

COMPETITION IN THE INDUSTRY: STRONG FORCE

- New entrants have noticeable barriers because of the costs and low profitability.

- Big companies such as Amazon, Disney+ or HBO, Apple TV and recently Paramount+ are threatening competitors who have the financial capacity to acquire and offer relevant content and services.

- Strong competitive intensity with Amazon Prime which in 2022 overtook Netflix for the first time in terms of market share in the United States but remains the world leader with 27.3% of market share compared to 24.3% for Prime Video.



5 Porter Forces Analysis

The threat of new entrants: MODERATE

- Barriers to entry fairly low for established organizations in the entertainment industry
- Attractive market for big players that is increasing the threat of new entrants (Ex with Paramount who recently launched its own streaming platform).

- However, Initial costs of investment are very high and make it difficult to enter for new entrants that are not already in the entertainment industry.
- Difficulty in acquiring licenses for streaming media.



Threat of substitute products: MODERATE

- Substitute products like Cinema or TV broadcasts tends to be less important from year to year. In UK, the average viewing time for TV broadcast went from 242 min in 2010 to 192 min in 2019. On the other hand, viewing time for subscription videos on demand rose from 7min in 2019 compared to 2017.

- The declining of the physical entertainment industry was also accelerated by Covid 19. For example, during the pandemic, the number of subscribers of Netflix increased by about 16 million whereas revenue for Cinema dropped from \$42,3 billion in 2019 to \$12 billion in 2020.

5 PORTER FORCES ANALYSIS

Power of suppliers: MODERATE

- Netflix produce their own films: 38% of the platform's films were already produced by themselves in 2018.
- But since there are a few suppliers in this industry, their power is high.

Power of buyers: STRONG

- Low switching costs so the bargaining power of buyers is high, they are not tied to contracts
- Price sensitive industry because a lot of competitors offers similar services

- With content moving to other suppliers, viewers follow the content to other platforms.
- High power of buyers because of how easy it is for viewers to join and cancel subscriptions.

key success factors to build a competitive advantage in this industry.

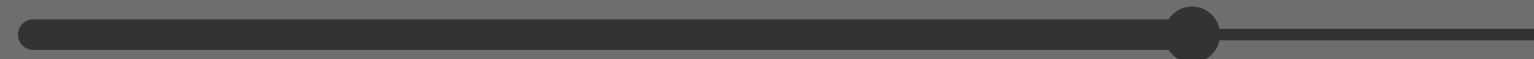
Netflix possesses the ability to manage risks and exploit the opportunities that arise from the diversity of the global environment by investing in its external relationships across markets to offer direct access.

It not only uses technology to reinvent how content is watched but how it is made. The app allows Netflix productions to source local crews outside the United States at a lower cost.

The main asset that Netflix is delivering to customers is content. In-house content capabilities equipped Netflix to competitively source or outsource content using the revenue generated from subscribers that gave it the ability to go directly to producers or negotiate better outcomes with third parties. By producing its own content, it gained scalability benefits of retaining global rights and leveraging its proprietary viewer data to select and price content its subscriber finds attractive.

Netflix can stay at the forefront of the rapidly changing industry as it delivers a compelling value proposition to consumers and is constantly innovating and developing new methods to sustain, enhance, and improve the user experience.

Netflix pursues a different model with effective and profitable ways of succeeding in the entertainment industry through using new technologies to create engaging stories and using the right business models to bring these stories to subscribers





1. Investing in original content

We made additional research and According to Variety sources, Netflix plans to invest about \$15 billion on content in 2019. Below that, about 85% of new spending is reserved for original content, which puts him above \$12 billion. This investment is clearly higher than competitors such as Amazon, Hulu and HBO Now. This is why Netflix had a top level of customer satisfaction surveys.



2. Flexibility

The biggest advantage Netflix offers to its customers is the convenience of watching all its content. View content on demand on any screen. Netflix ensures a seamless experience of personalized taste.



3. Variety of Options

Netflix subscribers have the opportunity to acquire a wide variety of movies, TV series and documentaries from our distribution partners. This regularly opens up new options that attract millions of customers.



7. Personalized experience algorithm

Netflix knows what we see on this platform every day. We are aware of when we are watching and how many episodes of a particular show. This is how their machine learning works. Netflix uses machine learning efficiently to help its algorithms learn. This machine learning allows the platform to automate millions of decisions based on user activity. Without this recommendation engine, users would spend a lot of time searching for the movies and TV shows they want. For this reason, Netflix's recommendation engine is critical to the platform's success.