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Netflix external analysis

Last Updated: Sept 07, 2020 Company: Netflix CEO: Reed Hastings Year founded: 1997 Headquarters: Los Gatos, USA Number of Employees (2018): 7,100 Public or Private: Public Ticker Symbol: NFLX Market Cap (Sept, 2020): \$227.59 Billion Annual Revenue (2019): \$20.15 Billion Profit [Net income (2019): \$1.86 Billion Products & Services: Video on demand | Streaming to game consoles | Recommendations Competitors: Hulu | Amazon's top video | HBO Now | HBO Go | Vevo | Sony Crackle | Sling TV | Playstation Vue | YouTube | Disney+ | AppleTV + Fun Fact: Did you know that Netflix was originally called Kibble? An overview of Netflix With 167 million subscribers from around the world, Netflix has grown enormously over the years. It is one of the leading internet entertainment services in the world with paid memberships in over 190 countries. 70% of subscribers binge-watch tv series on Netflix. Not just a TV series, it offers movies, documentaries, and feature films with different genres and languages. In 1997, Reed Hastings and Marc Randolph co-founded Netflix, starting as a DVD sale and by mail rental, but after a year they focused on online DVD rentals. In 2007, Netflix introduced streaming media online while maintaining its DVD rental service. They began expanding online streaming internationally in 2010. With such a global reach, Netflix's profits tripled this year. How is it so successful? Does it face any ups and downs? To answer these basic questions, let's look at a detailed SWOT analysis of Netflix. SWOT Analysis of Netflix The SWOT analysis of Netflix is given below: Netflix's Strength – Inner Strategic Factors 1. Exponential Growth – Over the past ten years, Netflix has become an influential brand for online streaming content not only in the United States but worldwide. 2. Brand Reputation – Netflix has risen to become a household name within a short period. In 2019, Netflix was ranked as the highest #4 by Forbes. 3. Global Customer Base – Netflix serves over 190 countries worldwide, with a global customer base. There are over 167 million subscribers to Netflix, and it gives the company a strong bargaining power with the studios to secure exclusive content. Picture Source: Statista 4. Originality – Another strength of its power is that Netflix has produced original content over the years with the highest quality. Some of its shows saw Tiger King, Stranger Things, Money Heist, Narcos, Mindhunter, and Orange Is The New Black became so popular that its subscriber count continued to increase over the quarters. 5. Adaptability – Netflix is tailored to different technologies directly by providing streaming on all internet-connected devices such as personal computers, iPads, mobile devices, and TVs. Because of this, their business grew tremendously over the years. 6. Customer - Centric Service - For a Long customers were looking for an offline option to watch Netflix content, when traveling (flights, metro) or poor internet connection. As a result, Netflix introduced a download now (offline) feature for customers to watch their favorite shows on go. 7. Affordable pricing – The pricing strategy for Netflix has given it leverage over its competitors. The plans that Netflix has designed are affordable and offer great value. Subscribers can watch unlimited movies, either on DVD or streaming at an affordable price of \$8.99 per month. It is cheaper than cable movies or go to the movies and also offers a wider selection. For a higher quality Ultra HD (4K+ HDR) streaming, subscribers can even get premium plans at \$15.99 per month. 8. Award-winning shows – It's not a surprise that the popularity of Netflix's original shows has increased. In addition, Netflix has beaten traditional television networks (HBO, NBC) in nominations. In 2020, Netflix has received 160 nominations at the Emmys where as a traditional TV network has received the following nominations: HBO – 107 nominations NBC – 47 nominations ABC – 36 nominations FOX – 33 nominations CBS – 23 nominations Images Source: Statista Netflix's Weaknesses – Internal Strategic Factors 1. Limited copyright – Netflix doesn't own most of its content, and this negatively affects the company. The rights taken from other studios expire after a few years, and that content begins to appear on other sites. 2. Increasing Debt – Netflix serves its diversified content in many countries around the world which requires huge amounts of money. Netflix continues to add its long-term debt to fund new content. In April 2020, Netflix reported \$14.17 billion in debt and plans to raise \$1 billion more through a debt offering. The increase in debt each year is a major weakness. 3. Lack of green initiatives – Netflix has still not used renewable energy and has not created a business model to promote environmental sustainability. In contrast to this, tech companies like Amazon, Google, Apple and Facebook have already started using renewable energy to maintain the environment. The four tech giants are committed to using 100% renewable energy for their businesses. The lack of green energy use has a negative impact on the brand image of Netflix. 4. Rigid Pricing – Customers require custom pricing with more options. Unfortunately, Netflix's pricing model is rigid with only three levels, Basic, Standard and Premium. The lack of different options has contributed to stagnation in the number of new subscriptions. 5. Over-reliance on North America Market – Although Netflix operates globally, it relies heavily on the North American market. In fiscal year 2019, Netflix reported revenue of \$10.05 billion from North America, representing approximately 50% of its total (\$20.15 Billion). This is a major weakness as the North American market approaches saturation. 6. Support Shortage – The number of Netflix users and hacked accounts increased in the first six months of 2020 because people were stuck at home due to Pandemic. To make matters worse, Netflix reduced the support hours. Users were frustrated by the lack of customer support and had to wait longer to recover their accounts compromised from hackers. 7. Raising prices – Netflix has raised its subscription prices, while other new video streaming services such as Disney+ (\$6.99 per month) and Apple TV+ (\$4.99 per month) have introduced their services at much lower prices. Picture Source: Statista 8. Growing operating costs – Adding more content gives Netflix a competitive edge, but the cost of supporting content continues to grow. In 2019, the steamy cost was \$14.61 Billion and the amount has been exceeded from last year's spending of \$12.04 Billion. Image source: Statista Netflix's Opportunities – External Strategic Factors 1. Low – Price Mobile Current Options – Netflix can offer a lower-priced option to attract and retain subscriptions in international markets. Netflix has tested a cheaper mobile-only plan in India that costs only \$3/month. It can expand this cheaper option globally to compete more effectively against cheaper alternatives like Disney+, Apple+, Peacock, and so on. 2. Exploit Ad-Based Model – Google, Amazon, Facebook, and many other service providers make billions in revenue from ads. Netflix can increase its revenue by adopting an advertising-based business model. 3. Expand Global Customer Base – With such a huge current subscriber base, Netflix can leverage many other countries and expand its services and subscribers. They may start targeting those countries where it is currently unavailable. Recently, Netflix expanded its operations and added a few more countries to its operating list. However, it is still not available in China, Crimea, North Korea and Syria. 4. Refresh Content Library – It can expand its content licensing by increasing contracts with various movie distributors. In addition, Netflix should update its content library because it is now producing its original content. 5. Alliances – It can also partner up with different telecom providers and offer package packages in different countries. Alliances and partnerships may prove useful to Netflix. Netflix has previously collaborated with Channel 4. It can form more solid partnerships with local broadcasters. 6. Niche Marketing – Producing region-specific content in their local languages is also another great opportunity for Netflix. Niche marketing has proven beneficial for Netflix. For example, it started an original TV series 'Sacred Games' in India, and the Spanish series 'La Casa de Papel' (Money which are massive Introducing Cheaper Annual Subscription – Whenever Netflix releases new or fresh content, users will often pay for a month only and binge-watch all their favorite shows within a short period. Netflix loses a lot of revenue because users can cancel their subscription once they've gone through all the new content, without any penalty. The company can increase its revenue by introducing an annual subscription with discounts to encourage monthly subscribers to switch to annual plans. 8. Support Black Educational Institutions – Netflix has pledged 2% of its holdings going forward to support Black communities, which amount to \$100 million. Its shows great corporate social responsibility. Netflix Threat - External Strategic Factors 1. Competitive pressure – Netflix isn't the only one providing digital streaming around the world. Its competitor continues to grow every year. Disney+, Apple TV+, HBO, Amazon, Hulu, and YouTube are continuously competing with Netflix by providing repeated access to new and original content to their subscribers. 2. Government regulations – Strict government rules and regulations regarding service providers like Netflix in many countries can be a major threat to them. Netflix's expansion to China, for example, will be unlikely due to its limitation of foreign content. 3. Piracy – Digital piracy is still on top as thousands of people around the world find ways to download media content due to high monthly costs that they can't afford. That's another major threat Netflix faces. 4. Market Saturation – Netflix added 420,000 U.S. subscribers in the fourth quarter of 2019 and below the target of 600,000. In Canada, the target was 218,000 but it added only 125,000 subscribers. For the third quarter in a row, North American subscriber growth has slowed as the market reaches saturation. Netflix will find it harder to add new subscribers in the future due to market saturation. 5. Account Hacking – The number of hacked Netflix user accounts increased drastically in Q1 and Q2 by 2020 with the increase in daily users due to lockdown. If account hacking persists into the future, frustrated Netflix users could mass-revellers into competing companies. 6. Carbon Emission – According to a study by the Shift Project, digital technology has a greater carbon footprint than the aerospace industry. Online video streaming generates nearly 1% of global emissions. High carbon emissions are a major threat at a time and time when countries all over the world are threatened by climate change. They may decide to limit Netflix usage. 7. Authority Pressure due to Capacity Issues – Netflix users are growing rapidly and straining available infrastructures and resources. In March 2020, the EU Commissioner complained about how Netflix's large HD content strained infrastructure and disrupted critical defence and hospitals. Netflix was asked to reduce data in video streams to European users for 30 days and urged users to watch in standard definition instead of HD. Recommendations: The SWOT analysis of Netflix highlights where the brand currently stands and the threats it faces at this time. The following are some suggestions for Netflix that were recommended after this detailed analysis: Leverage new geographic locations by partnering with their local cable providers and streaming their local content as well as international content in different languages. In this way they will get more profit and subscribers. Netflix should try to connect with IMDB, Rotten Tomatoes and other internet services to provide a variety of ratings and other information for their users. To avoid digital piracy, Netflix should strengthen its security and expose who is behind digital They can also provide even more generous subscribe packages for different economic classes. Improve their application and website by providing a more user-friendly interface for their subscribers. References & more information Tell us what you think? Did you find this article interesting? Share your thoughts and experiences in the comments section below. Below.