

Competitive rivalry in the video streaming industry: netflix

Business



The paper "Competitive Rivalry in the Video Streaming Industry: Netflix" is an excellent example of a case study on business. First, it is important to note that today there are various companies competing for the same market – competitive rivalry. Competitive rivalry can be described as the degree of competition between existing companies. Essentially analysis competitive rivalry analysis hints at the ability for a particular company to be better in the market than the others. Some of the competitive advantages that a company can have over the others can be the pricing of the products or service, expenditure on product or service developments, the quality of the product or service, or/ and technological advancement.

Competitive rivalry in the video streaming industry is worth analyzing.

Today, Netflix, Inc. is considered the most dominant player in the industry. It is the pioneer in the video streaming industry having been launched in 2007. However, in the following years, some other major players joined in the video streaming business. Some of these include Amazon Prime, Hulu, and HBO (Walsh, 2016). Nonetheless, Netflix still remains the biggest market shareholder boasting of over 100 million subscribers globally (Sheetz, 2018). A report indicated recently points that more than 40% of the American Households have Netflix subscriptions compared to 14% Amazon prime and 7% Hulu (Profits et al., 2018). Taylor (2018) explain that despite the fact that some Americans have two or more than one company subscription, Netflix still holds and controls about 90% streaming business in the United States and almost 95% across the globe.

The ability of Netflix to remain the most preferred company of online video streaming business as compared to its competitors can be based on various

reasons. The company ensures that its platform is easy to use (Profits et al., 2018). Additionally, the company ensures that price-wise they are the cheapest. Moreover, it has a great library that is steadily growing and providing access to various platforms including IOS. Profits et al. (2018) say that to continue being the best, Netflix must consistently ensure that it offers a better price, high-quality service, and other benefits to its clients.

Netflix Pricing

Pricing is where competition is very stiff in the video streaming business. In terms of pricing, the difference or the gap is not that much wide. In fact, the difference ranges from 1\$ to about \$4. For instance, Hulu is the cheapest offering subscription starting at \$8 for a regular package or \$12 for the commercial-free option on a monthly basis. After Hulu, there is Netflix whose subscription ranges between \$9 and \$15 per month depending on the quality of the videos and the number of possible streaming platforms at a go.

Amazon Prime, the biggest competitor of Netflix, on the other hand, has a prime subscription which cost its clients \$13 per month or \$119 annually. Finally, the costliest is the HBO whose subscription stands at \$14. 99 per month (Sonenshine, 2018). It is, therefore, it is okay to say that Netflix is not doing badly off in regards to pricing.

Library Content

While some of the video streaming companies are considering the issue of pricing as their competitive advantage, others consider the content and their quality. This is because consumers sometimes are not driven by the price but the quality and the quantity of the content. According to Goldman Sachs report 2018 (The Economist, 2018), the growth in the number of subscribers

is directly linked to the frequency at which new content is added and the quality. This can explain why most of the video streaming companies are spending a lot of resources on the project of adding more content. The company leading the pack in this project is Netflix. Sonenshine (2018) indicates that Netflix is spending about \$8 billion in the year 2018 on adding and creating new and original content. Amazon Prime, on the other hand, is spending about \$4 billion on the same. The remaining two, HBO and Hulu, are spending about \$3 billion (The Economist, 2018).

In terms of content, each and every company has its own unique features. For instance, HBO is known to produce its own original content since its inception – in the 1980s (Bylund, 2018). Hulu is among the most respected companies when it comes to the delivery of TV shows. Looper (2018) explains that what distinguishes Hulu from the rest of the pack is the fact that it delivers many TV shows for streaming immediately after their release. Amazon Prime is also known for delivering high-quality TV shows, though not comparable to Hulu. Amazon also provides access to a range of TV movies, however, sometimes the clients are required to pay more for such. Netflix, on the other hand, has the biggest library containing original and third-party content (Bylund, 2018). The Company also offers TV shows as well as movies with the same budget of the client. Essentially, in terms of content, Netflix has the biggest library and continues to ensure that it does the same to its clients.

Quality and supported gadgets

Quality of the content and the supported gadget is also another way of comparing the competitive rivalry in the video streaming industry. It is

important to note that all four companies support quite a number of gadgets and operating systems. As such it makes it difficult to compare the four in terms of the supported gadgets. However, it is important to note that Netflix and Amazon Prime platforms enable their clients to download the content in their gadgets. Quality of the content is also a field where the companies tend to compete. For instance, Netflix recently introduces 4K Ultra HD though the clients may need to pay extra (Archer, 2018). In response to this Amazon Prime introduced HDR content which is standard for all the content and no extra cost is incurred (Archer, 2018). Hulu and HBO provided full HD content (Looper, 2018). It is clear that Netflix still has better quality content as compared to other companies.

Other Added Benefit

To compete the video streaming companies provide added benefits to their subscribers. For instance, Amazon prime gives students a special offer of \$59 fee per annum. They also enable the students to access cloud space. Hulu provides over 50 channels on top of the regular service for only \$40 per month (Looper, 2018). Looper (2018) says that HBO also has added benefit to its clients. The company provides separate apps without cable and subscription for only \$15 per month. These apps can be merged with Hulu and Amazon.

In conclusion, Netflix still remains a giant in the field of streaming videos. It has the biggest share across the globe. The company also continues to generate more revenue compared to its competitor. For instance, in the recent quarter, the company generated \$3. 91 billion in revenue. It the last quarter the company made \$291 in profit. Sonenshine (2018) says that

Netflix has officially overtaken HBO, a company that was the giant in the field for about 18 years.