

Renting and netflix



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Netflix subscribers are within a one day ship point, which means most customers will receive the movies within one day of ordering. Their deep movie selection, personalized recommendations, and quick delivery have made Netflix the top-ranked Internet company in customer satisfaction, which has driven rapid growth in subscribers, revenue and earnings in 2008. The companies first year of operation resulted in a loss; expenses were far greater than revenue and it was clearly time for change.

Following the first year's dismal financial results, with their knowledge of the video rental business and its shortcomings Netflix decided to change its business model. The traditional video rental business was based on the customer selecting videos to rent, for a predetermined period of time, and paying a set rental fee for each of the videos rented. This model inherently created late fees because customers either forgot to return the videos or they became too busy and didn't have time to return them. Late fees are an additional revenue stream for the rental companies but it was a point of aggravation for the customers.

In this article, Netflix's business strategy is to achieve a sustainable competitive advantage over competitors such as Blockbuster and other movie rental companies. Netflix uses a broad differentiation strategy which maintains a presence in both segments of the market. Their competitive advantage is gained by distinguishing their product with an excellent design, high awareness, and easy accessibility. In an industry that is vastly changing, Netflix must continually revise their design and range of movies and TV programs offered to their customers.

This is necessary due to continuous technology changes and new development as well as other competitors entering the marketplace, and the altered customer's preference. Netflix was able to utilize technology, more specifically the internet, to allow customers to browse thousands of DVDs and video games online, or receive next day delivery to their mailbox. Netflix is now one of the largest, if not the largest, video rental stores with 6.3 million subscribers and over 70,000 DVD titles without an actual store front. Netflix ships roughly 1,575 movies per day.

Blockbuster offers to a narrower market only offering a small fraction of movie and game rentals focusing more on the newest merchandise. Netflix's success in the entertainment industry is mainly because of their ability to follow new trends in consumer behaviour and preferences. With more and more people making online purchases, Netflix was able to capitalize by being the first to allow customers to rent movies online and deliver to their place of residence at a competitive price offering next day delivery; in doing this Netflix has achieved the competitive advantage over its competitors.

Netflix took an enormous risk by entering the entertainment industry, with minimal marketing Netflix was able to achieve a substantial return on investment. They used resources such as internet websites combined with some direct mail which allowed them to keep a low cost strategy, unlike its competitors who spend millions on advertising dollars. Netflix also saves a substantial amount over its competitors by minimizing its overhead eliminating retail locations, which in turn ultimately minimizes everything i.e.

Payroll as there would be much less staff required, Utilities (heat & hydro) and rent for property leases. In doing this, it has allowed them to achieve a low cost edge over their competitors all while performing value chain activities cost-effectively. In short Netflix has less headaches with more time to focus on its customers requests, all while growing and expanding the business.