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<div align="center">HW #2</div>

Rivalry among existing competitors

Aside from Netflix, there are many other big firms such as Amazon and Apple who are also in digital streaming business, creating vigorous competition in this field. Netflix successfully differentiated itself from the rest of the big firms by having a "long tail". When other firms are trying to get the newest movie or newest tv shows, Netflix retains old movies to make sure there's something for everyone. This big variety helps Netflix to attract more users. Moreover, Netflix has a long list of frenemies where they cooperate with their competitors. This helps Netflix to gain benefits from different firms, such as Amazon's cloud service, and combine them together to better assist itself.

Potential new entrants

There are potential new firms that can come into play, however, they are not big threats to Netflix. Since Netflix has developed a huge customer database, it's hard for a small business to gather this much data as soon as they enter. Furthermore, Netflix is a global leader with streaming services available over 190 countries. This is very hard for a new business to replicate in a short time. Lastly, Netflix has a big scale advantage. They have a big scale in the firm's streaming library and a big group of customers, meaning it's easier for Netflix to make profit. Hence, it is very difficult for new companies to achieve this big of a scale from scratch. Therefore, Netflix's global connections, enormous databases, and large scale prevent threats from new entries.

Threat of substitute goods/services

There are always substitute service for Netflix such as iTunes and YouTube Red. To prevent threats from other firms, Netflix has its exclusive contents to make themselves stand out from the rest. In this way, viewers who want to watch specific, Netflix exclusive TV shows have to continue to subscribe to Netflix. Furthermore, unlike other firms who offer mix pricings such as premium or pay-per-view, Netflix only charges its customer one single monthly fee. This ensured its viewers that they will always be able to watch the best quality videos without all the extra money they have to pay, thus making itself unique from other substitutes. Lastly, Netflix has the best customer ratings. After the Qwikster incident, Netflix had more positive rating than its peers, including potential substitutes such as Amazon, Apple, and Google.

Power of buyers

Aside from Netflix, viewers have many other choices to choose from such as Amazon or cable TV. The liberty of the internet and the number of streaming services give viewers the freedom to choose any streaming services they want. To prevent viewers from leaving Netflix, Netflix created an enormous database that keeps track of each user's interests. With Cinematch, Netflix can customize viewers' web pages with specific recommendations made to fit the user's preference. This data is highly valued by customers as more people watch recommended films than actually searching up the titles. Furthermore, this data increases the switching cost for customers. If a user wants to switch to another viewing company, they have to abandon all their

previous ratings and start fresh. Thus, Netflix's enormous customer data prevented viewers from switching to other streaming services.

Power of suppliers
Although there are many streaming services, the number of media provider is limited. Thus, the firms have to compete to gain streaming rights, which increased the cost of streaming license notably. To avoid competition and the increased costs, Netflix began to make their own original content to stream. With successes such as House of Cards and Orange is the New Black, Netflix gained more viewers which gave them more profits and an ability to rely less on other media providers.