



# Netflix Value Chain Analysis

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# Company profile

- **Netflix, Inc.** (NASDAQ: NFLX) is the world's largest subscription-based streaming service and an American production company. It counts approximately **222 million subscribers** in **190 countries** as of April 2022
- Netflix's revenue on the first quarter of 2022 was **7.9B**, an increase of **9.8% YOY**
- Netflix's shares have **declined** by more than **23%** following the first-quarter of 2022 earnings release



# Introduction

- Founded in 1997 by **Reed Hastings** as an online DVD-rental company, Netflix gradually transitioned to streaming media and video on demand on the basis of a **monthly subscription**. It was the aforementioned model that determined its true success. Model that is currently contested more than ever, given the rise of competitors like Amazon Prime Video, Hulu, Disney +, Apple TV etc...
- After the huge spike in users caused by the pandemic, Netflix is currently and rapidly **losing market share**, even though its growth remains positive
- Hastings has stated that they plan on specializing on delivering value as a streaming service (i.e., exclusive productions), rejecting Amazon's approach of trying to meet all needs

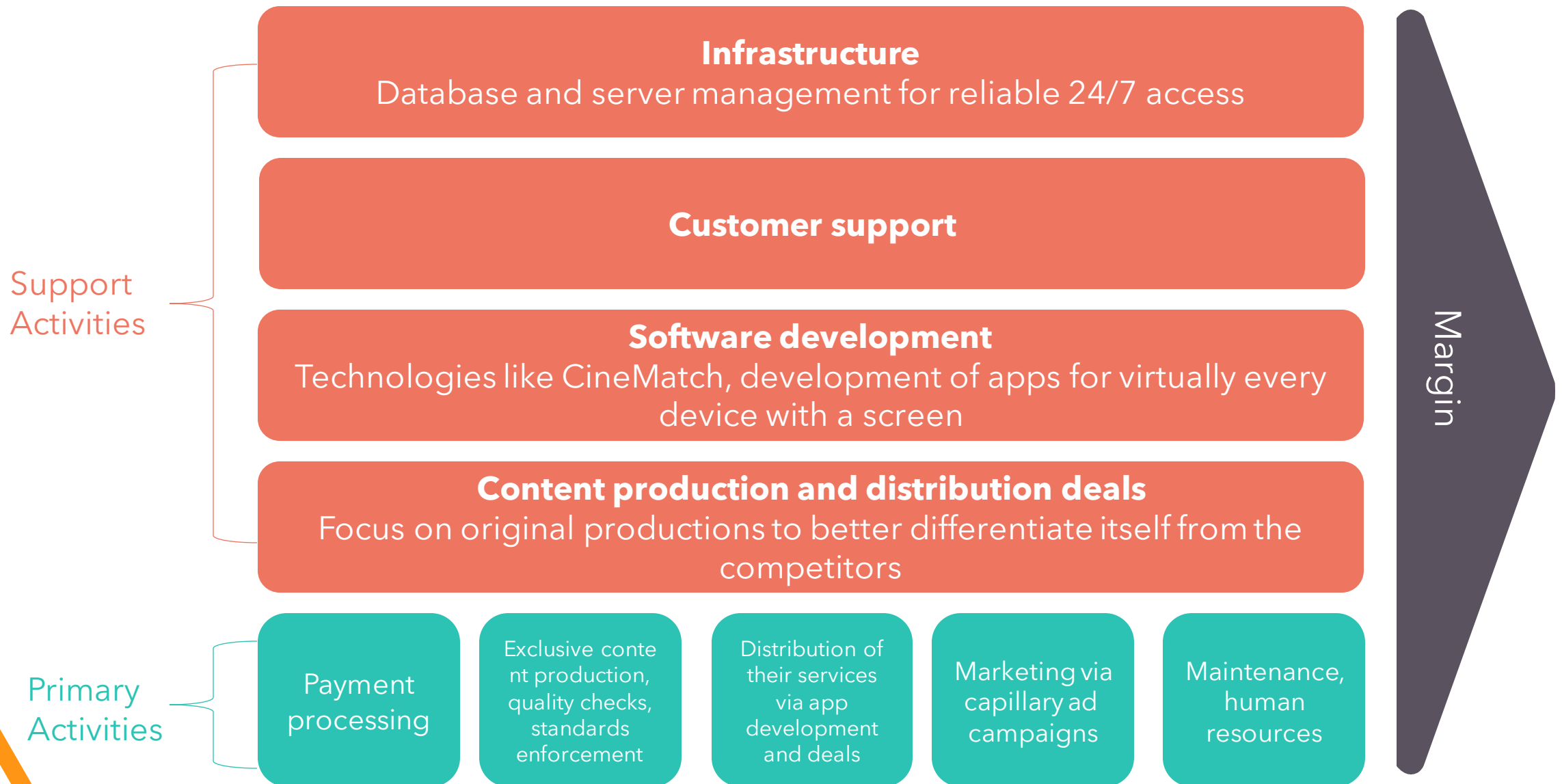










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- The quick decline in value of Netflix stocks reflect doubt from the investors in its **ability to maintain the competitive advantage** it currently holds. We've seen Netflix **try to diversify** in these past years by bringing for example interactive games with their subscription **with little success**.

- Netflix **infrastructure** is also receiving criticism in these past years, we've seen with the pandemic that the consequent increase in traffic lead to the dramatic reduction of the bitrate of their shows to keep up with the server requests.

- Netflix has also been **increasing their prices** year after year, causing always more customers to subscribe to more than one streaming service or even completely switch, Amazon strategy of subsidizing the cost of their streaming platform to acquire market share with their aggressive pricing is making them gain rapid popularity



Resources and Capabilities of Netflix, Inc.	V	R	I	O
Software engineers, server maintainers				
Innovativeness				
Dependence on third-party producers				
Marketing strategy, ad capillarity				
Alliances with TV and console manufacturers (Netflix app pre-installed, remotes with integrated Netflix button, etc...)				
Deals with content creators and production studios				

Netflix's sustained competitive advantages / core competencies	V	R	I	O
Globally recognized iconic Netflix's brand				
Large portfolio of movies and series streaming exclusivity	