trust in the company products and services. This is one of the many challenges that face the top management of movie rental companies whereby they have to come up with concrete and yet flexible business models that incorporate the needs of their customers while at the same time enabling the company achieve their strategic goals and objectives.

The consumers who intend to watch latest movies have various options of getting access to the DVDs whereby they can either purchase them directly

to the authorized movie retailers or hire them in form of a tangible DVD or a movie stream to their personal computers and smart televisions through accessing online movie rental companies via the internet. Also the advanced method of hiring movies by companies such as Netflix has enabled the customers get access to movies at a cheap price whereby they are able to pay a small amount of subscription fee and get access to a certain number of movies per month. Apart from this, people have been able to watch a variety of movies from cable televisions or the traditional telecommunication TV channels while others have successfully pirated movies and sell them to consumers at a cheap price, a situation which is currently killing the movie and music industry. Thus, as a result of rising consumer demand, various companies have come up with strategies of creating an intermediary between the movie producing companies such as ABS and the consumers whereby they make the DVDs and softcopy movies and music are available to the end consumer at a cheap and affordable price while at the same time fighting the issue of piracy which is a major threat to these companies. As a result of technological advancement in the past few years, movie industry has received positive enhancements whereby the movies production and distribution techniques have received a great boost. Movie rental companies such as Blockbusters and Netflix are able to distribute streaming movies to their clients who subscribe for monthly access of the companies list of movies by paying a monthly subscription fee which is affordable depending on the number of movies they wish to watch. The fans and lover of movies are able to advance from the traditional forms of acquiring their favorite movies as these are easily accessible by the click of a

button on their personal computers to their online shop where they have subscribed to scroll the variety of movies provided and select their best choice. At the same time the emails option of ordering DVDs and experience a fast delivery option.

On the negative side, technology has affected the movie selling business as a result of piracy issues that affect the copyright terms. Piracies results in unauthorized copying of songs and movies and then make cheap discs which are sold to the end user at a cheap price. This has affected the business in such a way that the buyers prefer to buy cheap pirated movies which are mostly sold as a package of ten or more movies in one Digital Visual Disc. Increased demand for streaming movies in the current global demand has enabled many movie rental companies strive to be the best through provision of the most preferred products and reliable services to their potential and actual customers. For the past two years, Netflix has retained a position of the most preferred streaming movie rental provider after replacing Blockbuster from the same position since the year 2010. The online rental companies have recorded a tremendous growth replacing the traditional forms of accessing movies such as going to the cinemas or purchasing the hard copies from movie kiosks to a more convenient way of downloading the movies at home through accessing online companies who offer a substantial amount to buy or hire a movie.

Strategic issues affecting the industry

This includes the external and external factors that are likely to influence the success or failure of a company in its daily activities.

Netflix SWOT analysis

Strengths

Close relationship with entertainment companies who are their main suppliers hence enabling them to attain brand new movies at a cheaper price.

The company provides a cheap and varied subscription fee that accommodates the needs of various subscribers' needs to access both unlimited and limited offers provided in the business model. Lowest package goes for 8.99 dollars monthly subscription with access to unlimited DVDs access one title at a time as well as unlimited streaming video access.

The company has large number of total subscribers which stood at 15 million in the year 2010 and are estimated to increase gradually due to increased peer reviews and affordability of the subscription fee.

Provision of free sign-up deals for the new subscribers as well as the highest number of peer reviews has enabled the company increase their total number of subscribers hence, helping in the achievement of the core strategic goal.

Weaknesses

The company's Qwikster plan resulted in a negative customer reaction, an issue that led to reduction in total subscribers and streamers due to increased price.

Opportunities

Collaboration with best known entertainment producers enabling the company has an easy access to the products. Such includes HBO, CBS and Universal pictures among other influential movie producers.

Partnership with software companies who are willing to incorporate the

company's software to their windows. The main opportunity providing companies that Netflix has partnered with is Microsoft and Apple TV.

Rising demand in the streaming movie industry globally especially among the children and the youths which needs to be satisfied using the cheapest and most products, an option provided by the company.

Threats

High risk of threat from existing and new competitors such as Blockbuster, Google and Wal-mat has made the company run out of marketing options that will enable its operations remain at the top of the industry.

New trend where most entertainment producing companies opt to do their own online movie rentals leaving Netflix with limited choice of the latest movies has also put the company in a critical situation to a point of opting to sell its shares..

Competitor analysis

A competitor analysis study is essential in determining the competitive position of a company and its ability to execute the business model for the company's competitive advantage (Porter, 2008). Netflix Company operates under a strictly competitive industry which has attracted various business personnel as a result of the attractiveness of the success factor in the movie sales and rentals. This is mainly due to the rising consumer demands whereby the consumers prefer an easy access of the movies at their homes hence reducing the hustle of going to look for the movies they prefer at the movie shop. By use of the Porter five forces of competitor analysis, it is possible to analyze how Netflix Company has coped in this competitive industry by analyzing availability of substitutes, suppliers and buyers'

potentiality as well as analyze the existing competitive rivalry and the threat of new entrants into the industry.

The company has liaised with most influential entertainer companies such as CBS, whereby they acquires a movie as soon as it is produced and make it accessible to the subscribers. This has created a close relationship with the movie suppliers while breaking the process these companies has to adopt so as to make their products available to the audience.

The main consumers for the company are the general subscribers who select the movies they wish to rent from the company's available movies list. The consumers have mostly depended on peer reviewed movies to determine the best choice to watch. Through peer review, the company is also able to make a decision in what genre of movies and songs they should increase in their availability list hence boosting their total sales which is the main company's strategic goal.

The current most competitive rivalries in the industry with the potential to outdo Netflix business operations are Blockbuster and Movie Gallery. Their sales as of the year 2010 had a slight margin with that of Netflix although Blockbuster had received a tremendous loss of total revenue by over 530 million dollars. The Movie Gallery had also experienced the same loss, a situation that made the company opt to liquidate the company as a result of the continuous losses . at the end of the year 2010. Blockbuster offers free shipping services to their consumers, an option which Netflix has not been able to adopt. Most entertainment companies have also adopted their own online rental options whereby they make their movies available to the public through paying a certain amount of subscription fee to get access to the

streaming online movies.

Threat of new rivalries include most of the companies' desire to venture into online movie rental business which has proven to be successful as a result of the rapidly changing technologies being used by a wide variety of movie fans (Barney, 2011). Such companies include Google, wal mat, Sony and Universal pictures that have already began marketing campaigns aimed at encouraging consumers to make monthly subscription to get direct access to the company's movies at a cheaper price.

Company business model and environment analysis

The main goals for Netflix company is to create the largest consumer subscription base that will as a result make the company emerge the best preferred movie selling companies to outdo their main business competitors. This means that the company has to come up with a flexible business model that ensures an easy way of providing their products and services to their customers. Netflix Company, through the company's founder and the current chief executive officer Reed Hasting, has adopted a subscription method based model as a way of attaining their expected strategic goal of achieving highest number of company subscribers. The model provides a variety of options for the subscription whereby a client is provided with subscription fees depending on the number of movies they intend to access and watch (Thompson, 2012). The subscription fee is cheap and affordable and in addition, a new subscriber gets a free monthly access whereby they can watch a limited number of movies and scroll the provided list of thousands of movies at no cost.

The company's subscription based business model offers eight fee

subscription options where the client is able to choose from the option which is affordable and satisfies their need. These options offer an unlimited plan of accessing to video streaming on all the movie preference while receiving a limited number of DVDs depending on subscription fee the client has paid. In addition, the company has a limited subscription plan which allows the customer access the streaming videos for up to two hours in addition to the two DVDs they get via the email delivery method. The unlimited subscription fee ranges between 8.99 dollars per month allowing the subscriber an access of unlimited DVDs monthly as long as they get one title at a time to 47.99 dollars which gives the subscriber a freedom to pick up to eight movies at a time throughout the month. The choice has other varieties in between these top and bottom choices which give the company subscribers get access to their preferences depending on their capabilities to pay the necessary subscription fees.

The variety of subscription options provided in the unlimited subscription model has enabled the company cater for the needs of variety number of customers who may have varied financial capabilities. This is because; a person may be able to afford a limited amount of subscription fee which as a result may limit them from accessing the movies they prefer. The varied subscription options provided by Netflix Company has given the consumers a chance to access to their movies they can pay for as compared to the main competitors' models which incorporate a pay before delivery business models which not so many movie clients are satisfied with. In an attempt to make the streaming movies easily accessible to their subscribers, the company has created their downloading software compatible with any type

of computer Windows that the user has access to including, Microsoft, Vista, and XP among others. This way, the subscribers do not have to look for specific software so as to be able to download or watch movies using their home theatres or their personal computers.

Conclusion

Netflix Company has strived to retain a top competitive position despite many issues facing the movie rental industry. The strong management that is able handle decision making processes based on consumer satisfaction and the company's strategic development are the key factors that have made Netflix succeed despite the market threats associated with high competition that provides a variety of choices to the movie lovers. This shows that having a concrete strategic plan as seen in the business model that Netflix has adopted is necessary to cater for the variety of needs of the customers as a primary step towards achieving the set strategic goals and objectives. Through the subscription business model, Netflix has succeeded in attaining the highest number of subscribers who in turn increase the total revenue for the company through the payment of subscription fee. This way, the company was able to achieve their two main goals hence assisting in the business success. The company however, has a major role to play in coming up with new marketing and operations strategies that will aid in the rental business as so many companies has ventured in the business particularly as a result of the availability of technological advancements.

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