INTRODUCTION

Netflix:-

- video rental store.
- Founded by Reed Hasting and Marc Randolph in 1997 in Scotts Valley, California.
- Business model centers on mailing DVDs to customers using 35 warehouses spread around country.
- Rapid growing DVD rental service where they gained 3 million subscribers in early 2005.

EXTERNAL ENVIRONMENT ANALYSIS

- Situational Analysis
- Industry Analysis
- Competitive Environment Analysis
- Environment Trends

SITUATIONAL ANALYSIS

- Politics/Legal
  - Governmental regulation – little regulation
  - Supplier agreement – start rent DVD after 28 day DVD in market.
- Socio-cultural
  - Changing in customers’ buying behavior
  - Changing in customers’ watching method
  - Customers’ perspective about price, time and quality of services.

SITUATIONAL ANALYSIS cont..

- Technological
  - VHS to DVD - become one of the companies adapt this technology
  - Changing to stream online – digital age
  - Wide-spread in gadgets market – PSP, Blue Rays Player and others
- Demographic
  - Increase world population – 6.1 billion in 2000 to 7.2 billion in 2015

SITUATIONAL ANALYSIS cont..

- Economic
  - Customers can watch a movies without paying more.
- Socio-cultural
  - Most of the people like to watching movies
  - Changing customers buying behavior

INDUSTRY ANALYSIS

- Threat of new entrants/ barriers to entry
  - low entry barriers
  - Industry leader
  - Customer loyalty is weak
- Power of suppliers
  - Suppliers own content that company needs.
  - Licensing deals
  - Legal issues

INDUSTRY ANALYSIS cont..

- Power of Buyer
  - Customer loyalty is weak (price changes)
  - Majority of revenue is from customers
- Product Substitutes
  - Alternative methods of receiving content
  - On demand, purchasing

INDUSTRY ANALYSIS cont..

- Intensity of rivalry among competitors
  - Many competitor
  - Few emerging market leaders
  - Trying to maintain dominance

COMPETITIVE ENVIRONMENT ANALYSIS

- Competitors
  - Divided to direct and indirect competitors.
    - Direct –Redbox, Vudu,Hulu Blockbuster and Voddler
    - Indirect – Youtube, Bittorrent and DailyMotion
- Competitors’ Objective
  - Blockbuster objective is to remain the world largest video rental chain.

COMPETITIVE ENVIRONMENT ANALYSIS

- Competitors' Strategies
  - Using franchise strategy. For example, Blockbusters has open stores in 17 countries.
  - Some of competitors like Blockbuster become partnership with Samsung Electronic America . This strategy allow owners of Samsung to rent Blockbuster DVDs online.
  - Competitor also compete to provide low rental cost. For example, Redbox allow its customer to rent movies $1 per day at strategic kiosk.

COMPETITIVE ENVIRONMENT ANALYSIS

- Competitors’ Capability
  - Deal with cheap wholesale disc supplier.
  - Provide large volume of product
  - Multichannel of distribution
  - Kiosks in strategic location – supermarket ,Mc D
  - Lower cost
  - Provide convenient method of purchaising
  - Provide VOD servis

ENVIRONMENTAL TRENDS

- Quite related to:-
  - Technology environment
  - Global environment

SUMMARY : ATTRACTIVENESS OF EXTERNAL ENVIRONMENT

- From the study, DVD’s rental industry is not so attractive because of;
  – Low barrier to enter into this industry. Potential entrants to market range from the actual studio that create and own the right of content to illegal digital distributors.
  – Intensive rivalry of competitors too high. There are many competitors that offer same products in the market. Eg: Blockbuster, Redbox

SUMMARY : ATTRACTIVENESS OF EXTERNAL ENVIRONMENT

  – Suppliers have more power to control the market. Suppliers have a power to control over the timing of the physical and digital distribution of their content to maximize their profit.

- However, Netflix is seen in this industry because it;
  – Create economy of scale. Netflix's founder secured $30 million which allow it to build and market the Netflix brand. As a result, it provide cheapest rental price to their customers.

SUMMARY : ATTRACTIVENESS OF EXTERNAL ENVIRONMENT

– Able to apply cost leadership strategy. This strategy allows Netflix to provide low cost to its customers (lowest monthly fee $7.99 and low rental cost $4 per DVD + $2 postage cost).

– Easy to access and quick delivery. Netflix built multiple physicals distribution centers to ensure quick delivery and demand for new release met.

STRATEGIC ANALYSIS

- Key Success Factor
- Strategies
  - Business level
  - Competitive strategies
  - Corporate level
- Core Competencies
  - Resources
  - Capabilities - value chain analysis

KEY SUCCES FACTORS

- Able to adapt new technologies in Netflix's business model. Netflix release its "view instantly" allow subscribers to stream movie online from their home since emerging of higher capacity broadband internet connection.
- Provide fast services to customers. Netflix built innovative logistics system that allow it to deliver DVDs by mail to more than 97% of customers in one business day.

KEY SUCCES FACTORS

- Provide good business culture. Netflix has rewarding the best talent employees that motivate them to work hard.

STRATEGIES

- At business level strategy, Netflix using cost leadership strategy that serve lowest monthly fee and low rental cost.
- Netflix also use diversify strategy when it expand its business to china and india market.
- For competitive strategic, Netflix increase barrier of enterants when it created significant economy of scale for this industry.

CORE COMPETENCIES - RESOURCES

- Tangible
  - Financial
    - Revenue always growth
    - At year ended 2009, netflix has $ 1.67 billions.
  - Organization
    - Hires 7 chief managers in run its business
    - 75 employee in Beverly Hills
  - Physical
    - Subscription over 13 million
    - 100 000 DVDs

CORE COMPETENCIES – RESOURCES

- Intangible
  - Human resources
    - Talented employee
  - Reputation
    - Fast Services

CORE COMPETENCIES – VALUE CHAIN

- Supplier Chain Management
  - Signed revenue sharing agreement with an unprecedented 50 film distributors
- Operation
  - Fast and more efficient with technology
- Distributor
  - Innovate logistic system
  - Quick delivery

CORE COMPETENCIES – VALUE CHAIN

- Marketing
  - Offline marketing strategy
  - Direct mail promotion
  - No obligation for first month fee
- Services
  - No late fee

SUMMARY: SUSTAINABLE COMPETITIVE ADVANTAGE

- Netflix can be considered as high value company since it has many subscribers and give them quick services.
- The company core competencies are in
  - volume DVDs they have and
  - technologies they use

S.W.O.T ANALYSIS

TABLE

STRENGTHS	WEAKNESSES
1. Market leader. 2. Strong brand recognition. 3. High customer satisfaction. 4. Subscription model. 5. Affordable pricing.	1. Monthly fee discourages membership from less frequent movie watchers. 2. Lack of control over DVDs return time. 3. Comparatively small movie library available to stream. 4. DVDs can arrive scratched or broken due to mailing process.
OPPORTUNITIES	**THREATS**
1. Product line expansion (video games). 2. Expand downloadable movie offerings. 3. More international market 4. Expand partnership with content and technology providers e.g.: XBOX, Blu Ray, Digital Set Top.	1. Staying power of DVDs. 2. Contractual restrictions on streaming content. 3. Bigger competition in the streaming video market. 4. DVDs competition from Blockbuster, YouTube, Redbox etc.

PROBLEM STATEMENTS

- How can Netflix sustain it competitive advantage in the market?
- what is the best marketing strategy should they use or apply to sustain in their current position?
- Issues :
  - **Technology**
  - **Pirating concerns**

RECOMMENDATION

- Technological improvement
  - Investment in technology
    - Innovation and R n D.
  - Technology penetration
    - Package with tv's and game consoles.
- Investment in services
  - online service and mail-order speed.

CONCLUSION

- Netflix is the US leader in online video streaming. It's focus on customer satisfaction, device ubiquity and dedication to excellent service has cemented the company as being on the consumer's side.
- As online streaming matures, Netflix will have to find ways to reach broader audience with better and more content while continually being more innovative than its competitor.