



FIRM ANALYSIS 2

# NETFLIX

## COMPANY ANALYSIS

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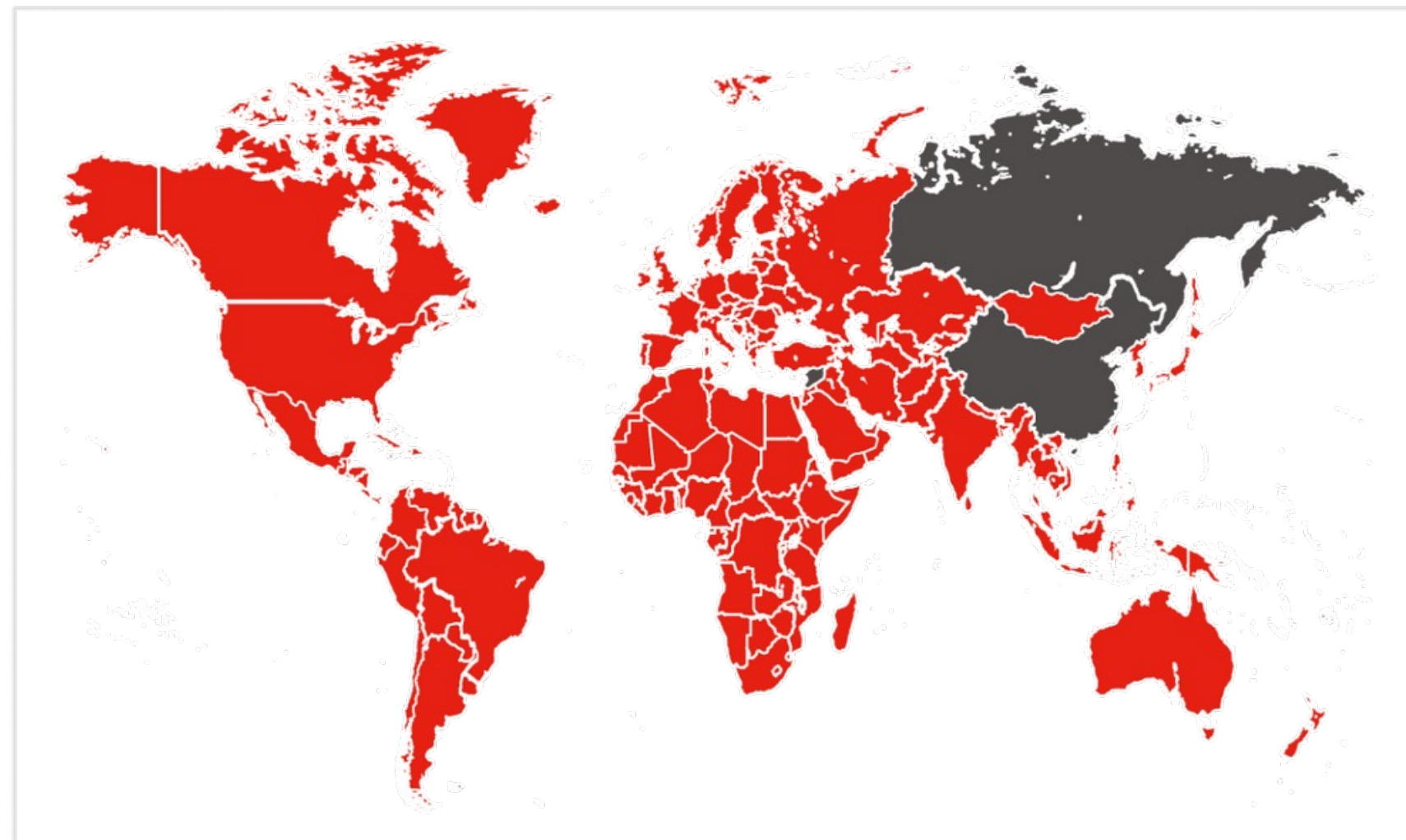
# COMPANY OVERVIEW



Entertainment services provider with over 232 million paid memberships operating in 190+ countries

- Revenue: \$31.91Bn
- Profit: \$12.22Bn
- Employees: 12,800

*"Netflix is a focused passion brand, not a do-everything brand: Starbucks, not 7-Eleven; Southwest, not United; HBO, not Dish."*



Availability of  
Netflix, As of March 2022

■ Available

■ Not available

# Organizational Statement



## MISSION

Delivering high quality content to viewers via convenient and personalized platform

## VALUE

Netflix values innovation, inclusivity and customer centric approach

## VISION

Vision to become world's leading streaming entertainment service provider

## STRATEGY

Maintain competitive edge via innovation and sustainable growth



## POSITIONING STATEMENT

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"Netflix is the world's leading streaming entertainment service that offers a wide variety of TV shows, movies, documentaries, and more, with personalized recommendations and a seamless user experience."



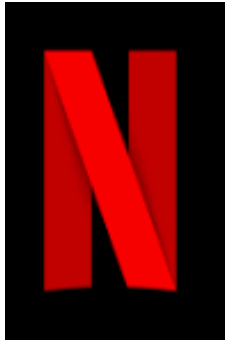
## VALUE PROPOSITION

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Netflix creates value through its subscription-based business model and its investment in original content. Netflix also captures value through its business model by charging a subscription fee to access its content, which generates revenue and profits.



# PORTER'S FIVE FORCES



Constant innovation and value delivery is key for success in an oversaturated market

Threat of new entrants	LOW	<ul style="list-style-type: none"><li>• High capital investments - Heavy government regulation - High switching cost (perceived value)</li></ul>
Buyer power	HIGH	<ul style="list-style-type: none"><li>• Subscribers and advertisers - low switching costs - wide availability of options</li></ul>
Supplier power	HIGH	<ul style="list-style-type: none"><li>• Limited amount of production studios with very differentiated products and sales concentrated on</li></ul>
Rivalry	HIGH	<ul style="list-style-type: none"><li>• Competitive rivalry among top firms is intense; elevated rivalry is a threat to the sub-industry, making intensity of rivalry among existing competitors a strong force.</li></ul>
Availability of substitutes	HIGH	<ul style="list-style-type: none"><li>• As video streaming has become more popular, the number of new entrants has also increased. However, instead of taking Netflix head on, new entrants are taking on genres.</li></ul>

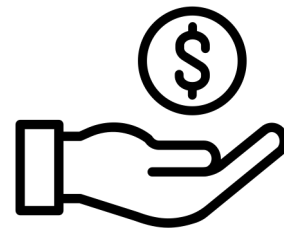
# PESTEL ANALYSIS

EXTERNAL MACRO-ENVIRONMENTAL FACTORS THAT CAN IMPACT THE BUSINESS



## Political

- Content censorship and regulatory compliance
- Political Instability
- International Relations



## Economic

- Changes in disposable income and consumer spending
- Exchange rates



## Social

- Changes in consumer preference and demographics
- Social Norms and Values
- Technological advancements
- Health and wellness trends



## Technology

- Changes in streaming technology
- Rise of machine learning and AI
- Cyber security and data privacy
- Mobile Applications
- Content creating and licensing



## Environmental

- Shift to renewable energy
- Carbon footprint
- Waste Management



## Legal

- Copyright infringement, content censorship, or antitrust issues
- Data Privacy and User Protection

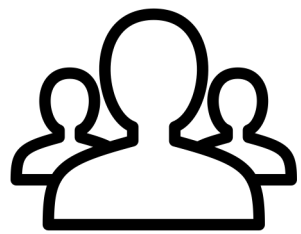


# 4 I'S IN THE NON-MARKET ENVIRONMENT

Controversial EU rules could make life trickier for tech groups

Facebook, Netflix, YouTube and others face being treated like media companies

**New EU legislation proposes 30% 'European content' minimum for Apple TV+, Netflix**



## Interests

- Subscribers
- Content Creators
- Advertisers
- Regulators
- Competitors



## Institutions

- Audiovisual Media Services Directive (AVMSD)
- National Regulation Authorities
- European Audiovisual Observatory (EAO)
- European Broadcasting Union (EBU)



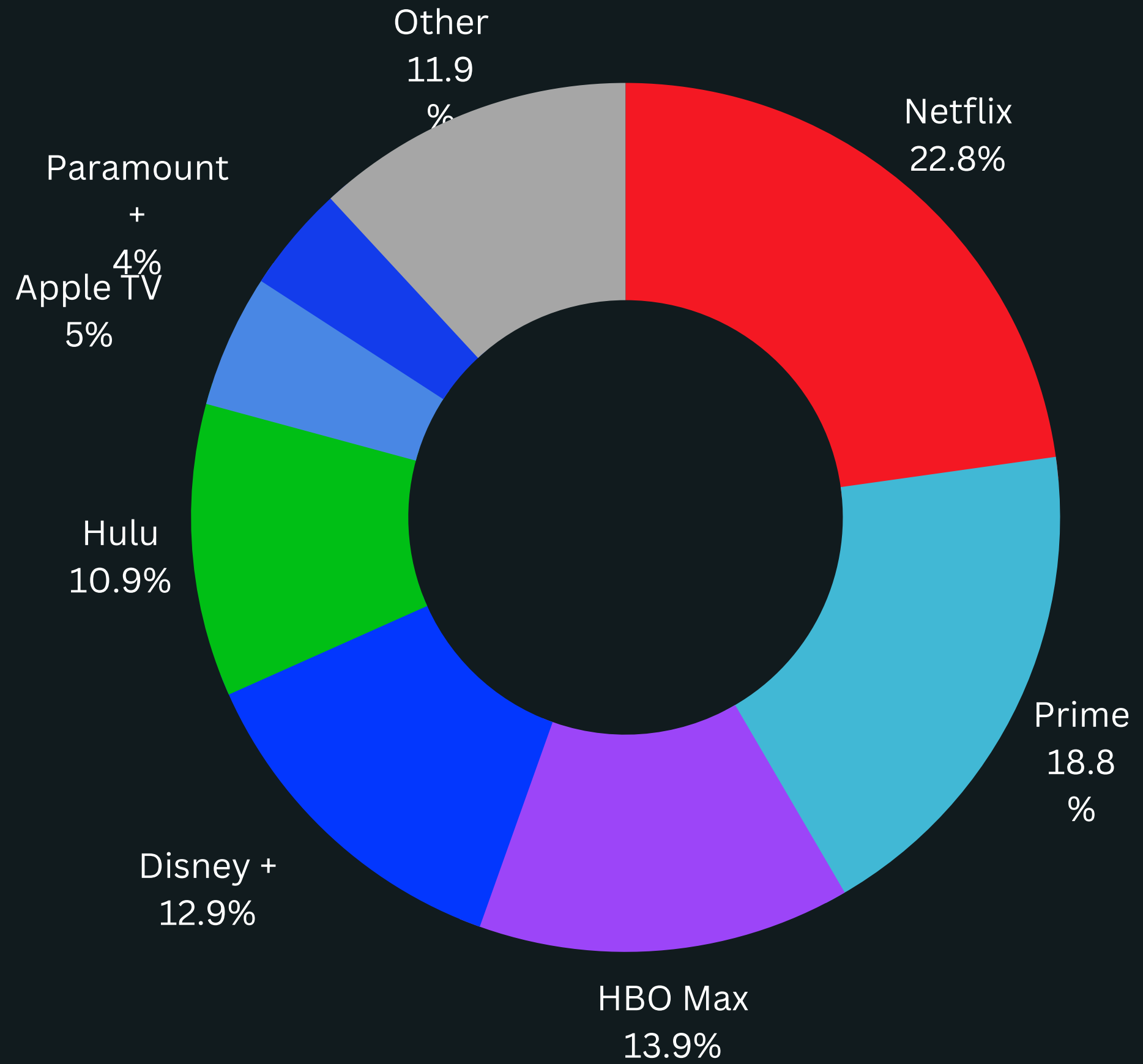
## Information

- AVMSD regulations
- Consumer preferences
- Industry trends
- Legal expertise
- Market research



# COMPETITOR ANALYSIS

## MARKET SHARE

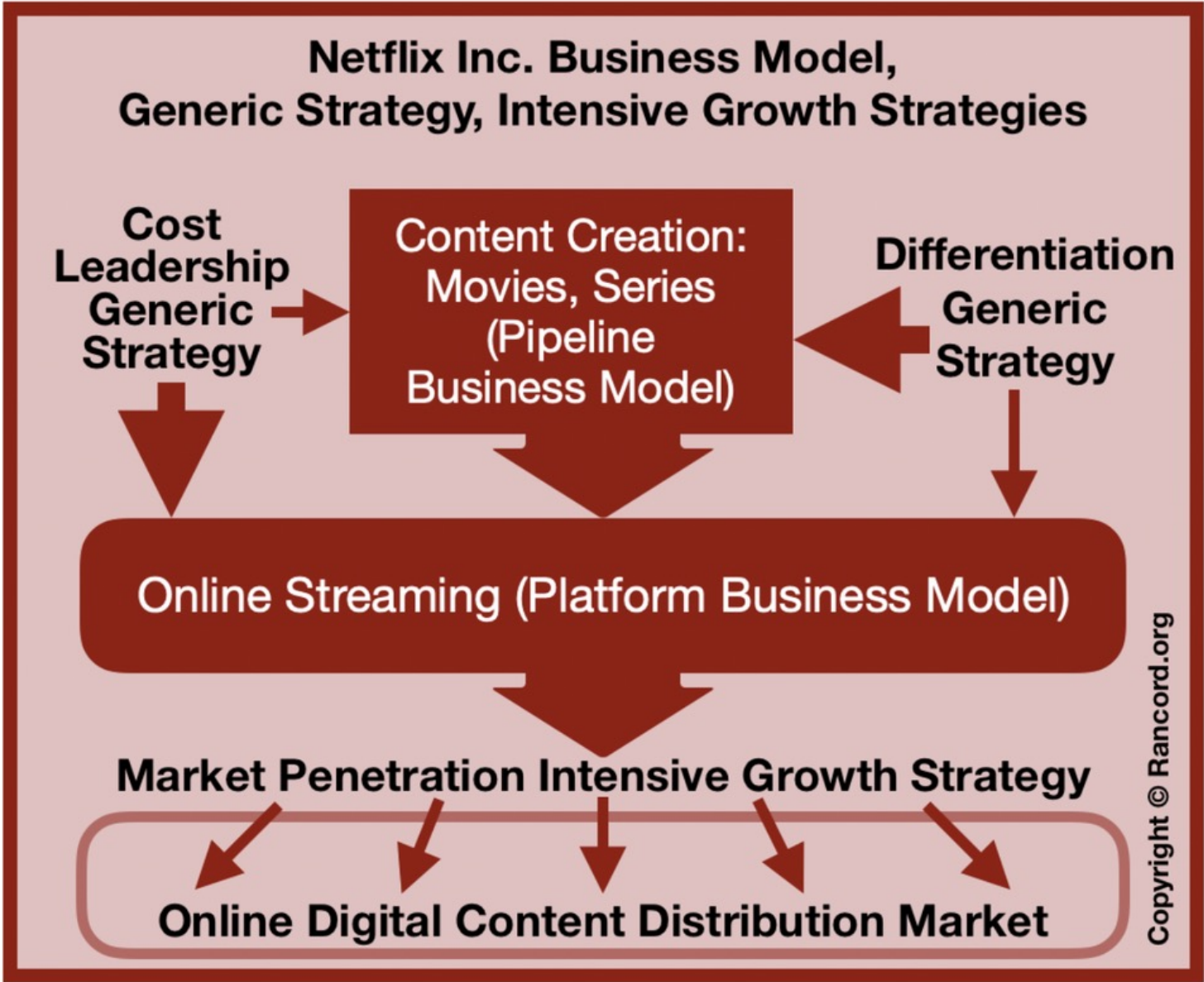


Competitor	Description	Price/ Month	Positioning statement	Key Activities
Netlfix	Streaming service with an extensive library of original and licensed content	\$8.99	"Watch TV Shows anytime,anywhere. Only \$8.99 a month. Start your free month"	Streaming video
Amazon Prime Video	Part of Amazon prime membership with a limited library of original and licensed content	\$12.99	"Unlimited fast delivery, exclusive access to movies,TV shows,ad-free music, Kindle books and more"	E-commerce, Streaming video and music, Cloud computing and more (Parent company)
Hulu	Streaming service with a mix of original and licensed content including live TV Options	\$5.99-\$11.99	"Stream TV shows and series your way. From anime to sports, watch shows,get live news and much more on your favourite devices"	Streaming video
Disney+	Streaming service with exclusive content from Disney, Pixar, MArvel and Star Wars	\$7.99	"The best stories in the world, all in one place"	Streaming video
HBO Max	Streaming service with exclusive content from HBO and Warner Bros	\$14.99	"Stream all of HBO with even more from Warner Bros, DC, Studio Ghibli and more, All in one place."	Streaming video

# STRATEGY ANALYSIS



Cost Leadership	
Differentiation	Leveraging economies of
Market Penetration	Focused on aggressive marketing and acquiring fresh content to increase its subscriber base and expand
Product Development	The company makes significant investments in
Diversification	The company has developed a range of original products and services, including interactive content, games, and merchandise



(Image: Copyright © Rancord.org)

# KEY RESOURCES, CAPABILITIES AND COMPETENCIES



## TANGIBLE RESOURCES

- Human and Talent Resources
- Land and Office Spaces
- Studio and Production Equipments
- Cash
- Hardware Partnerships

## INTANGIBLE RESOURCES

- Content Library
- Digital Resources
- Customer Base and Reach
- Brand Name and Reputation
- Proprietary Technology and Algorithms

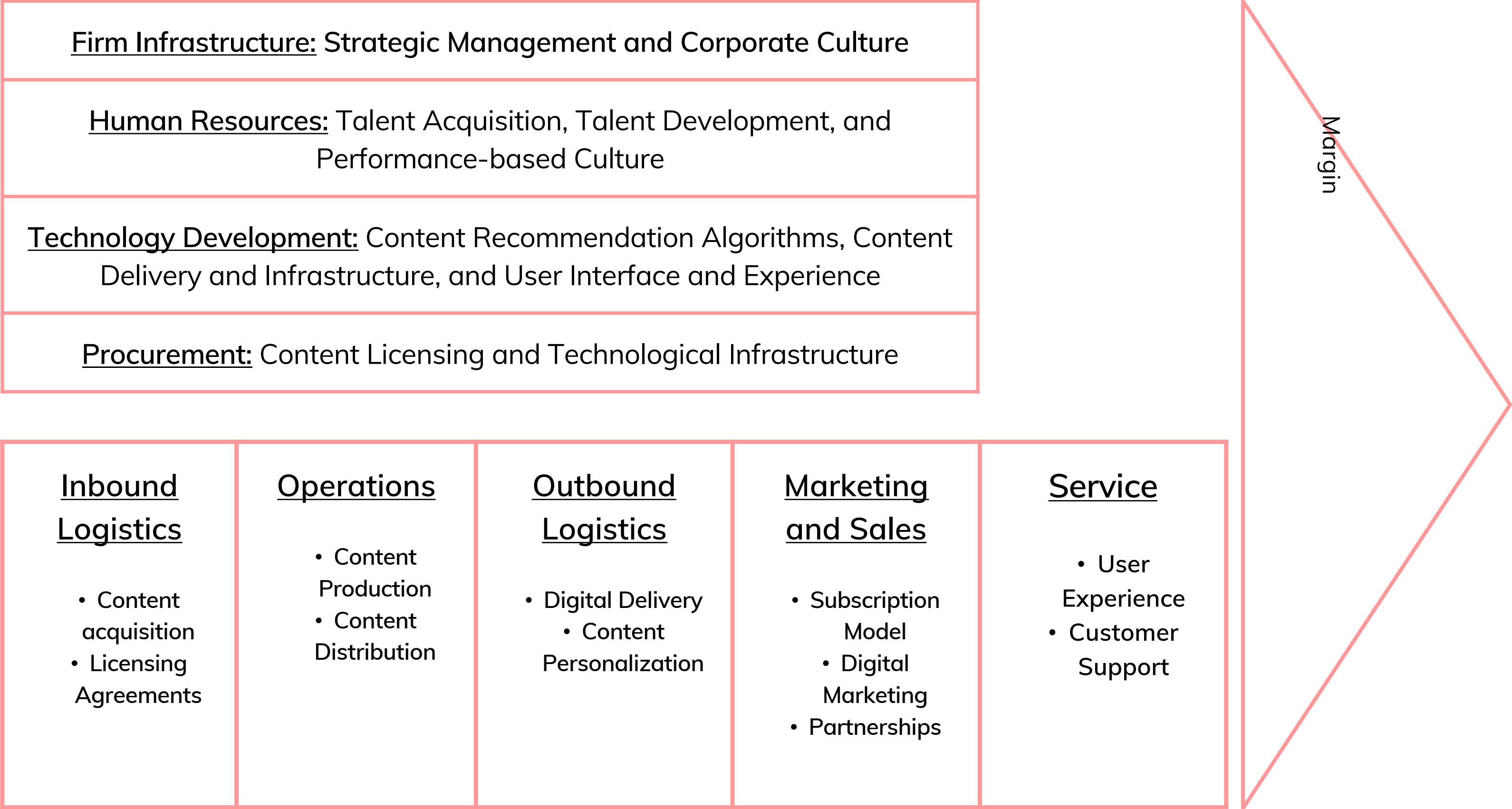
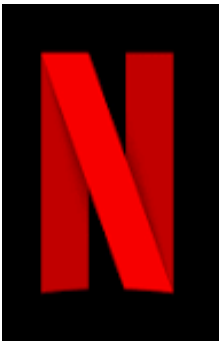
## CAPABILITIES

- Data-driven Decision Making
- Consumer Insights
- Branding and Marketing
- Organization Culture
- Streaming Infrastructure





















## COMPETENCIES

- Content Creation and Curation
- Technological Innovation
- Global Expansion
- Customer Engagement
- Customer Relationship Management

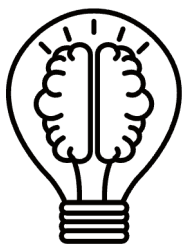
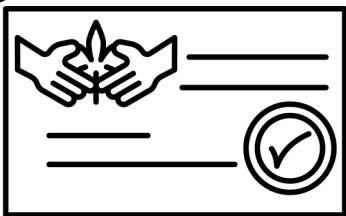
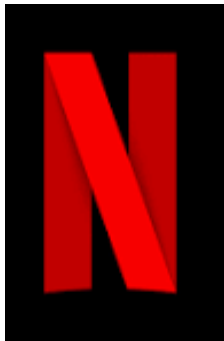
# VALUE CHAIN ANALYSIS





Resources/ Capabilities	V Is it valuable?	R Is it rare?	I Is it hard to imitate?	N Is it non-substitutable?	Competitive Implication	Performance Implication
Brand Name					Competitive Parity	Normal
Proprietary Technology and Algorithms					Non-sustainable Advantage	Above Normal
Distribution Channels					Non-sustainable Advantage	Above Normal
Content Library					Sustainable Advantage	Above Normal
Data Analytics and User Insights					Sustainable Advantage	Above Normal

# DEVELOPING RESOURCES AND CAPABILITIES



	Market Growth	Forming Alliances	Acquisitions	Internal Development
Fix	Increasing Retention Rates and reducing churn rate	Utilize existing and create new partnerships with content creators and distributors	Increase the number of acquisitions	Provide more customised data by using algorithms more specifically
Transform	Revenue Streams by expanding to new geographical regions and diversifying business	Improve processes and production by forming alliances with tech. and production companies	Acquire companies in different spheres	Use predictive analysis to estimate and predict costs and returns of projects to find alternative sources
Innovate	Create more high-quality local and regional content	Forming alliances with local/regional production houses to create specific content	Acquire companies with attractive IPs, or film and TV libraries	Invest in AI and machine learning to better utilize the collected data and buying trends

# POTENTIAL PARTNERSHIPS, ACQUISITIONS AND INTERNAL DEVELOPMENTS



**"Strategy is about making choices, tradeoffs; it's about deliberately choosing to be different."**

**-Michael Porter**

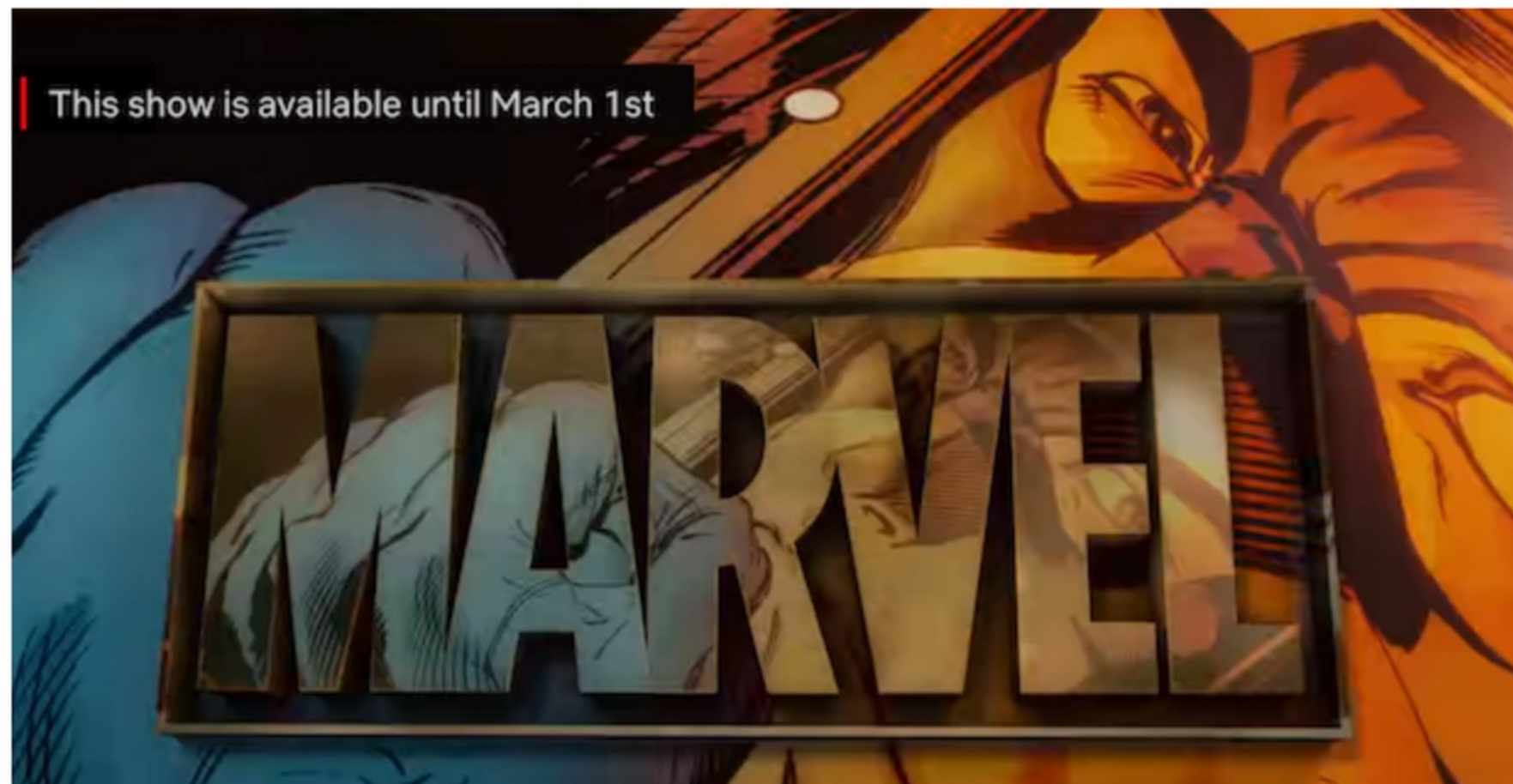


# CREATION>LICENSING



## Daredevil, Luke Cage and Other Marvel Series Are Leaving Netflix — for Where?

By Matt Webb Mitovich / February 11 2022, 9:28 AM PST



TV

## ‘Friends’ has left Netflix — and ‘The Office’ is next

By Lauren Steussy

January 1, 2020 | 1:43pm

## ‘The Office’ Leaving Netflix Is TV’s Wildest Controversy

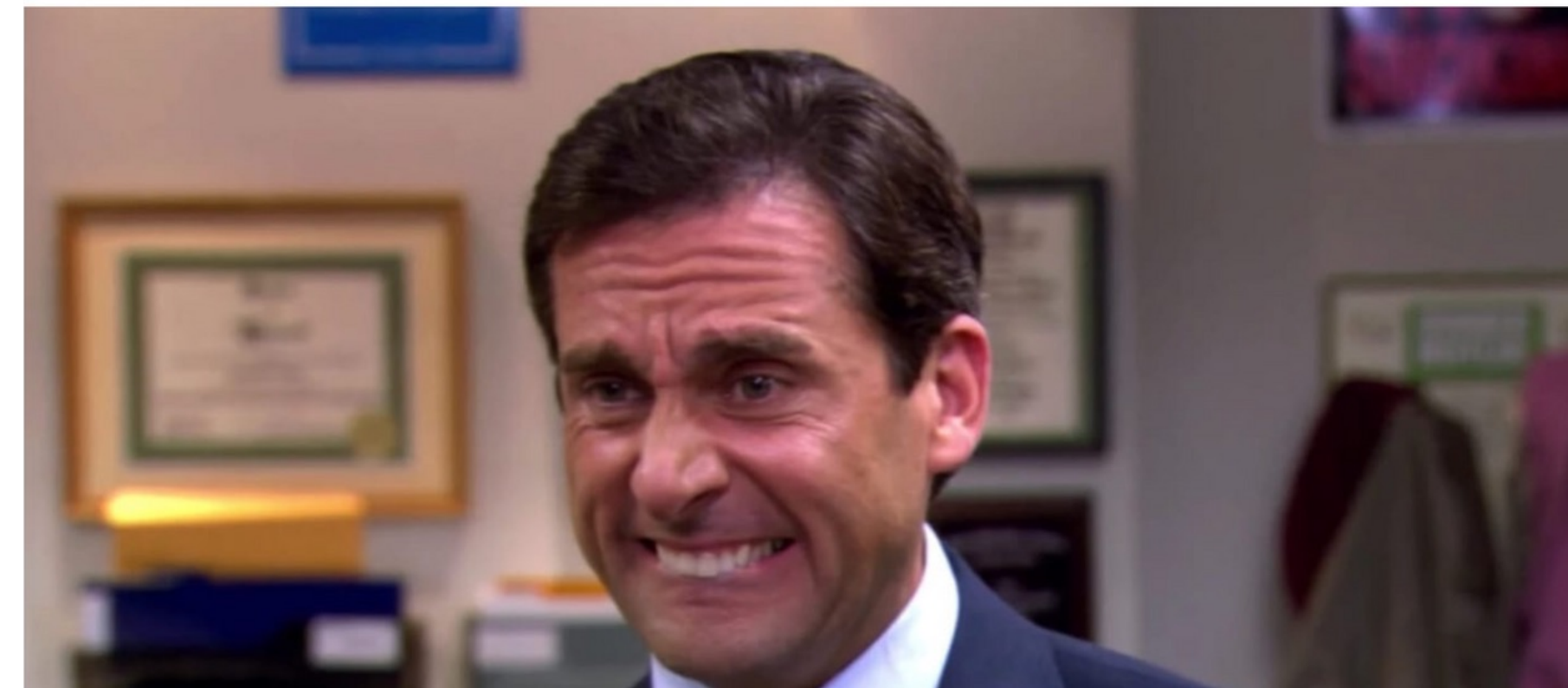
THE DAILY BEAST’S OBSESSED

Everything we can’t stop loving, hating, and thinking about this week in pop culture.



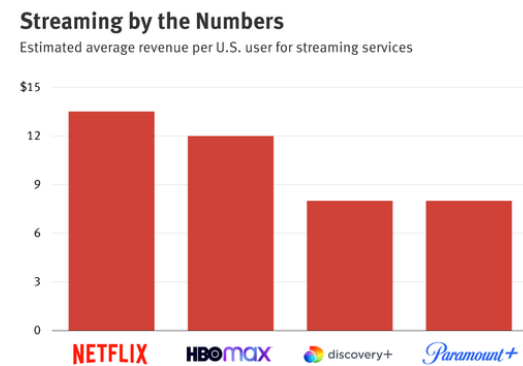
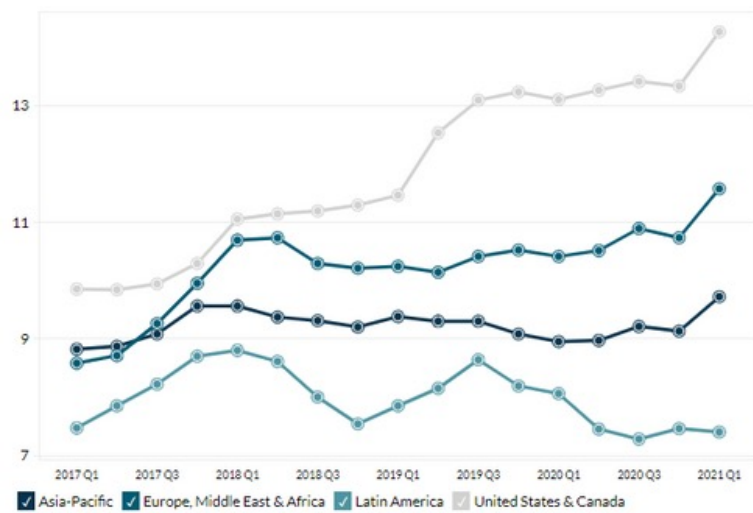
Kevin Fallon  
Senior Editor, Obsessed

Updated Jun. 28, 2019 5:19PM ET / Published Jun. 28, 2019 10:50AM ET





↑ VALUE > ↓ PRICE?



2 minute read · February 23, 2023 1:31 PM EST · Last Updated 2 months ago

## Netflix cuts prices in some countries to boost subscriptions, shares drop

Reuters



nary > Netflix Inc

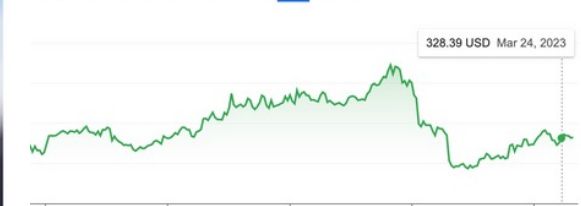
3 USD

↑ past 5 years

:59 PM EDT · Disclaimer

0 -0.73 (0.22%)

1M 6M YTD 1Y 5Y Max



325.24	Mkt cap	146.67B	52-wk high	379.43
330.81	P/E ratio	35.43	52-wk low	162.71
324.00	Div yield	-		

2022

??

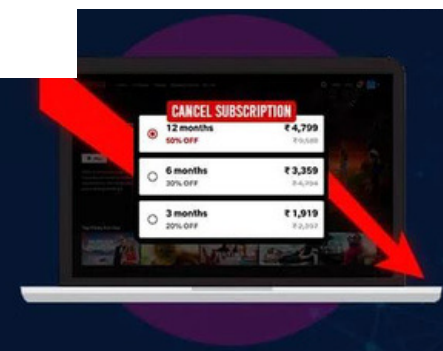
2021

3 minute read · January 14, 2022 6:42 PM EST · Last Updated a year ago

## Netflix raises monthly subscription prices in U.S., Canada

By Lisa Richwine

Netflix has lost over **1 million** subscribers in 2022.

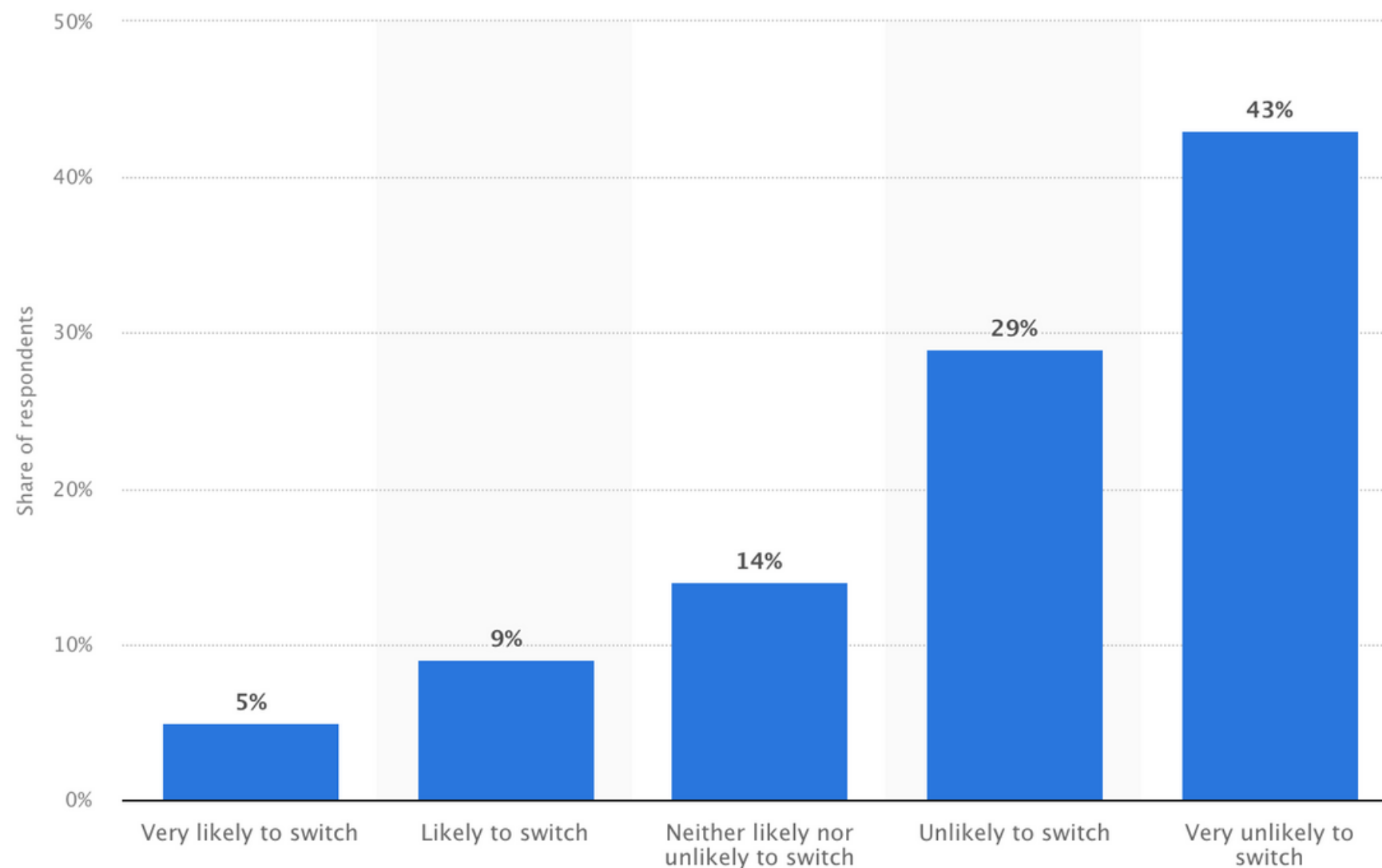


2023

# SUBSCRIPTION REVENUE > AD REVENUE?



Share of Netflix subscribers who would switch to a lower cost ad-supported version in the United States as of May 2022



## Pricing for Basic with Ads

<b>Australia</b> \$6.99 /per month	<b>Brazil</b> R\$18.90 /per month	<b>Canada</b> \$5.99 /per month	<b>France</b> €5.99 /per month	<b>Germany</b> €4.99 /per month	<b>Italy</b> €5.49 /per month
<b>Japan</b> ¥790 /per month	<b>Mexico</b> \$99 /per month	<b>South Korea</b> ₩5,500 /per month	<b>Spain</b> €5.49 /per month	<b>United Kingdom</b> £4.99 /per month	<b>United States</b> \$6.99 /per month





# CONCLUSION

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## KEY TAKEAWAYS

01

Dynamic Strategy

02

Strategic Alliances for  
Growth

03

Building a sustainable  
competitive advantage





# My List



**Any Questions?**