

Video Subscription Services

Executive Summary

Video streaming services have become exceptionally popular in recent years. The most popular of them is Netflix, which holds the majority of subscribers at 33 million. How Should Netflix position themselves in order to maintain their top standing?

The answer to this question lies in examining Netflix from an internal and external perspective.

From the internal perspective, Netflix's organization structure is flat and functional. They have a strong performance--based culture emphasizing accountability and employee satisfaction. From the external perspective, Netflix's position can be examined via Porter's Forces. In terms of the bargaining power of suppliers, Netflix faces pressure in acquiring content from external providers as well as pressure from Internet Service Providers who want to charge Netflix to maintain high streaming speeds. Looking at the bargaining power of consumers, the video streaming market is very sensitive to pricing. Netflix has faced failures in the past where they made the incorrect choice to split their online services and DVD services at two different prices, causing a drop in subscriptions. Netflix is currently approaching future price changes more conservatively, testing out a new--tiered pricing system where the price increases based on how many concurrent streams are desired and what streaming quality is desired. Netflix faces competition from providers of similar services such as Amazon. They also face competition from free services like YouTube, illegal services like 2 torrents, and cable services. On all fronts, Netflix is competing in terms of content quality, breadth of content, and ease of use. The threat of new entrants is low due to the expense barrier to entry of acquiring content, which can cost billions of dollars. The threat of substitutes is also low due to there being no sign of decline in people's interest in spending hours watching television shows and movies. The analysis concludes with recommendations to ensure Netflix retains its top standing in the future. Netflix's competitors can also implement the recommendations in order to increase their business in the future.

There are 3 main recommendations:

1. Continue to expand and diversify their content. This content can be acquired by making new deals with content suppliers, getting the content earlier. Netflix must also focus on creating original content exclusive to their library. This will attract new customers and shore up against the risks associated with buying content.
2. The payment system needs to be re--examined. As more content is acquired, the monthly rates charged should be increased in order to support the expensive investment into content.
3. Continue to lobby against Internet Service Providers who want to charge to retain high streaming speeds. Raise awareness through advertising campaigns and engage in partnerships with other video streaming service providers.