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Course

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## | NETFLIX

Viable strategic options are developed by a business to outplay its competitors. The strategies can be used singly or collectively to create a strong defensible position to outperform the competitors. The common viable strategies employed by many firms include differentiation, overall cost leadership, introduction of new entrants and focus on a certain market niche or customers. These strategies are core sources of positional advantage to many firms as they clearly define the firm's or organization's position in the industry as a champion either in differentiation or in low cost. On the one hand, a firm should utilize its resources and capabilities to create a competitive edge, which will eventually lead to superior value creation. On the other hand, resource-based view can be seen as heterogeneity on organization's level, which can allow other firms or organizations to sustain a competitive advantage. Resource-based view, therefore, stresses on the strategic choice, thereby charging the upper management of a particular firm with vital roles to identify, develop and deploy core resources in order to maximize the returns.

Core competencies are capabilities that are unique to a firm. These



factors enable a certain organization to achieve a competitive edge or advantage. The core competencies include skills that are exclusively relevant to customers, as well as those that competitively differ from others and those that are not easy to be imitated by competitors. Netflix's core strategy is to broaden their diverse subscription business. Its success has, therefore, pegged on its determination to deliver an excellent customer experience. The customer experience is derived from a wide range of content selection, an outstanding service, a highly intuitive and helpful web site and an immensely compelling value proposition. Netflix's management also believes that they have a competitive edge over the other firms as they offer their clients a unique selection of movies that are available through streaming or through direct mailing for a whole month at a low price. A core competency has helped Netflix to provide benefits for its customers and operate as a unique entity in the market place. For example, this has enabled Netflix to offer high speed streams of TV programmes and movies via the Internet in addition to Blu-ray discs and DVDs that were available for sale or rent after they had been selected on the Internet and delivered via the post. Thus, Netflix is the world's largest provider with subscription of over 12 million and with titles for rental discs exceeding 100,000.

Netflix has entered into partnerships with sources in the television and film sectors to save on the costs. This involves establishment of tight relationships with several entertainment film providers which include the distributors, studios and the marketers. It has obtained content in revenue-sharing agreements, direct purchases or licensing agreements. The revenue-sharing program has provided Netflix with lots of savings which were freed to fund other projects.

Netflix has derived its competitive advantage from a creative combination of discs for rent and streaming, which is created via the firm's Internet service that involves movie recommendation algorithms. This aspect has added value to the way customers use new selections. It has also personalized the way customers interact with Netflix website, and how clients create a list of materials they wish to watch. Netflix has relied on information technology, which enabled them to build a strong and trustworthy web platform compatible to all types of portals and browsers. All these implements sustain a high number of users, thus maintaining a positive brand experience.

Netflix has also created value for its products by enabling subscribers to have an unlimited view of films and TV episodes on their TVs or on their PCs. This has enabled customers to enjoy a wide range of various pricing models. Moreover, they do not face late fees, due dates, pay-per-view costs and separate postage charges. Furthermore, Netflix has employed the use of a process known as throttling whereby the firm balances between the users of both frequent and infrequent distribution and shipping requests of the customers. This strategy is employed to attract new or infrequent users.

It is necessary to guard against slowing down of domestic growth; hence, a company has to ensure that the monetary policy support should be recognized as being important to be deemed appropriate to the prevailing domestic conditions. Thus, to prevent negative effect on monetary policy, fiscal measure should be used for a stimulation of a domestic demand to reach a rapid effect. This should be done while maintaining a framework of policies that are conducive to fiscal

sustainability. Strict actions should be taken to make the financial systems stable. Interest rates have to be lowered so as to foster investments in things like infrastructure.

Rapid technological advancement is risky in the anticipation of a lower long term market growth. Technology will complicate the operations and deny the subscribers a human feel of their supplier. Consequently, customers will be in a position to access the same services from other providers with a lot of ease due to advanced technology. This will reduce the market share of Netflix or other major companies in the same field. Competition pressures are expected to mount up from existing and emerging service providers in the same field. Firms will have to devise various strategies like using a third party services in order to control competition and gain more shares from the diminishing market. Use of a third party may lead to failure due to vulnerability of the firm's and third party's computer systems.

There are various recommendations that are made to help Netflix maintain its growth to remain on top of the market. The strategies that can be adopted should be based on the developments in technology and changes in behavior of customers and rising competition. In my view, I would encourage Netflix group to utilize their core competencies to outperform their rivals. The company has competitive advantages such as resources, utilization of core competencies, skills and capabilities.

An integrated strategy that has enabled Netflix to succeed is the adoption of a unique culture that supports flexibility, freedom and performance. Netflix has adopted the culture of responsibility and freedom, which was



founded on seven key principles or values. These approaches consist of high performance, loose couple, uncontrolled content, high alignment, freedom and responsibility, development and top of the market sales, and promotions. This strategy is very successful for Netflix as evidenced by the increased number of subscribers. Hence, it also involves the increase in revenue and net income. The firm's failure to attract other new subscribers is seen as a challenge. Nevertheless, Netflix managed to solve issues by placing a high priority in valuable service, providing competitive services and enforcing a culture which encourages freedom, flexibility and performance. This worked out because new customers were acquired. The strategy of freedom, development and responsibility has ensured that key strengths of Netflix are maximally utilized. The strong points include high level of subscribers' satisfaction, the ability to offer tailor-made services, economies of scale due to a large number of users in the customer base, and its strong capability to manage supply of the firm's titles effectively. This strategy is environmentally friendly as it does not have direct stress on the natural environment or ecosystem.

