

IS 3610 – Management Information Systems

Batch 22 – Semester 5

Tutorial 02

Case Study: Netflix – Technologically driven functions with innovation and competitive advantage.

Netflix, founded in 1997 as a DVD-by-mail service, has grown into the world's leading subscription-based video streaming platform, now serving over 260 million subscribers across more than 190 countries. Its transformation from a rental company into a global digital powerhouse illustrates how disruptive technologies and strategic use of information systems can reshape an entire industry.

Netflix integrates information systems across all management levels. At the operational level, it uses automated systems for billing, subscription management, and customer support to serve millions of global users. At the managerial level, analytics dashboards provide insights into churn, regional demand, and viewing trends, enabling agile decision-making. At the strategic level, executives rely on predictive analytics and big data intelligence to greenlight multi-million-dollar productions and shape global expansion strategies. The recommendation engine, powered by artificial intelligence, guides more than 80 percent of user viewing, demonstrating the power of business intelligence in retaining subscribers.

Netflix's operations are supported by all major business functions, each enabled by technology. In marketing, advanced analytics drive targeted campaigns and personalized recommendations. In finance, real-time systems monitor subscription revenues, manage billion-dollar content budgets, and forecast cash flows. In addition, Human resources function rely on digital platforms for talent acquisition, global workforce management, and maintaining its distinctive "freedom and responsibility" culture. Operations manage content streaming, licensing, and original production pipelines through cloud-based systems and project management tools.

These functions are not isolated but highly integrated through cross-functional processes. For example, launching a new original series requires collaboration between content production (operations), finance (budgeting), marketing (promotion), and HR (hiring creative talent). Similarly, expanding into a new country involves cross-functional coordination among strategy, technology infrastructure, legal, and customer service teams. This seamless integration, facilitated by enterprise-level information systems and collaboration platforms, ensures efficiency and agility across the global organization.

The company's heavy investment in technology has been a key driver of financial success. Netflix pioneered streaming services by leveraging Amazon Web Services (AWS) for global scalability and reliability. Its AI-driven personalization system differentiates the platform from

rivals, while its bold move into original content creation disrupted Hollywood by positioning Netflix not only as a distributor but also as a major producer. Shows such as *House of Cards* and *Stranger Things* attracted millions of subscribers and redefined audience expectations.

Netflix operates under a hybrid organizational structure that combines functional and product-based divisions. Core functions such as technology, marketing, and content are supported by regional and genre-specific units focusing on localized productions. Its culture of “freedom and responsibility” empowers employees to make decisions while maintaining accountability, fostering innovation and agility. Collaboration across global teams is supported by tools such as Slack, Zoom, Google Workspace, and proprietary project management platforms, which enable real-time coordination in production, post-production, and marketing.

Netflix’s industry position can be examined using Porter’s Five Forces. The threat of new entrants is moderate due to the high cost of content and technology infrastructure, although niche players occasionally enter the market. Rivalry among existing competitors is intense, with Disney+, Amazon Prime Video, and HBO Max competing aggressively for subscribers. The bargaining power of suppliers, particularly studios and production houses, has been historically strong, prompting Netflix to reduce dependency by producing its own content. Buyer power is significant since consumers face low switching costs, pushing Netflix to differentiate through personalization and exclusive titles. Finally, the threat of substitutes, such as YouTube, gaming, and social media, remains high, requiring continuous innovation to capture viewer attention.

Porter’s Value Chain highlights how Netflix uses information systems to create competitive advantage. Inbound logistics involve managing licensing deals and original productions through advanced project management systems. Operations rely on its cloud-based infrastructure to ensure smooth, global content delivery. Outbound logistics are minimal due to digital distribution. Marketing is heavily data-driven, using algorithms for personalized recommendations and targeted campaigns. Services include AI-powered customer support and self-service platforms. Supporting activities, such as HR and technology development, reinforce core competencies through a strong innovation culture and investments in streaming optimization. Together, these activities create synergies that strengthen Netflix’s differentiation strategy.

Despite its success, Netflix faces significant challenges, including rising content costs, subscriber saturation in mature markets, data privacy regulations, and reliance on third-party cloud providers. To address these risks, the company is exploring new areas such as interactive storytelling and cloud gaming. In conclusion, Netflix’s success story demonstrates how disruptive technologies, functional and cross-functional integration, and strategic information systems—combined with Porter’s frameworks—have allowed the company to build and sustain a powerful competitive advantage in the global entertainment industry.

References

2023 Annual report. (n.d.). In *Netflix*.

https://s22.q4cdn.com/959853165/files/doc_financials/2023/ar/Netflix-10-K-01262024.pdf

Jenner, M. (2018). Netflix and the re-invention of television. In *Springer eBooks*.

<https://doi.org/10.1007/978-3-319-94316-9>

Lobato, R. (2020). Netflix Nations. In *New York University Press eBooks*.

<https://doi.org/10.18574/nyu/9781479882281.001.0001>

Questions

1. Identify and explain two functional business processes at Netflix.
2. Discuss one example of a cross-functional process at Netflix and explain how information systems enable its success.
3. Classify Netflix's information systems with reasonable justification to operational, managerial, and strategic levels, with examples from the case study.
4. Explain how Netflix's use of business intelligence and predictive analytics provides a competitive advantage.
5. Identify two disruptive technologies used by Netflix and discuss how each reshaped its business model and the wider industry.
6. Describe Netflix's organizational structure and explain how its culture of "freedom and responsibility" influences innovation.
7. Not all E-Business activities are considered to be included under E-Commerce. Explain with respect to the above case.
8. Apply Michael Porter's Five Forces Model to Netflix and evaluate how competitive forces affect its strategy.
9. Discuss two major challenges Netflix may face in implementing strategic information systems and suggest solutions.

10. Identify the types of time/space collaboration tools used by Netflix and explain how these support global operations of the company.
11. Explain how social business systems at Netflix can expedite information-sharing, innovation, and decision-making. Include examples of the ways these systems are applied within the company.