

# Netflix Competitive Strategy

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# INTRODUCTION

I am Divine Ehidiamhen, and I am a 14-year-old student from Nigeria. Recently, I participated in online sessions with Minds Underground to research Netflix's Competitive Strategy. During this time, I worked closely with Ilana Goodman, a strategy consultant and my tutor, to learn about various concepts related to disruptive innovation theories and studied Netflix's business model and competitive positioning in depth. I have summarized all the knowledge I compiled from this course into this research paper.

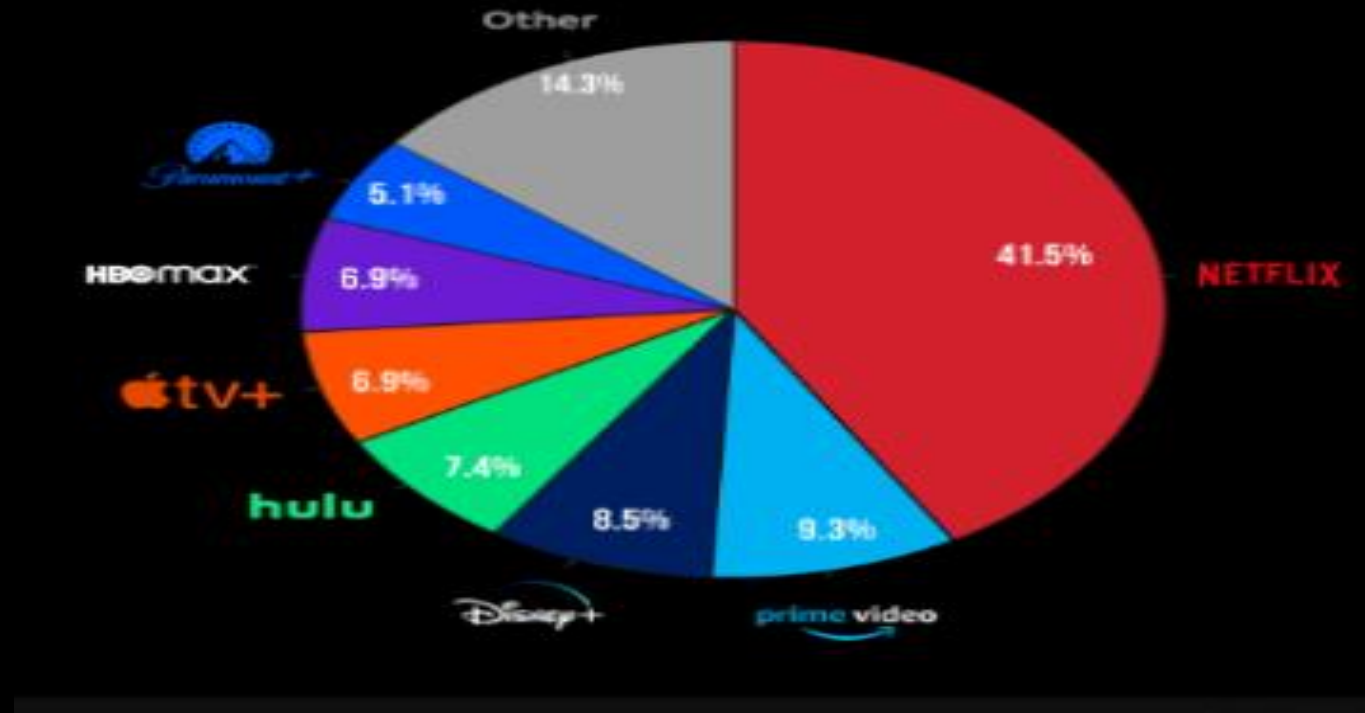
# OBJECTIVES

- ❑ NETFLIX'S CURRENT COMPETITIVE POSITIONING
- ❑ NETFLIX'S CURRENT BUSINESS MODEL
- ❑ FUTURE STRATEGY RECOMMENDATIONS

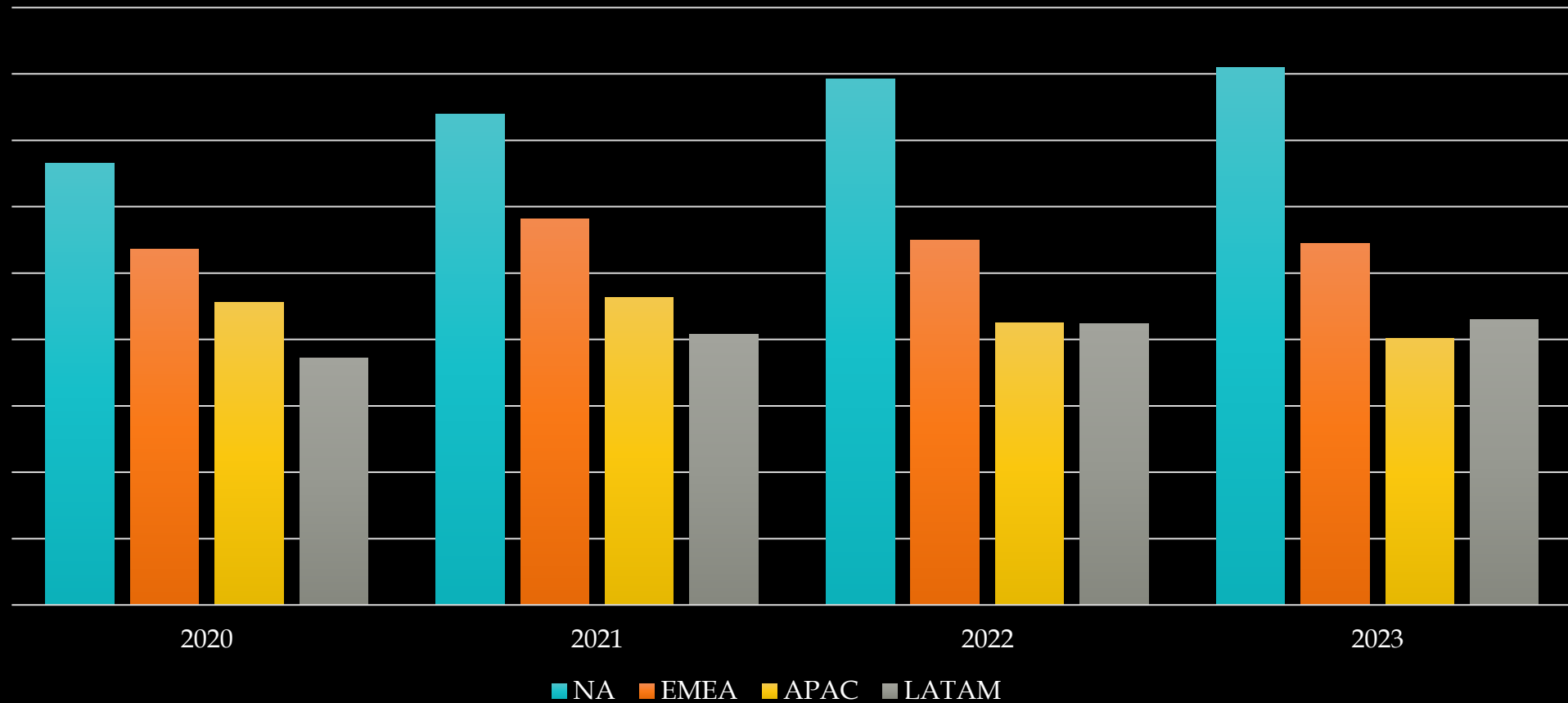
# Netflix's Strategy as a Disruptive Innovator

- Clayton Christensen defines disruptive innovation as a process which a comparatively cheap and accessible product existing at the bottom of a market relentlessly moves up market, eventually displacing established competitors.
- ❖ **Business Model Strategy:** Netflix penetrated an unsaturated market and monopolized it.
- ❖ **Pricing Strategy:** Netflix established innovative pricing models dissimilar to existing competitors' models.
- ❖ **Marketing Strategy:** Although, Netflix as a streaming service is self-advertising, it profoundly invests in marketing.
- ❖ **Technology Strategy:** Netflix capitalizes on its software technology and recommender algorithm.
- ❖ **Content Attainment Strategy:** Netflix purchases content from production companies and produces original content for customer entertainment.

# Netflix's Competitive Positioning (2022)



# Netflix's User Penetration in its Operating Geographies (2020-2023)



# Analyzing Netflix's Business Model Using Osterwalder and Pigneur's Business Model Framework

## KEY PARTNERS

- Smart TV companies, e.g. LG, and, Hisense.
- Gaming brands, such as; PlayStation, and, X-box.
- TV network companies, e.g. Dish.
- Operating systems, such as; Apple, Android, Microsoft.
- Network and big Data providers, such as; Google, and, Amazon.
- Smartphone companies, e.g.. Samsung.
- International Partnerships, such as; Nigerian film maker, Mo Abudu, and, Japanese anime creators.

## KEY PROCESSES

- Production of original content
- Software development
- Development of a pricing strategy and subscription model
- Acquiring/purchasing content
- Marketing and content promotion
- Employment of competent employees
- Customer base retention

## KEY RESOURCES

- Software Developers
- Recommendation System (Algorithm)
- Netflix's Partners

## VALUE PROPOSITION

- No commercials
- High definition videos
- Streaming at convenience
- Unlimited access
- Exclusive content (Netflix Originals)
- 30-day free trial
- Algorithmic recommendation
- Locally produced content
- Sharing accounts

## CUSTOMER RELATIONSHIPS

- Netflix provides customer services through means of the website portal, email inquiries and users have the option to reach a representative directly, by telephone and live chat.
- Social media is also used to inform and update individuals that operate or are familiar with the Netflix platform.

## CHANNELS

- Online streaming through the website
- Streaming through Mobile apps
- Streaming on TV Apps and Gaming consoles
- Marketing on social media platforms
- Mail delivery for DVDs (outdated)

## CUSTOMER SEGMENTS

- The Netflix platform is designed to offer a vast collection of different types of genres for subscribers to select from.
- Netflix offers various categories of content, such as; movies, documentaries, TV-shows, etc.
- Netflix caters to international subscribers by presenting content in multiple languages.
- Netflix offers content for children and adults alike. Netflix promotes Family-friendly, educational and entertaining content.

## COST STRUCTURE

- Major purchasing rights establishment (TV shows and movies)
- Cost of producing movies
- Software maintenance cost
- Paid-Connection deal with Internet Service Provider (ISP)
- Infrastructure (data centers) cost of streaming content
- Employee salary distribution

## REVENUE STREAMS

- Subscription fees
- Rental fees (outdated)
- Profit from exclusive content (Netflix Originals)

# Customer Purchasing Criteria Crisis: What criteria do users assess when evaluating providers? How does Netflix perform across these criteria?

	Key selection criteria	Description	Netflix performance
High	Content variety	✓ A diverse collection of movies, TV shows, and, documentaries, to cater to different age groups, preferences and languages.	
	Frequency of new content updates	✓ Content needs to be frequently updated to reflect the latest trends and subscriber interests.	
Importance	Platform flexibility	✓ Access through smart TV, mobile phone, PC, tablets etc.	
	Data-driven recommendation list	✓ Tailored recommendation list based on user's individual preferences.	
Low	Price	✓ Subscription fee of accessing content.	
	User-friendly interface	✓ Intuitive, easy to navigate user interface with a range of functionalities, e.g. save and watch later, play back, reminder etc.	

Performance : High Low



# Future Strategy Recommendations

○ Potential improvement areas	○ Benefits	○ Risks/challenges
○ Recommendation system	○ Boost the number of visitors ○ Increase user engagement ○ Greater content awareness	○ Lack of user activity ○ Lack of data ○ Sparse feedback and reviews ○ User's data privacy
○ Content release schedule	○ Increase customer satisfaction ○ Maintain user engagement	○ Demand for the content quickly declines
○ Content acquisition	○ Attract customers ○ Increase sales ○ Satisfy demand	○ Cost of purchasing content from production companies is high
○ Content Quality	○ Maintain customer base ○ Increase sales ○ Attract customers	○ Trends evolve constantly ○ Cost of producing content is high ○ Content likeability is subjective to the user's preferences, and can not be measured objectively.
○ Geographic Presence	○ Increase profitability ○ Expand consumer base ○ Gain potential customers	○ Existing competitors in other locations may make it difficult to penetrate those geographies.

# Summary

## 1. Netflix's Current Competitive Positioning:

- Netflix is the leading streaming service with major competitors, such as; Amazon Prime Video, and, Disney+.

## 2. Netflix's Current Business Model:

- Netflix is a streaming platform that is gradually transitioning into a production company by producing exclusive content, "Netflix Originals." Netflix has successful presence in multiple geographics, with majority of its subscribers residing in North America, Europe, Latin America, and, Africa.

## 3. Future Strategy Recommendations for Netflix:

- Deduced from analysis conducted on customer feedback and consumer interviews, Netflix's prospective improvement areas are its Recommender algorithm, content variety and quality, and, geographic presence. Future strategy suggestions for Netflix to boost subscribers include; discounted prices, offline streaming, and, online content rental system. Future strategy proposals for Netflix to boost revenue include; advertisement, increased prices, and, partnerships with production companies for exclusive content.

## Resources The Project Led me to Review

- Adner, R. (2006). Match Your Innovation Strategy to Your Innovation Ecosystem. *Harvard Business Review*, 84 (4), 98-107.
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- Anderson, P. and Tushman, M.L. (1990). Technological Discontinuities and Dominant Designs: A Cyclical Model of Technological Change. *Administrative Science Quarterly*, 35 (4), 604-633.