**Week 3: Netflix SWOT Analysis**

Nate Bachmeier

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Netflix S.W.O.T. Analysis

“Netflix is the world’s leading Internet television network with over 62 million members in over 50 countries enjoying more than 100 million hours of TV shows and movies per day (Netflix, 2015).” Their mission is to revolutionize the way people watch digital content through on demand streaming and physical disk rental services.

Their goals are to provide the best experience and integration to their stakeholders, which range from end users to large scale media center appliances. This comes with various challenges such as content licensing limitations and needing to maintain huge inventories of physical disks.

Though playing to their strengths they have huge brand recognition, patents in video compression, numerous machine learning systems, and an already large library of content.

# Strategic Plans

## Acquire Original or Exclusive Content

There are lots of competitors in the streaming media industry such as Hulu, Viggle, and Amazon Prime. It is easy for other competitors to continue sprouting up, due to little product differentiation between services.

When the same product is available from multiple sources, the one with the lower prices typically gets the sale. Netflix operates at a profit margins of 3.15% (Yahoo Finance, 2016), if a competitor was willing to work at 2% they could steal business.

Netflix needs to differentiate itself through original and exclusive content which is high quality and valued by the customer. This also reduces risk that digital rights groups will change the terms of service. For instance Disney provides original content and operates at a 15.84% profit margin (Yahoo, 2016).

# Operational Plans

## Modernize the Mail Rental Service

Netflix’s original business was sending DVDs to people’s residence as part of a monthly subscription service. The challenge with retaining this business is the need for maintaining large inventories of physical disks. They also need to pay postage and process each of these disks.

In 2011 their CEO Reed Hastings originally unveiled the idea as “Qwikster (Hastings, 2001)” which was killed off a few weeks later after the stock collapsed (Gilbert, 2001). However it was negatively received due to perception of the stakeholders.

The better strategy would have been a series of short operational plans to transition the stakeholders to this idea. For example start with offering a pay-per-view feature or premium service tier. This assures the customers their content will not disappear, and the investors that the lost revenue will be replaced.

Next the internal direction of their CEO needs to align with the external message of the marketing company. This was clear from mistakes such as the Qwikster Twitter account already being owned by a high school aged drug user (Smith, 2011).

Then reduce the investment into the DVD inventory and offer more content at a faster cadence in the streaming service. The user base will naturally migrate to the new system and allow the old to be deprecated.

Finally with the mail based business removed, Netflix users would have a better and more real time experience. In parallel Netflix would investors would enjoy higher profit margins.

## Fortune 500 Company name

|  |
| --- |
| Netflix |

## The company’s internal and external stakeholders

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| --- | --- |
| Internal stakeholder’s | External stakeholder’s |
| Reed Hastings (CEO) | Subscribers |
| Kelly Bennett (Chief Marketing Officer) | Media Center Appliance Companies |
| Neil Hunt (Chief Product Officer) | Stockholders |
| Greg Peters (Chief Streaming Officer) | Telecommunication Companies |
| David Wells (CFO) | Digital Media Rights organizations |

## 

## Company’s mission and vision

## Company’s mission

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| --- |
| Be the world’s leading Internet television network (Netflix, 2015) |

## Company’s vision

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| --- |
| Internet TV will replace linear television |

## Company goals

## At least one company goal that can be accomplished through a strategic plan

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| --- |
| Provide original content to differentiate against competitors |
|  |

## At least one company goal that can be accomplished through an operational plan

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| --- |
| Provide access to different existing movies and shows which align with in theatre movies. For example when Marvel’s Avengers 2 is in theatres, allow people to watch X-Men and Spider movies |
| Replace the mailed dvd based option with a cost efficient pay-per-view model or premium membership at higher monthly price |

## SWOT analysis

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| --- | --- |
| Strengths | Weaknesses |
| Millions of monthly subscribers | Licensing limits their ability to get newer content |
| Huge video library of streaming and mail-only programs | Limited to the terms and conditions of Amazon’s EC2 cloud |
| Numerous advanced machine learning systems | Need to keep large numbers of physical DVD and Blue Rays in inventory |
| Opportunities | Threats |
| Expand library with more Mandarin and Cantonese movies or subtitles | Lots of competitors |
| Move more business to streaming service | Net Neutrality becomes over turned |
| Integrate with imdb and similar sites to make their content more discoverable | Media companies change licensing programs and cut into margins |

# References

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