

# Netflix

Business



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Netflix Inc. Netflix is a video based company. The Company was founded in 1997 by Reed Hastings who is currently the Chief Executive Officer and Marc Randolph. It is located in Los Gatos, California. Mostly, Netflix Inc. offered DVDs on a given fee per use basis of a person. In 1999, Netflix introduced monthly subscription services to people buying DVDs (Thompson, 2012). Afterwards, the company launched Netflix.com which was used in renting DVDs online. Pay per DVD rental services were offered by the website by delivering DVDs to clients via mail.

Moreover, subscribers had the capability of creating their precise list of movies which they browsed and wanted to view. After some time, Netflix Inc. shipped movies on top of the subscribers' queues by using mail (Thompson, 2012). The company also gave its subscribers personalized ratings on the movies which the customers had rated previously after watching them. By 2008, Netflix had 9.4 million subscribers. In 2009, the company predicted 10.6 to 11.3 million subscribers.

#### Five forces analysis

##### Threat of new entrants - High

The company faces a lot of threats from other companies such as YouTube, Amazon, Apple and Hulu. The present competitors have enough money leading to a relatively low barrier. Netflix's brand identity became weak making many customers to unsubscribe.

##### Threat of substitutes – High

There are other companies such as Apple TV that offer the same services as Netflix Inc.

##### Bargaining power of customers – High

Many customers are bargaining as there are cheaper and better ways of

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watching movies. Moreover, these customers do not rely to the company as before.

Bargaining power of suppliers – High

In Netflix business, content is the main input. There are limited suppliers who have high quality content and there is no substitute.

Intensity of rivalry – High

There are many players currently offering the same services offered by Netflix. For instance, the cash balance of Apple is 20 times the projected sales of Netflix in 2011 (Thompson, 2012).

Reference

Thompson, A. A. (2012). Netflix In 2012: Can It Recover from Its Strategy Missteps? Tuscaloosa: The University of Alabama.