



# Netflix- Supply- Chain- Management ed

Business Management 1 (Đại học Kinh tế Quốc dân)



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**National Economics University  
Advanced Educational Program**

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**- Global Supply Chain Management -**

**GROUP ASSIGNMENT**

**Topic: NETFLIX - Supply Chain Management**

**Table of Contents**

<b><i>I. INTRODUCTION.....</i></b>	<b><i>3</i></b>
<b><i>II. NETFLIX'S GLOBAL SUPPLY CHAIN.....</i></b>	<b><i>8</i></b>
<b><i>III. NETFLIX GLOBAL SUPPLY CHAIN MANAGEMENT.....</i></b>	<b><i>10</i></b>
<b><i>a. Purchasing.....</i></b>	<b><i>10</i></b>
• Agreement of Netflix and Universal.....	11
• Agreement of Netflix and Warner Bros.....	11
"Our Netflix streaming relationship is a good example of the opportunities the digital space provides to make content available in new ways at appropriate points in the product lifecycle," says Thomas Gewecke, president of Warner Bros. Digital Distribution. "This agreement establishes an additional stop on the economic chain for our library content while providing consumers with more convenience and choice.".....	11
b. Content acquisition.....	12
- Digital Delivery:.....	13
- Physical Media:.....	16
<b><i>d. Warehouse.....</i></b>	<b><i>17</i></b>
Netflix is known for its use of cloud computing services, particularly Amazon Web Services (AWS), for its data storage and processing needs. AWS provides various services that are commonly used for data warehousing, such as Amazon Redshift for data warehousing and Amazon S3 for scalable object storage.....	17
In terms of data processing, Netflix likely utilizes big data frameworks like Apache Hadoop, Apache Spark, and Apache Flink for distributed data processing tasks. These frameworks allow Netflix to handle large-scale data processing tasks efficiently.....	17
<b><i>b. Distribution of Media via Downloading or Streaming:.....</i></b>	<b><i>17</i></b>

## **I. INTRODUCTION**

## 1. Overview of Netflix

Company: Netflix, Inc.

CEO: Reed Hastings

Year of establishment: 1997

Headquarters: Los Gatos, United States

Number of employees: 12.135

Area of operation: Worldwide, except China, Syria, North Korea and the Crimean Peninsula

Total equity: \$15.85 billion

Total assets: \$44.585 billion

Netflix, Inc. is one of the most successful entertainment corporations of all time. Netflix, Inc. began in 1998 by supplying clients with tangible copies of movies, television series, video games, and other forms of media via a standard mailing system. standard.

Today, the platform has created streaming technologies that have expanded and strengthened Netflix's total revenue and business model. The platform allows users to stream and watch a wide range of TV series, movies, documentaries, and other content via a software application.

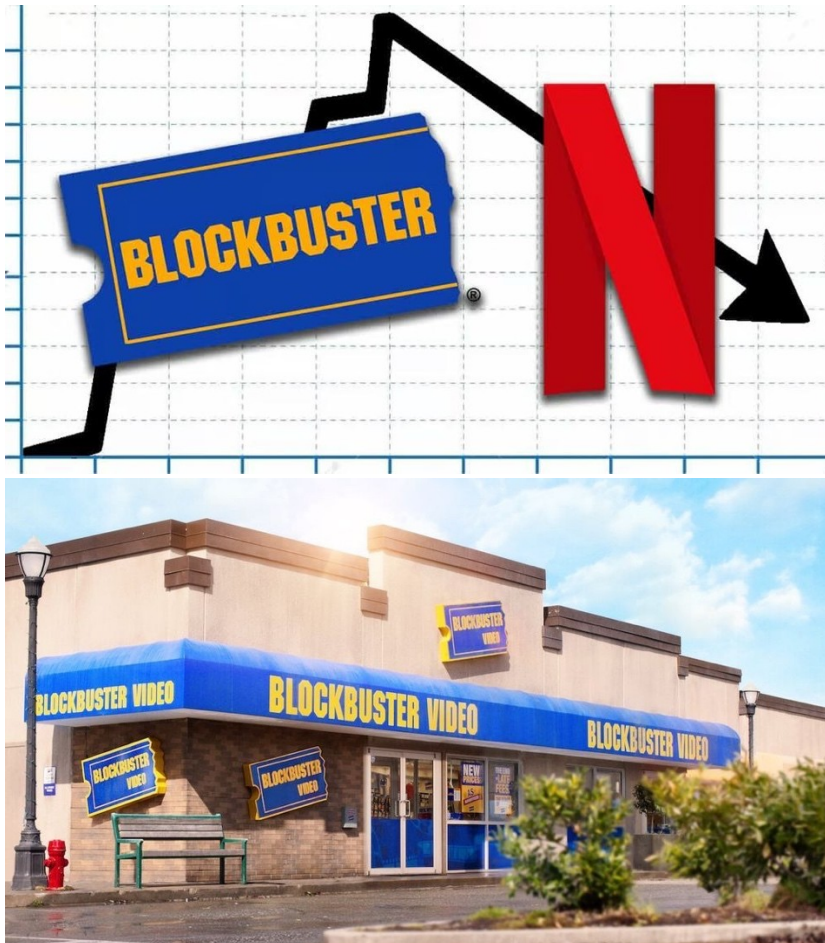
Since its shift to streaming, Netflix has become the world's seventh largest internet firm by revenue, taking into account its global reach.

## 2. Products & Services

Similar to some websites like HDViet, FPT Play,... in our country, but Netflix provides a huge video store with higher quality, full copyright and has an application to be used on smart devices. such as smartphones, tablets, smart TVs, etc. Then, as long as there is an internet connection and a smart device, users can easily enjoy digital content from Netflix. In particular, in the context where users are lacking 4K content sources to play on 4K TVs, Netflix's support for 4K video playback becomes a very prominent advantage and worthy of users' expectations. Netflix content mainly TV movies and TV shows in all fields, both produced by Netflix and from other producers. Netflix is growing very quickly with increasingly rich and interesting content.

Before Netflix became so well-known, Blockbuster was a "big guy" in the tape and video rental sector. Reed Hastings, the founder of Netflix, visited Dallas in 2000 to propose a deal with the big Blockbuster. In the end, they simply got a shake of the head from the "big man". What Blockbuster did not anticipate was that Netflix's co-founders were also Blockbuster subscribers. As a result, they are aware of the company's weakness: customer experience. Customers who rented Blockbuster tapes and returned them later than intended were charged a surcharge. Instead of collecting video rental costs, Netflix requested that customers pay for a set length of time to

use the tape rental service. As a result, customers may rent and view any video at any time and for as long as they want, without worrying about late penalties. Netflix could not compete with Blockbuster at the time of its launch. That's why the brand cleverly implemented the De-Positioning strategy - attacking competitors' weaknesses and providing solutions that meet customer needs. Thereby, the brand gradually enhances its position, expands its market share and service portfolio.



Gibson Biddl, former Product Manager of Netflix, said his job is to Delight customers in Hard to copy, Margin-enhancing ways. This approach is called the DHM model.

Gibson provided the following example from Netflix: a color-coded chart. Green methods meet all three requirements and are the most practicable; yellow strategies meet some criteria and are practical; and red strategies are unfeasible.

Hypotheses to DHM				
Strategy	Delight	Hard to copy	Margin	
Personalization	✓	✓	✓	
Streaming	✓	✓	✓	
Original Content	✓	✓	✓	
Video/Sound quality	✓	✓	✓	
Next Day DVDs	✓	✓	✓	
Price & Plans	✓		✓	
Advertising			✓	
Used DVD sales			✓	
Cost-based merchandising			✓	
Social				
Movie-finding tools				
Entertainment				
Open APIs				
Exclusive DVDs				
Interactive Stories & games	?	?	?	
AR/VR	?	?	?	

### 3. Market share

By 2021, Netflix will have a 16% market share, ranking second in Vietnam's paid online movie market after FPT Play (23%), according to Decision Lab. However, the growth potential of this platform is enormous because its popularity and number of debates far outnumber other names.

According to JustWatch data, in the first quarter of 2022, Netflix had the greatest market share in the online movie (streaming) business, accounting for more than 30% of total subscribers worldwide. Netflix has had a big impact on the way the online publishing industry operates because it was one of the first companies to enter the market.

In 2022, the American corporation had an operating profit of 14.28 billion won in Korea, whereas Tving had an operating loss of 119 billion won. According to Mobile Index, Netflix had a 38.2% market share in Korea last year, outpacing Tving by 13.1%.

According to YouNet's assessment of movie watching app talks in the first half of 2023, Netflix accounts for roughly 38.5% of total discussions, considerably ahead of its competitors.

### 4. Competitor

Netflix is an excellent example of employing market penetration pricing to compete with a major competitor. DVD rentals grew in popularity during the late 1990s and 2000s. Although Blockbuster controlled the home entertainment business, it also charged late fees and had a restricted inventory. Netflix had a distinct value proposition (USP). Customers who are willing to wait a day or two for the DVD to arrive will have access to a larger movie collection without having to pay late fees. To entice Blockbuster customers, Netflix has always stressed convenience and price.

- International competitors

Netflix has faced greater strain from international competitors in recent years. As of 2022, Netflix still leads the way with over 221.8 million users, followed by Amazon Prime Video with 175 million subscribers and Disney Plus with over 118 million global subscriptions. Unlike Netflix or Disney+, Amazon Prime does not have its own app, so accessing it may take some time. While Netflix can be streamed in 190 countries, Disney+ is presently only available in 36 countries. Disney+, which is focused toward children and teenagers, does not provide as many genre movies as Amazon Prime or Netflix.

- Competitors in Vietnam

In the Vietnamese market, the five most popular brands among users are FPT Play, Netflix, On, K+, and Zing TV. Netflix is the second most popular app among users, after only FPT Play.

## **5. Netflix Segmentation**

Netflix operates in a responsive and proactive business area. They respond fast to innovations and shifts in consumer behavior toward their products and services. To this goal, Netflix's segmentation focuses primarily on demographic, behavioral, and psychographic segments. Netflix no longer engages in the Geographic category, as it did in its early years of business.

In terms of demographics, Netflix's target market comprises primarily teenagers, young adults, and low- to middle-income families. Furthermore, Netflix's films and television shows cross racial and ethnic lines. They provide a wide range of internationally known and foreign films.

Netflix uses behavioral segmentation to give tailored TV and film content to each active customer on a daily basis. This is done automatically with artificial intelligence (AI) and machine learning technology. Every Netflix client has a profile that includes their membership plan and pricing, as well as their viewing habits.

Netflix's psychographic segmentation targets three groups:

- Those who are too busy to go to the movies or buy DVDs.
- These people are avid moviegoers who rent movies on a regular basis. This group contains persons who like a diverse range of cinema and television programming.
- Subscribers want value at the lowest feasible cost.

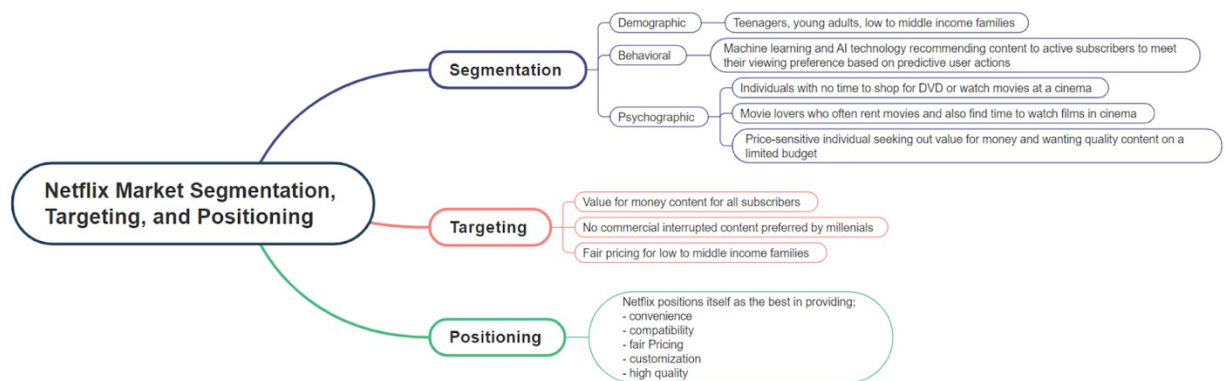
## **6. Netflix's target market**

Essentially, the targeting of Netflix active subscribers is done based on the respective segment that they mostly correspond with. The promo packages prepared by Netflix are strategically mapped out to meet the peculiar needs of subscribers within each segment. However, even though customers are fitted into different segments, Netflix recognizes that there is the possibility that subscribers in each segment may migrate to other target groups.

For example : Millennials are reported to prefer an ad-free movie viewing experience, whilst middle-aged individuals require good video streaming quality and the ability to watch on numerous devices. Netflix also recommends regionally relevant material in certain regions.

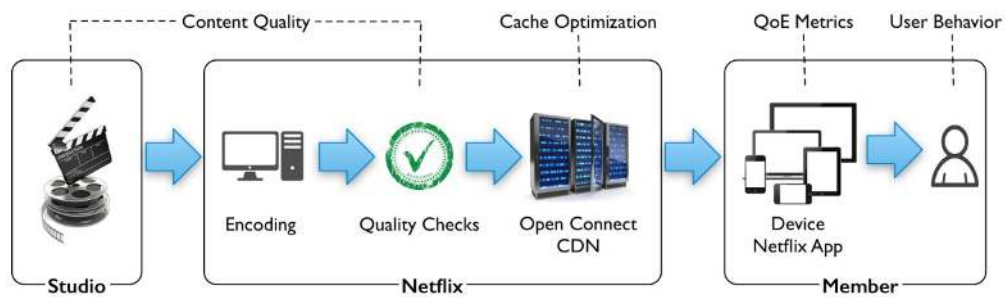
## 7. Positioning

Netflix's positioning is to entertain and make people happy. As a result, this platform enables users to tailor their own experience by evaluating client behavior. To do this, Netflix has intensified its thorough analysis and A/B testing.





## II. NETFLIX'S GLOBAL SUPPLY CHAIN



### A. Competitive Strategy

In the fiercely competitive landscape of the streaming entertainment industry, Netflix has established itself as a frontrunner by executing a robust competitive strategy. Central to this strategy are three primary competitive priorities: cost leadership, innovation, and quality.

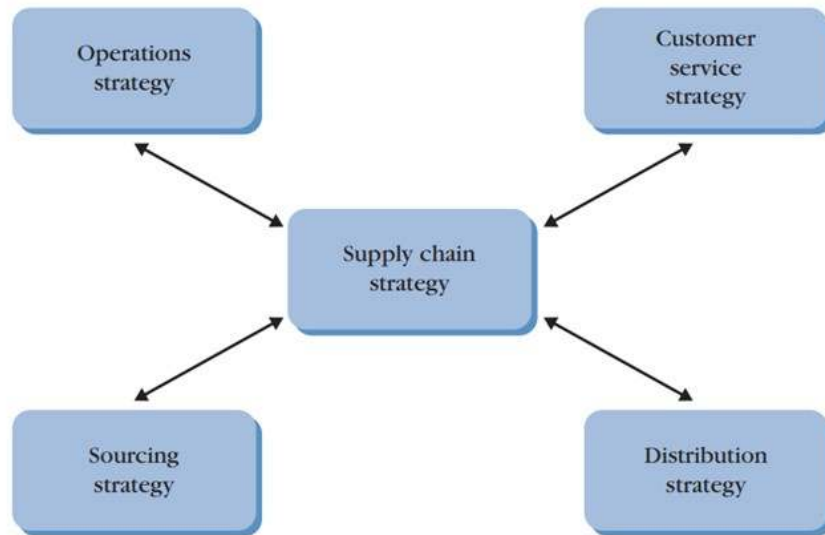
Firstly, Netflix excels in cost leadership through its flexible pricing and subscription models. Offering various subscription tiers with different pricing and features enables Netflix to cater to a wide range of customers, attracting a diverse audience base. This flexibility not only increases accessibility but also fosters customer loyalty by allowing subscribers to choose plans that align with their budget and viewing preferences.

Secondly, innovation serves as a cornerstone of Netflix's competitive strategy. Leveraging a data-driven approach, Netflix harnesses the power of analytics to deeply understand viewer behavior and preferences. This wealth of data informs personalized recommendations, optimizes content acquisition and production decisions, and continuously enhances the overall user experience. Additionally, Netflix invests heavily in technology to bolster user interface and functionality, with features such as personalized recommendations, seamless streaming across multiple devices, and offline viewing options, all contributing to heightened customer satisfaction and retention.

Lastly, quality is paramount in Netflix's competitive strategy, evident in its extensive content library and original programming. Netflix invests significantly in curating a diverse range of high-quality content, including movies, TV shows, documentaries, and original productions. Renowned for its groundbreaking original series like "Stranger Things," "The Crown," and "House of Cards," Netflix sets itself apart from competitors by delivering exclusive, critically acclaimed content that resonates with global audiences. Furthermore, strategic partnerships and collaborations with content creators, production studios, and other platforms further enrich Netflix's content offerings, solidifying its position as a premium streaming service provider.

## B. Supply Chain Structure

**FIGURE 2.3** The building blocks of supply chain strategy.



### 1. Before 2011

Before 2011, Netflix's supply chain structure was predominantly centered around its DVD rental business, operating on a make-to-stock model. Physical DVDs were sourced from third-party suppliers and distributed directly to customers through a network of distribution centers, supported by robust customer service channels.

- **Operations Strategy:**

Netflix primarily operated on a make-to-stock model, maintaining physical DVD inventory in distribution centers based on anticipated demand. Customers selected DVDs from Netflix's catalog, and the company shipped them from the nearest distribution center.

- **Sourcing Strategy:**

Netflix outsourced the production and distribution of DVDs to third-party suppliers and postal services, relying on partnerships with DVD manufacturers and carriers to ensure timely delivery to customers.

- **Distribution Strategy:**

Direct-to-customer distribution was key, with Netflix shipping DVDs directly to subscribers through its mail-order rental service. The company strategically positioned distribution centers across the United States to minimize shipping times and costs.

- **Customer Service Strategy:**

Customer service was a focal point, with Netflix offering various support channels, including phone, email, and online chat. Features like online queue management and personalized DVD recommendations enhanced the customer experience.

## 2. After 2011

After 2011, Netflix underwent a significant transformation in its supply chain structure, driven by the shift from DVDs to digital streaming as its primary business model.

- **Operations Strategy:**

Netflix shifted to a streaming-first model, moving away from physical DVD stocking to streaming digital content directly to customers on-demand.

- **Sourcing Strategy:**

With the transition to digital streaming, Netflix continued to outsource technology infrastructure and content production. It invested in original content while outsourcing aspects like content delivery networks (CDNs) and cloud computing services.

- **Distribution Strategy:**

Netflix maintained its direct-to-customer distribution strategy but shifted from mailing physical DVDs to streaming content over the internet. Its streaming service expanded globally, reaching subscribers in over 190 countries.

- **Customer Service Strategy:**

Netflix adapted its customer service strategies to address streaming-related issues and enhance the user experience. Support channels expanded to include assistance with streaming problems, account management, and billing inquiries. Features like personalized recommendations and user profiles were introduced to enrich the streaming experience.

## III. NETFLIX GLOBAL SUPPLY CHAIN MANAGEMENT

### A. LOGISTIC MANAGEMENT

#### 1. Inbound Logistics

Netflix's inbound logistics primarily involve the process of purchasing content from various sources and delivering it to their distribution centers or digital platforms for streaming.

##### a. Purchasing

- Purchasing license with major studios and networks:

Netflix has forged partnerships with major production studios and networks, allowing it to license popular TV shows and movies. By securing a wide range of content from these established entities, Netflix ensures that its library remains diverse and appealing to a broad audience.

Netflix's inbound logistics strategy revolves around forging strong relationships with major content developers like WarnerBros and Universal. Through extensive negotiations, Netflix secures streaming rights to various series and movies at optimal costs, enhancing its profitability. This mutually beneficial arrangement also provides content providers with exposure and marketing opportunities, fostering a win-win scenario. By leveraging these partnerships, Netflix gains a competitive edge by offering a diverse content library to subscribers, ultimately contributing to its success in the streaming industry.



- Agreement of Netflix and Universal

“We are thrilled to continue our partnership with UFEG to bring more films from Illumination and DreamWorks Animation to our Netflix audience,” said Colin Morawski, Director of Studio Licensing, Netflix. “As we’ve seen with our own slate, Netflix families love watching and rewatching animated films, and this deal allows us to expand our library to bring our audience more of what they want to watch.”

- Agreement of Netflix and Warner Bros

"Our Netflix streaming relationship is a good example of the opportunities the digital space provides to make content available in new ways at appropriate points in the product lifecycle," says Thomas Gewecke, president of Warner Bros. Digital Distribution. "This

agreement establishes an additional stop on the economic chain for our library content while providing consumers with more convenience and choice."

## b. Content acquisition

- Original content production:

Netflix has invested heavily in producing original programming. By creating its own series and films, Netflix can offer exclusive content that can't be found elsewhere. This helps to differentiate its library and attract subscribers who are interested in unique and fresh content.

- Global content acquisition:

Netflix has expanded its reach to over 190 countries, and its content acquisition strategy reflects this global approach. The company recognizes the importance of catering to diverse audiences around the world. Therefore, it actively acquires content from various regions, including international films and TV shows. This global perspective helps Netflix maintain a library that appeals to viewers of different cultural backgrounds and preferences.

- Data-driven decision making:

Netflix is known for its extensive use of data analytics to inform its content acquisition strategy. The company collects vast amounts of user data, such as viewing habits and preferences, and uses this data to make informed decisions about what content to acquire. By studying viewer behavior, Netflix can identify trends and patterns, enabling it to acquire content that aligns with the interests of its subscribers. This data-driven approach helps ensure that the library remains appealing to its audience.

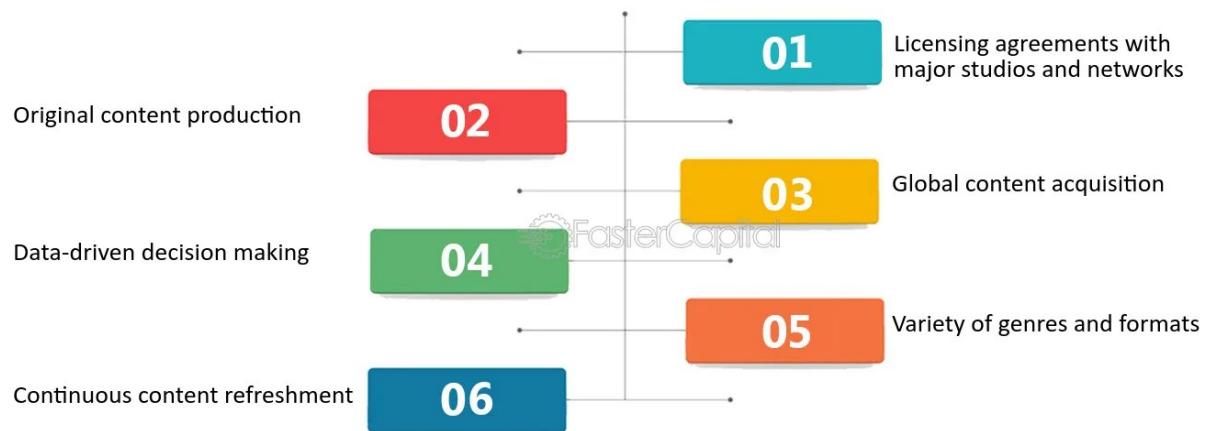
- Variety of genres and formats:

Netflix understands the importance of offering a wide variety of genres and formats to cater to the diverse interests of its subscribers. From documentaries and comedies to dramas and sci-fi, Netflix strives to have something for everyone. By acquiring content across different genres and formats, Netflix ensures that its library appeals to a broad range of tastes and preferences.

- Continuous content refreshment:

Netflix regularly updates its library by adding new titles and removing older ones. This constant content refreshment helps keep the library fresh and engaging for subscribers, preventing it from becoming stale. By regularly acquiring new content and removing outdated or less popular titles, Netflix maintains a diverse and appealing library that keeps subscribers coming back for more.

How does Netflix's content acquisition strategy help it maintain a diverse and appealing library for its subscribers



#### c. Content Delivery:

##### - Digital Delivery:

Netflix delivers the majority of its content digitally over the internet through its own content delivery network (CDN) called Netflix Open Connect. This network ensures seamless streaming for users worldwide by distributing digital files of movies, episodes, or series from content providers or production studios to Netflix members on any internet-connected device.

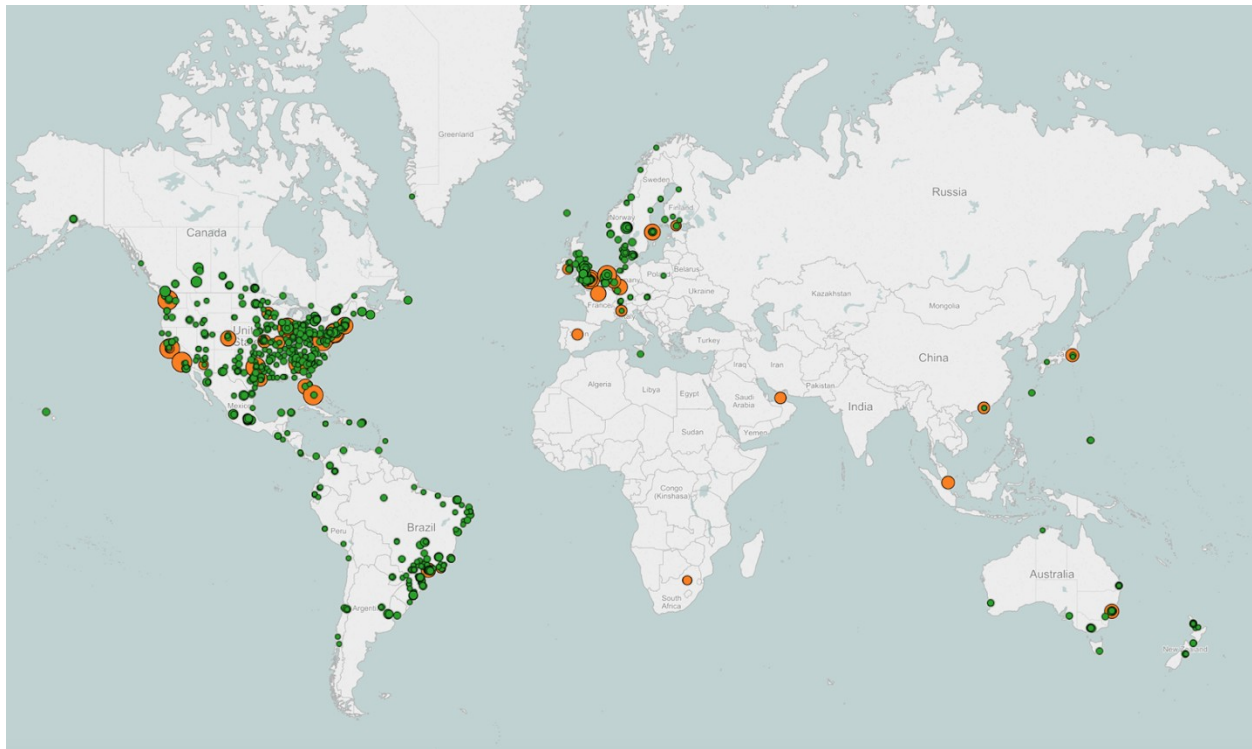
Netflix Open Connect handles over 125 million hours of viewing per day, making it one of the highest-volume networks globally. Almost 90% of the traffic is delivered via direct connections between Open Connect and residential Internet Service Providers (ISPs), which are localized to the closest regional point of interconnection.

To participate in the Netflix Open Connect program, qualifying ISPs are provided with Open Connect Appliances (OCAs) installed in their data centers. These OCAs serve Netflix content locally, minimizing reliance on the broader internet and reducing operational costs for ISPs.

Currently, OCAs are operational in nearly 1,000 locations worldwide, ensuring most Netflix users receive content from servers located within or directly connected to their ISP's network within their local region.

Netflix's operations are distinctive after playback initiation. While generic computing needs are handled by Amazon's AWS cloud, content delivery is optimized through Netflix Open Connect, ensuring efficient placement of content files on servers based on user behavior patterns.

Netflix has optimized its OCAs over time, increasing efficiency and throughput while reducing energy consumption. As a result, Netflix's entire content serving footprint is now carbon neutral, reflecting the company's commitment to sustainability.



■ ISP Locations    ■ Internet Exchange Point (circles are sized by volume)

## - Physical Media:

**Netflix** changed the game when they started shipping out DVD rentals to subscribers, and they later changed the game again when they transitioned into a video streaming service in 2007. Believe it or not, Netflix has still been shipping out DVDs in red envelopes to this day, but all things eventually come to an end. Netflix has announced today that the Netflix DVD era is over. After 25 years, Netflix has decided to wind down their physical media branch, which had been set up at DVD.com. Netflix co-ceo Ted Sarandos said in a statement today, “After an incredible 25 year run, we’ve decided to wind down DVD.com later this year. Our goal has always been to provide the best service for our members but as the business continues to shrink that’s going to become increasingly difficult.

### d. Warehouse



Netflix is known for its use of cloud computing services, particularly Amazon Web Services (AWS), for its data storage and processing needs. AWS provides various services that are commonly used for data warehousing, such as Amazon Redshift for data warehousing and Amazon S3 for scalable object storage.

In terms of data processing, Netflix likely utilizes big data frameworks like Apache Hadoop, Apache Spark, and Apache Flink for distributed data processing tasks. These frameworks allow Netflix to handle large-scale data processing tasks efficiently.

## 2. Outbound Logistics

### a. Suggestions to Encourage Customers to Watch Content:

- Netflix employs sophisticated recommendation algorithms that analyze user behavior, viewing history, ratings, and preferences to suggest personalized content recommendations.
- Utilizes targeted marketing and promotional strategies to highlight new releases, trending content, and personalized recommendations, encouraging users to discover and watch more content on the platform.
- Leverages social media integration and word-of-mouth marketing to amplify the reach of its content recommendations and engage with users on various platforms.

### b. Distribution of Media via Downloading or Streaming:

- Rental DVD: Initially, Netflix revolutionized the distribution landscape with its pioneering "Netflix mail" channel strategy, wherein DVDs were dispatched to subscribers' addresses via First Class mail. Subscribers, in turn, remitted pre-payments electronically, facilitating a seamless exchange process devoid of late fees. Concurrently, Netflix introduced a streaming channel in 2008, capitalizing on the burgeoning online streaming trend. This platform, boasting a "Watch Instantly" feature, leveraged third-party delivery networks to cater to a burgeoning base of approximately 20 million streaming members across regions such as the United States, Canada, and Latin America.
- Website & online application: For a video streaming platform, the website and application are the outbound logistics of Netflix, where the customers can access the content. The platform has developed applications both for Apple and Android users. Besides, Netflix strategically aligned its distribution tactics with consumer preferences, targeting an array of devices including computers, gaming consoles (e.g., PS3, Xbox Live), and Internet-connected Blu-Ray players. This diversification not only broadened Netflix's market reach but also incentivized device manufacturers to tout Netflix compatibility as a key selling point. Notably, gaming consoles emerged as a popular conduit for accessing Netflix content, constituting approximately 50% of the user base.



- International distribution: Netflix's global distribution strategy reflects its extensive production capabilities, producing a wide range of films, TV shows, specials, miniseries, and documentaries. Netflix's commitment to cultural diversity and localization is evident in its distribution of 100 TV seasons in local languages across 17 countries. This focus on local content helps Netflix reach diverse audiences and strengthen its presence in international markets. Netflix's approach to storytelling embraces cultural nuances, allowing it to connect with audiences worldwide. This inclusive mindset not only enhances its content library but also establishes Netflix as a leader in cultural innovation within the entertainment industry.

=> Good points/Strengths:

- Offers both streaming and downloading options for offline viewing on supported devices and platforms, catering to users with limited internet connectivity or those who prefer to watch content offline.
- Ensures seamless delivery of media content through adaptive streaming technology, which dynamically adjusts video quality based on available bandwidth and device capabilities, optimizing the viewing experience for users.

## B. OPERATION MANAGEMENT

### 1. Goods and services:

Netflix's operations management aims to produce satisfactory entertainment content that aligns with market demand.

They provide high-quality, reliable, and affordable streaming services to users.

Decisions involve cost limits, quality specifications, productivity targets, and resource allocations for content production and streaming.

Netflix's plans are affordable and offer great value. Subscribers can watch unlimited movies for an affordable price of \$13.99 - \$19.99 a month. It is less expensive than going to the cinema and also offers a wider selection. For a higher price, subscribers can even get premium plans.

Netflix evaluates potential content based on factors like audience preferences, viewing trends, critical acclaim, and production quality. This evaluation process helps Netflix prioritize content acquisition decisions and ensure a diverse and engaging library for subscribers.

Netflix uses all of the following methods to find new content to buy or create:

- Netflix employs a team of creative executives and buyers, who receive pitches for content.
- Netflix has deep relationships with the creative community and talent agencies, who propose ideas for projects.
- Netflix may purchase finished works at film festivals or other established venues.
- Netflix may generate an idea internally and hire creatives to develop those ideas further.

## 2. Process and Capacity Design:

Netflix continued its strong run with significant growth in its international subscribers. Netflix is clear that its focus will remain on quality movies and TV shows.

Netflix's Capacity Planning team collaborates with engineering and finance to ensure scalability and cost optimization. Key tasks include:

- Translating Demand Forecasts: Capacity planners convert demand forecasts from finance into actionable capacity plans.
- Utilization Management: They provide reports and dashboards to key stakeholders, managing network utilization.
- Data-Driven Optimization: Continual analysis ensures efficient spending and scalability for the future.

## 3. Layout Design and Strategy:

There are a few existing tools that are used by Netflix. Content Hub serves as their DAM (Digital Asset Management) system, and there is a terminology tool for managing key names and phrases. “My Netflix” in its mobile apps to improve content discovery for users.

Netflix is strongly committed to developing its own end-to-end workflow management system. They are preferring to develop this internally to increase the level of security and control they have over the process.

## 4. Inventory

Netflix uses the types of inventory that are most appropriate to its business. Different types of inventory have different effects on businesses. The role of each type of inventory depends on how it is used in the business. At Netflix, the following inventory types are used:

### a. Just-in-time inventory

Before shutting down the DVD-by-mail service, Netflix uses just-in-time inventory management for this service. In just-in-time inventory management, videos are recorded

onto DVDs upon customers' requests. The DVDs are then shipped from the company to the location of the customers.

b. Serialized inventory

Netflix uses serialized inventory for its online streaming service. In serialized inventory, products are monitored based on their unique serial numbers or codes. For example, each movie has its own serial number. The role of this type of inventory is to ensure that Netflix efficiently monitors its products and services

## 5. Quality Management

Netflix's operations management focuses on satisfying its quality standards across various processes and operational outputs. For instance, decisions related to **speed** (ensuring smooth streaming) and **video quality** (delivering high-resolution content) fall under quality management. Consistent quality enhances customer satisfaction and loyalty, reinforcing Netflix's position as a market leader.

There are four different types of QC at Netflix.

a. Production QC (Vendor Supplied)

Responsibilities: Maintains the integrity of the captured image and begins a consistent protocol for flagging issues.

b. QC Operations

Responsibilities: Protects the customer experience for all content. Examines transcoded material on the internal web player. QC Operations identifies issues that would be disruptive to the streaming experience. The QC Operations team takes the approach of simulating the customer experience. Focusing on:

- Issues that would prevent consumption (e.g. the incorrect content being delivered)
- Issues that noticeably reduce the quality of the title (translation issues, typos, video artifacts)
- Maintain consideration for licensed content (varying styles)

c. Branded Content QC

Responsibilities: Ensures the best possible quality for Netflix Branded Content. Checks the technical quality and content consistency of Audio and Video assets.

d. Localization QC

Responsibilities: Enforces style guides & translation consistency. Examines source files in our internal tool, Subtitle Originator, with the goal of ensuring the best quality possible.

Localization QC qualifies translation quality, consistency and style guide conformance. This process involves a QC operator reviewing the timed text asset, implementing changes and categorizing the reasoning for the changes.

Localization QC is performed on the following asset types:

- Subtitles
- SDH/Closed Captions

## A. SUSTAINABLE MANAGEMENT

### 1. Environment



(Source: 2022 Netflix Environmental Social Governance Report)

a. Set decarbonization target

Netflix's dedication to the environment recognises the urgency of managing climate change sustainably. They have set a bold target to halve its emissions by 2030. They also plan to achieve this by optimizing energy usage, transitioning to electrification, and reducing carbon emissions.

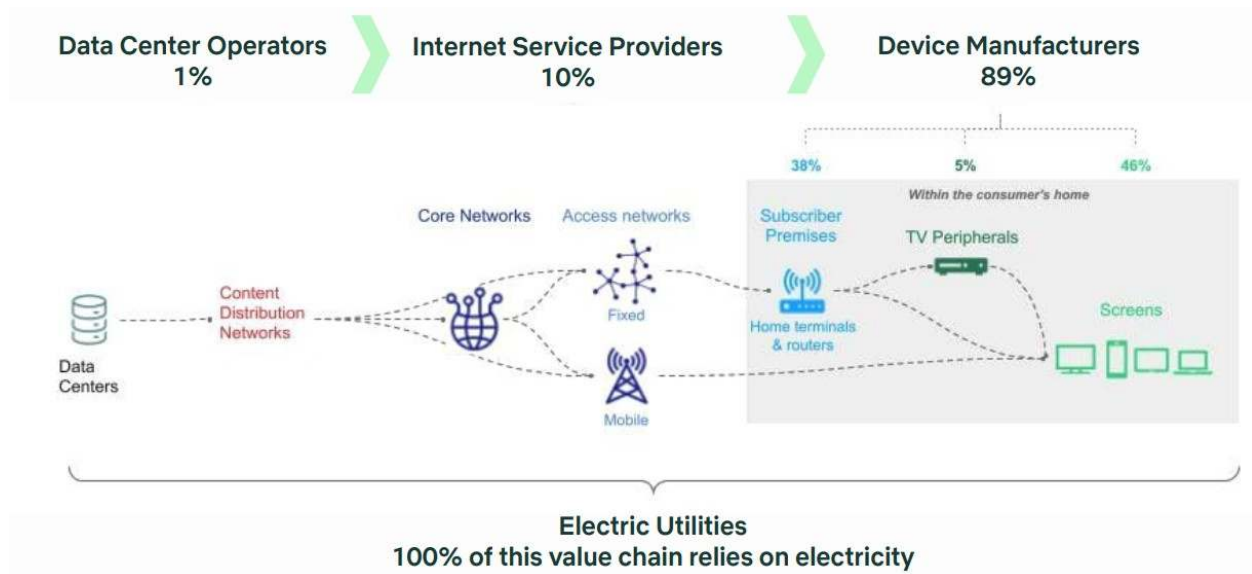
b. Update annual process

Through their participation in DIMPACT, they collaborate with Internet Service Providers (ISPs), device manufacturers, and academic and industry experts to stay up-to-

date on the latest research about digital service emissions and contribute to cross-sector policy suggestions that will help decarbonize video streaming globally.

c. Tackle the emissions

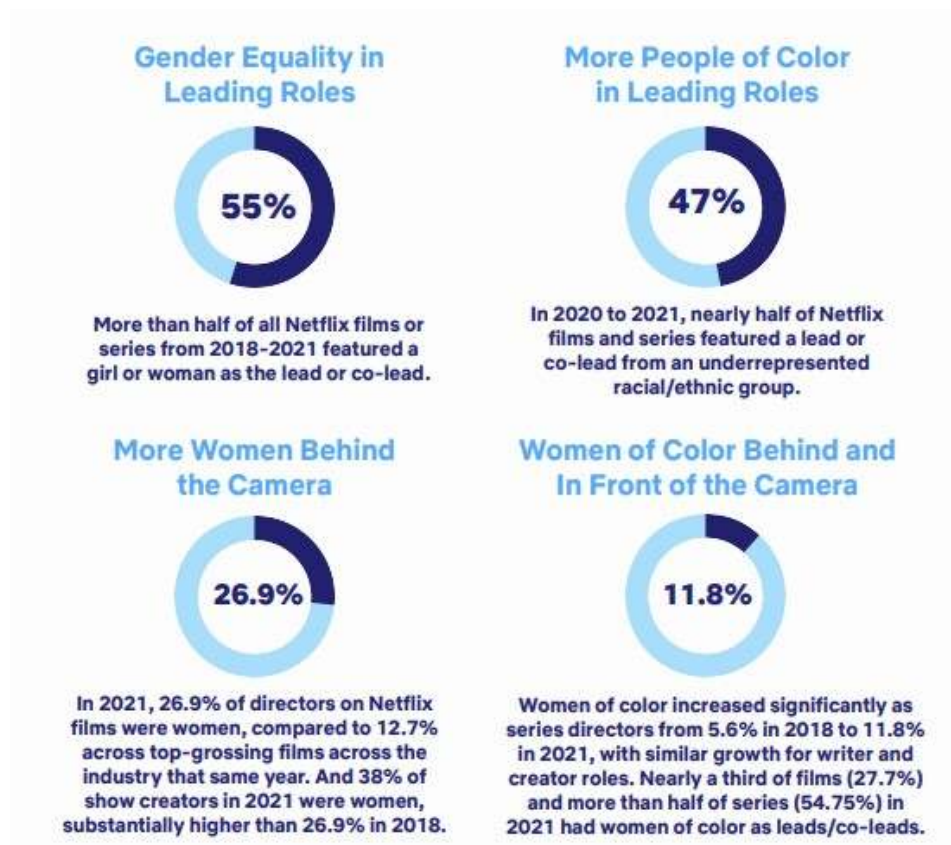
They are also encouraged by work with the Carbon Trust, in collaboration with companies like Amazon, Meta, Microsoft, Samsung and Sky, to tackle the emissions of connected devices.



(Source: 2022 Netflix Environmental Social Governance Report)

## 2. Social

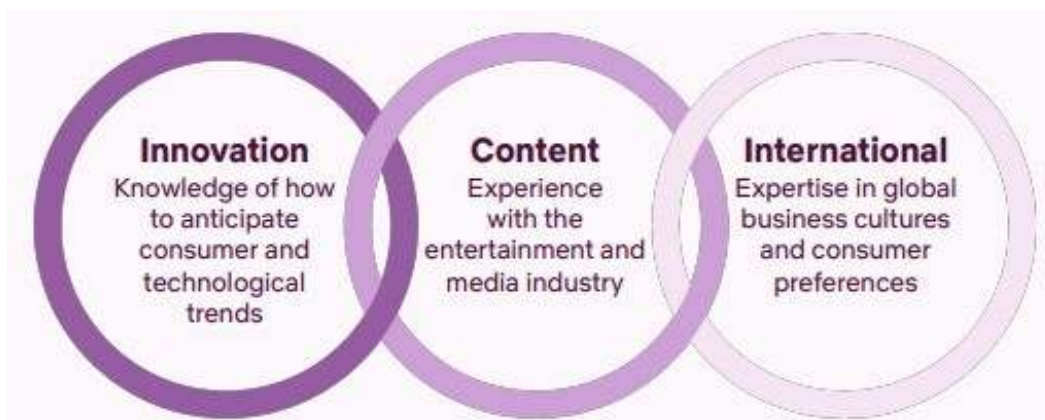
By fostering inclusion within the organization, Netflix aims to reflect the diversity of its global audience. With offices in more than 25 countries, almost half of their employees are women, and in the United States, 50% hail from historically marginalized ethnic and racial backgrounds. Notably, representation both on and off-screen is improving, with a significant increase in female directors, showrunners, and people of color taking on leading roles.



(Source: 2022 Netflix Environmental Social Governance Report)

### 3. Governance

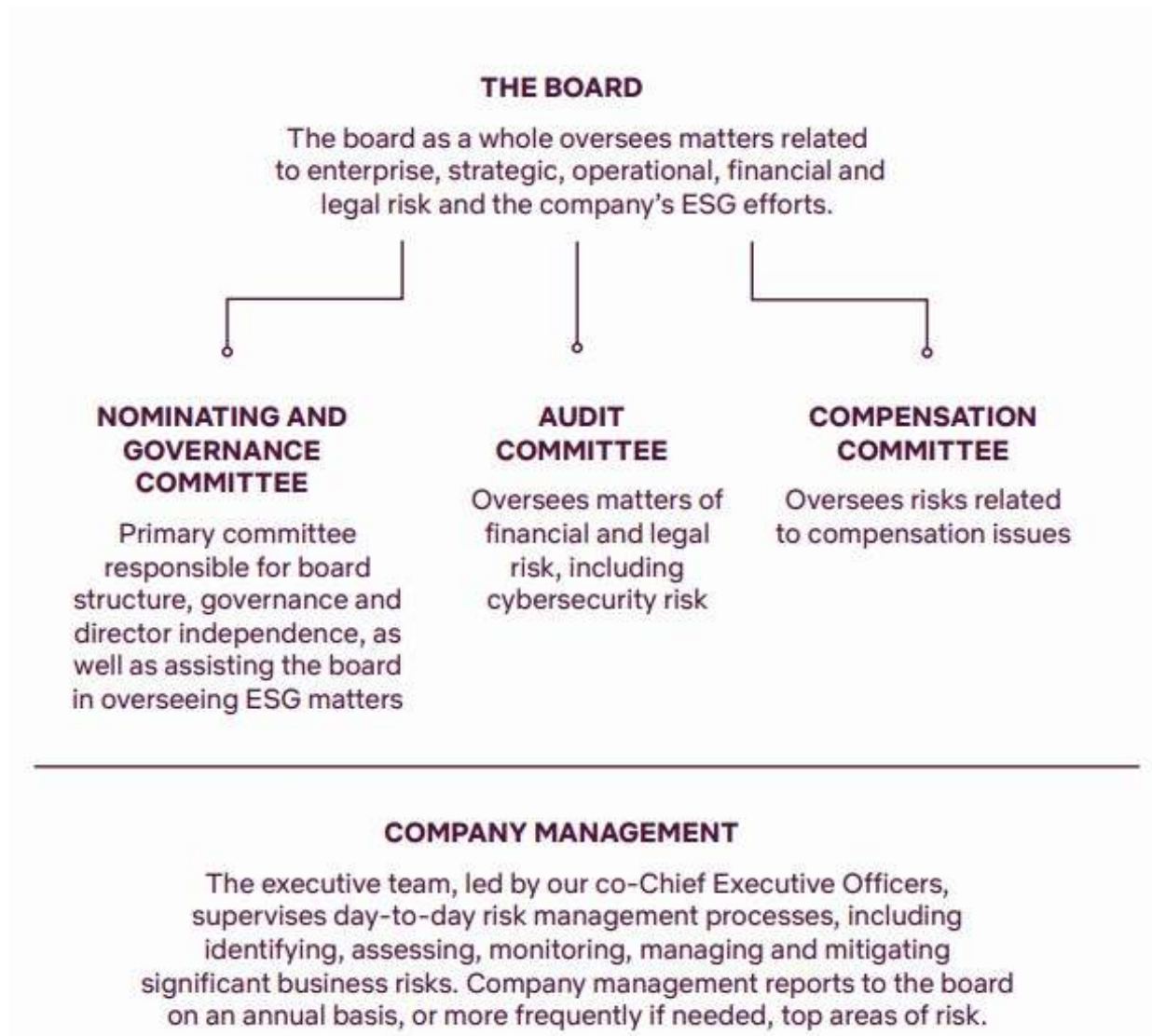
As a leader in the streaming entertainment industry, Netflix is evolving towards a more standard large-cap governance structure. This includes measures such as the phased declassification of their board, eliminating supermajority voting provisions, and implementing changes to their executive compensation programme starting in 2023.



### STRATEGY ALIGNMENT

(Source: 2022 Netflix Environmental Social Governance Report)

The executive team, led by co-Chief Executive Officers, supervises day-to-day risk management processes, including identifying, assessing, monitoring, managing and mitigating significant business risks. Company management reports to the board on an annual basis, or more frequently if needed, top areas of risk.



## BOARD OVERSIGHT

(Source: 2022 Netflix Environmental Social Governance Report)

### Innovation

Throughout their 25-year journey, Netflix has strived to create long-term value for all stakeholders, particularly members, shareholders, and the creative community. While progress has been made, challenges remain, such as carbon emissions from productions, which often rely heavily on fossil fuels, especially in remote locations. Nevertheless, Netflix is investing in innovative technologies to optimize and electrify energy usage in their productions for a greener

tomorrow. For example, Netflix shows up “sustainability” in many ways — “green premise” titles like Don’t Look Up and The Sea Beast can ignite massive conversation about climate inaction or nature conservation while also being two of the most popular films on Netflix.



