

Netflix situation analysis



There have been many changes in the ways people view movies. Since the invention of the VCR, people have been going to a store to rent the latest movie release or view a classic. Now with the advent of the Internet, people have many different media to view a movie. They can download from a website, view in a video player, or stream the video from a vendor's website. This was made possible because of Netflix. Netflix pioneered the way people rent movies. The company introduced low monthly rental fees instead of daily rental fees.

There were no penalties for late movies because there were no stores to return the movies to. Instead, Netflix came up with the idea of allowing a customer to choose from a list of movies online, the movies are mailed to them within 1 business day, and could be returned the next day for another movie on the customer's list complete with a self-addressed envelope with the postage paid. The only thing the customer had to do was drop it in the mailbox. Then in 1-3 business days, another movie from the list was delivered.

As long as your subscription to Netflix is current, a customer can enjoy as many movies in a month at the cost of one DVD. This concept proved to be the death-knell for “mom-and-pop” video stores that require a customer to walk in and make a selection. It also caused traditional movie rental companies like Blockbuster to rethink its position within the industry as the leader. Netflix has no storefront, no employees to fill stores, no retail space to pay for. It could offer customers the ability to rent movies without the hassle of going to a store and do so with very little cost to the customer.

New technology has also made competition fierce within this market segment. “ New technologies and products, including online video, DVR, VOD, broadband, and video subscription services have attracted consumer dollars” (US, 2009, para. 1). Cable companies like Time-Warner are offering their “ On-Demand” service that allows viewers to purchase movies to watch before they are released to other vendors. Netflix currently offers customers the ability to stream movies right from their computers without Anthony Morelle, Meghan Moran, Jose Velez Borbon, Melissa Greco Lopes

Marketing Communication Page 2 downloading. Sears is joining Bestbuy and teaming up with Sonic Solutions to sell equipment that is capable of delivering streaming movies to your cell-phone, Blu-ray, and television through their RoxioNow software. “ As part of the multi-year agreement, Sears has licensed the RoxioNow™ platform, which will power digital entertainment delivery services for both Sears and Kmart” (www. sonic.com). Still other companies like Redbox are delivering new movie titles in places that traditional movie rental companies never thought possible.

Redbox, which was a subsidiary of McDonalds Ventures LLC until Coinstar bought the company in 2009, first started out in McDonald’s fast-food chains and are looking to expand to grocery store chains. “ It has placed the machines in 75 grocery stores, and has signed agreements for 400 more grocery locations, including Stop & Shop and Giant stores owned by Royal Ahold NV in the Northeast” (Freed, 2006, para. 8). Blockbuster intends to roll out its version of the Redbox vending machine. “ Blockbuster has signed a deal to place DVD rental vending machines in Kwik Trip convenience stores.

Blockbuster is planning to have 10, 000 kiosks across the country by the middle of the year as it attempts to catch up to Redbox” (Associated Press, 2010). Netflix was the catalyst that virtually changed the way customers rent movies. As newer technology becomes available, new media will follow. Already customers of Netflix can access movies from the Nintendo Wii and Playstation 3. Soon streaming movies will become available to handsets such as the iPhone and Droid. There will be no place a customer can't access a movie at their fingertips.

That is attributable to Netflix's business model of delivering convenience and speed to an ever-changing society. Market Analysis Market trends in the film industry are constantly changing and evolving, which is caused by the continuing advancement of new media technically. There are several different ways to watch a movie, from going to the theatre, to clicking the T. V. remote without even getting up from the couch. With over \$13 million members, Netflix has exploded onto the movie market, with so many different options for renting and watching films and television shows (www. etflix. com). Anthony Morelle, Meghan Moran, Jose Velez Borbon, Melissa Greco Lopes Marketing Communication Page 3 Netflix has taken advantage of the power that media technology and entertainment carries over society and culture.

The company does an amazing job of allowing their members to access their service through different communication and technology mediums, significantly increasing the chances of gaining new, loyal and active customers. The company's service only costs \$8. 9 a month for unlimited rentals with no late fees, which is important when discussing the trends in

the market since costfriendly and convenient ways to rent movies is important. Members can access Netflix movies and T. V. shows through the mail, the internet, T. V. , digital video players, Apple's new Ipad and several game consoles such as Nintendo's Wii, Sony's PS3, and Microsoft's Xbox 360 (www. netflix. com). This proves that one of the biggest trends in the market is exposing consumers to different ways to easily rent movies, and it furthers their advantage over competitors if the company can offer the service through multiple outlets.

Netflix has significantly changed their rental process to include several different ways to download and rent movies, but with the growing change in technology, the company will need to focus on the consumers and developing new ways to provide their service to maintain success. “ Technologies such as high-definition pay-per-view, video on-demand, and DVR enhance people's options for home movie viewing and lessen the need to rent discs” (www. wink invest. com, pp. 8).

Market trends are consistently changing and new media innovations are making it difficult to keep up with new technologies, but Netflix has done an exceptional job at building partnerships with other media technology companies to advance their success. If Netflix can continue to provide their movie and television show rentals and downloads, while building their brand through business partnerships, they will outlive their competitors and remain the successful company they have become today. Legislative Analysis

Among the most important laws that regulate Netflix are copyright laws, customer privacy policies, and false advertising laws. Anthony Morelle, Meghan Moran, Jose Velez Borbon, Melissa Greco Lopes Copyright Laws

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Marketing Communication Page 4 Netflix's business model is built around the idea of being a distributor of copyrighted materials. Every single movie and TV show that Netflix sends out to their customers via mail and through the Internet has to respect their respective copyright holders.

Netflix has to make contractual agreements, and pay the copyright owners of each of the movies and shows they rent in order to acquire permission to rent out these materials to their customers. Netflix pays for each disc that they rent out and for each movie that they stream online. Failure to respect these copyright rules could put Netflix immediately out of business, since they could get sued by production studios, and they could lose their established partnerships with copyright owners — the very owners of the products Netflix rents. Customer Privacy

In order to get movies delivered by mail, Netflix customers have to create a personalized account online. In this account customers have plenty of sensitive information, such as their name, street address, email address, credit card number, and the list of movies that they would like to get delivered next. This is all information that Netflix promises to their customers that it will remain confidential, and will never be sold. In 2006, however, Netflix launched a contest called "Netflix Prize", in which they made available the movie preferences of over 480, 000 customers to the public (Winston & Strawn LLP, 2010).

The idea of the contest was for participants to develop a new algorithm that would predict if a customer would like a certain movie or not, according to their past viewing preferences, and there would be a 1 million dollar grand prize for the winners of the contest (Netflix, n. d.). In order for researchers to

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determine these viewing preferences they made actual customer data available in a way that specific customer's viewing preferences and histories could be identified and linked to their owners. As a result, a class action lawsuit was raised, known as Doe v. Netflix (Singel, 2009).