ASSIGNMENT: IDENTIFY A COMPANY OF YOUR CHOICE AND NARRATE ITS BUSINESS AND GROWTH CYCLE

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CASE STUDY:

Identify a company of your choice and narrate its business and growth cycle.

NETFLIX IS THE COMPANY THAT I DECIDED TO GUAGE THEIR BUSINESS AND GROWTH CYCLE:

Netflix is a company that right now offers some of the best streaming movies and Tv shows. It was created in 1997 by the idea of **Marc Randolf** and the acceptance of the idea by **Reed Hastings** who was able to refuse most of the ideas that Marc came up with.

The business proposal that was deemed to be sustainable came from the idea of Amazon's book business where they sold books online. They therefore decided to come up with a business that people can pay for their product repeatedly. They also did not want to be selling customizable items because they would need more work.

1.

We can therefore use the first stage of business growth which is the **development stage**. In the development stage, Marc and Reed had to begin with a business plan which included them evaluating the use of VHS tapes which were too bulky for shipment. This would lead to higher postage costs and any damage to the mail would lead to a higher maintenance cost. They decided to use the new DVDs that were lighter to ship with smaller stamps. The smaller stamps meant that they would have less expenses used on the shipment. Prior to 1997 however, DVDs had only been available in Japan.

Below are the questions that the two asked themselves as they set up the business plan:

According to the questions that entrepreneurs should ask themselves, the question on whether this concept fills a need in the market. At that time, the business did fill the market needs because very few people used DVDs hence the possibility of taking advantage and using them in America.

On the question of will it be accepted in the market. the business would be highly acceptable because they were introducing a new product to the market that was a form of new technology compared to the VHS tapes.

They were able to establish a business structure by getting a big collection of DVDs and creating a website which was able to facilitate the renting out of the movies. The customers were to be able to get and watch the movies then return the movie DVDs.

They figured out that they would gain more profits from renting out the movies rather than selling the movies outright because customers had to pay for any damage, and they would avoid replacing the rented-out movies. They would just have to get the DVD back and rent it out to another person.

2.

Secondly, during the **start-up stage**, they were able to gain financing by deciding to use equity financing whereby they came up with funds for the business themselves. Reed used his own money and savings. Marc on the other hand was not as well off so he decided to request finances from his mother. This is therefore the process of raising money during the start-up stage.

They also were able to get staff by developing a small team. The employees were promised stock options and would therefore get a big payout if the company succeeded. They were also able to manage the expectations from sales and cash reserves by building a website that managed the renting out of the movies.

In 1998 at 8:56am, the website was accessible to customers. They were not able to know how many orders but Marc bought the first movie and a bell rang to signify the purchase. They were, however, overwhelmed by the amount of traffic that their website encountered. They had to go and buy eight new servers so that they could continue renting out the movies. The total revenue in the first month was $ 97,000.

3.

During the **growth stage**, Jeff Bezos, the owner of Amazon, wanted to get into the same business and therefore decided to ask Netflix whether they would want to sell the business, but Netflix saw that the bid to buy their company was not enough.

They decided to deal with the customer increase by creating an algorithm on the website that suggested the movies that the individual loved more. This would prevent the users from always purchasing the new movies that had come out. This was therefore a way they were able to deal with the market competition from Blockbuster, which refused to adapt to DVDs or the .com era.

4.

Their need to **expand the business**, however, made them start looking for new investors. They demanded for investors provide 50 million in the form of equity investment, but the investors found it unfit to invest in such a large amount compared to the other businesses.

This is phase three in the business cycle whereby sales were moderate.

In 2001, the .com bubble burst, and the company had to release some employees. They, however, were able to figure out that they got more work done within the company. They also decided that the business will grow by allowing users to purchase stock therefore making it public. This made it grow faster than Blockbuster who had more physical stores compared to them.

5.

During its **maturity stage**, Netflix was able to gain stable profits but things like DVDs started providing shipping problems. Customers were more inclined to buy the movie disks rather than renting them out. This, therefore, made them decide to collaborate with Amazon which had joined the online movie selling strategy that made the users who wanted to buy the DVD movies redirect to the Amazon site. Amazon on the other hand never wanted to collaborate with Netflix by not sending the customers who wanted to rent movies to Netflix. This was a decline in the business life cycle.

During this stage, the two founders of Netflix had a disagreement because Reed felt that Marc was making bad business decisions. Marc therefore agreed to step down from the company and left Reed fully in charge of the company. This was therefore some sort of exit strategy that he had set up in place.

Netflix, however, managed to continue its growth internationally. Netflix managed to gain attention from the public by setting up a competition whereby the tech community was responsible for creating an algorithm that precisely chose the best movies for the viewer.

This would lead to the vast notoriety and liking of the company in general.

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