IRA International Journal of Management & Social Sciences
ISSN 2455-2267; Vol.08, Issue 02 (August 2017)
Pg. no. 152-161
Institute of Research Advances
http://research-advances.org/index.php/RAJMSS

Netflix: An In-Depth Study of their Proactive & Adaptive Strategies to Drive Growth and Deal with Issues of Net-Neutrality & Digital Equity

Gautam Kumar Mandal[1#], Fabio Diroma[2], Prof Rekha Jain[3]
[1]PGP-2 Student IIM Ahmedabad, India.
[2]MSc Bocconi University, Italy.
[3]Professor- Computers and Information Systems Group, IIM Ahmedabad, India.

[#]corresponding author.
Type of Review: Peer Reviewed.
DOI: http://dx.doi.org/10.21013/jmss.v8.n2.p3

How to cite this paper:
Mandal, G., Diroma, F., Jain, R. (2017). Netflix: An In-Depth Study of their Proactive & Adaptive Strategies to Drive Growth and Deal with Issues of Net-Neutrality & Digital Equity. *IRA-International Journal of Management & Social Sciences* (ISSN 2455-2267), 8(2), 152-161. doi:http://dx.doi.org/10.21013/jmss.v8.n2.p3

ABSTRACT

Netflix has been on the rise since its beginning in 1997, when one sees it from a distant perspective. However, a close analysis of its unique strategies shows that the company faced several small and big challenges in its growth journey, some of which, had the potential to throw the company away permanently from the market itself. Nevertheless, it responded tactically to all such issues, many of them being dealt in preventive and pro-active manner; while other cases being dealt with quick reactions, essentially faster than any other competitors. This report is a study of many such issues that the company faced, since its beginning till recently, when it almost conquered the whole world, after establishing its feet in China as well, in collaboration with the service provider Baidu. The report also entails some unique strategies that the company followed while continuously and marginally changing its business model, which would seldom be possible in a brick-mortar economy. As such, the company made use of its deeper understanding of how markets react in an internet economy. Effort has been made to throw some light on the way the company has dealt the issues of digital discrimination allegations against it, and also its stance on net neutrality. Finally, some of the challenges and opportunities that the company has encountered recently, including the lawsuits has been touched upon, presenting the company's as well as outsider media's view on those, and has been concluded with potential problems and future aspects.

Keywords: Streaming media, video-on-demand, digital discrimination, net neutrality, proactive strategies, Netflix

Methodology Used & Source of Data*:* Secondary research (literature, articles, company official press notes, company public speeches & videos), Primary research (survey sent to 200 global participants, expert interviews), Annual Reports, Qualitative analysis frameworks for understanding intangible losses.

Netflix as an Entertainment Company

Netflix started as an entertainment company in the US and it specializes in providing streaming media and video-on-demand online and DVD by mail. But has its growth means and rate been like any other so-called disruptive firm? Certainly not. As per the company reports of July 2017, Netflix currently has103.95 million subscribers worldwide, including 51.92 million in the United States itself.**[1]** However, it is worth mentioning that the company never had a single point mantra for its growth. The growth of Netflix with respect to its prime business model & the method of customer acquisition has varied substantially over the time period from 1997 to 2017. It has been a highly agile and pro-active company not only in its growth front, but also in dealing with the criticism it has faced time to time.

Netflix was founded by Reed Hastings and Marc Randolph on August, 1997, in Scotts Valley, California. Currently, it has its headquarters in Los Gatos, California. The core business has been media streaming and on-demand videos, but, in 2013, Netflix ventured into television and film production, along with online distribution. **[2]**

Brief Summary of Netflix's business model& its expansion: The initial business model included DVD sales and rental, although Hastings jettisoned DVD sales about a year after Netflix's founding to focus on the DVD rental by mail business. (**[3]** Keating, Gina, 2012 "Netflixed: The Epic Battle for America's Eyeballs" New York: Penguin. p. 47.). Thenceforth, in parallel with its consolidated rental service of Blu-ray and DVD, the company expanded its spectrum of business areas introducing media streaming,

Next step followed was expanding internationally; with streaming made available to Canada in 2010 ("Netflix launches Canadian movie service". *Canadian Broadcasting Corporation Report 2011***[4]**). It continued growing its streaming service to other countries and by January 2016, Netflix services operated in over 190 countries (Wall Street Journal, "Netflix Expands to 190 Countries", Amol Sharma, EzequeilMinaya**[5]**)

In the table below, we have **chronologically summarised the international expansion** of Netflix, which has a user interface of over 20 languages now. It has been built from data collected from CBS Interactive Report, 2016, "Netflix goes live in 130 new countries" and few other sources for individual countries **[6].**Please see the table next page.

2007	Netflix starts its online streaming operation in the US
2010	Netflix start its expansion abroad, by taking off broadcasting operation in in Canada
2011	The service is expanded in the Latin American and Caribbean Island market
2012	Netflix service lands over the sea, January 4 its time for the English speaking market of United Kingdom and Ireland. In September of the same here, the Scandinavian countries are targeted
2013	The company gradually slows down expansion due to raising costs. The only new country where it becomes available is The Netherlands
2014	Netflix is in France, Austria, Belgium, Germany, Luxembourg, and Switzerland.
2015	Netflix pushes its operations worldwide, by adding to Australia, New Zealand, Japan, Italy, Portugal, and Spain.
2016	Only 6 years after crossing the American borders, Netflix announces at Consumer Electronics Show that is serving everywhere in the world apart from China, Syria and Crimea.
2017	In April 2017, Netflix manage to reach a deal to broadcast also in China: they will be in partnership with a local streaming platform, iQiYi, owned by the technological giant Baidu. In a quick escalation, Netflix has been able to serve customers all over the world.

Table: Chronological International expansion of Netflix

In the meantime, Netflix entered the content-production industry in 2013, debuting its first series, House of Cards in February, 2013. As per the report of USA today, "*Netflix chief bulks up on series (600 hours!)" in 2016*,It has since then greatly expanded the production of both film and television series and had started offering a new value proposition, called "Netflix Original" content, with the help of its online library of films and TV. **[7]**

The extent of expansion that Netflix has undergone today can be judged from the fact that Netflix had released 126 original series or films in 2016, while no other channel or media remained close to it, and is aiming towards a content monopoly.

Net Neutrality and Netflix

We shall first understand the contemporary idea of net neutrality, and then analyse the same in the context of Netflix. When we go online we have certain expectations. We expect to be connected to whatever website you want. We expect that our cable or phone company isn't messing with the data and is connecting we to all websites, applications and content you choose. In essence, we expect to be in control of our desired internet experience.

This expectation gives rise to the core concept of net neutrality. Net Neutrality is the basic principle that prohibits internet service providers like AT&T, Comcast and Verizon from speeding up, slowing down or blocking any content, applications or websites you want to use. Similarly, for firms like Netflix, they should not be throttling or speeding up contents, prohibiting contents from any segment- this is what builds the idea of net neutrality. As such, net neutrality is the way that the internet has traditionally worked.

In the context of Netflix as well, the Netflix debate holds a lot of relevance. In fact, the firm must maintain a credible reputation in such debated matters for its sustained acceptance across a wide customer base. In 2015, millions of activists pressured the Federal Communications Commission (FCC) to adopt historic Net Neutrality rules that keep the internet free and open. This would allow one to share and access information of ones choosing without interference. Let us analyse how the situation has changed over time, and how has Netflix responded to the same. Netflix has tried to maintain a popular image all this while (based on the primary research findings which concluded that the number of internal meetings and communication inside the company regarding net neutrality related initiatives, increased by over 300% in the last 3 years).

However, the previous win of the activists of net neutrality is now under jeopardy. As per the July 12, 2017 issue of 'The Guardian' it is evident that Trump's FCC chairman, AjitPai, wants to destroy Net Neutrality. He is against open internet, and unfortunately, on May 18, the FCC voted to let Pai's internet-killing plan move forward. Now the compliance requirement may have become easier for the competing firms, but for a reputed company like Netflix, changing their strategies must examine other repercussions also; and it may just not be possible for them to give a hint of discrimination to the customers right away.

Many experts of the sector are of the opinion that Internet Standard Providers should try to democratize as much as possible network access, instead of obstructing or openly discriminating against the content streamed over those networks. After February 2015, enaction of *Title II legal foundation* strengthened this pressure This meant that even though there may be a better way of market segmentation and targeting the customers for Netflix, they could not simply do it so as to comply with net neutrality rules.

To quote Google Chairman Eric Schmidt, he has aligned Google's views, which is now a popular view, on data discrimination with Verizon's views as follows: "I want to be clear what we mean by Net neutrality: What we mean is if you have one data type like video, you don't discriminate against one person's video in favor of another. But it's okay to discriminate across different types. So you could prioritize voice over video. And there is general agreement with Verizon and Google on that issue." It is clear that discrimination between data types should not be a major issue with companies like Netflix, but they must take care within data type i.e. video in their case**.[8]**

Research tells that a mixture of policy instruments will help realize the range of valued political and economic objectives central to the network neutrality debate. (*Bauer, Johannes; Obar, Jonathan A. (2014).* "Reconciling political and economic goals in the net neutrality debate". *Information Policy. **30** (1): 1–19.***[9]***)* Combined with strong public opinion, this has led some governments to regulate content and online media providing firms, similar to the way electricity, gas and water supply is regulated. Now that Netflix exists in 190 countries, they must create a different business plan for all of them depending on government regulation which if not managed properly, is a major challenge.

Netflix Content Strategy

As mentioned earlier, Netflix has either been pro-active or highly reactive in their approach to share content. An April 2017 article of Forbes analyses its content strategy with intriguing parameters such as originality, trend & audience identification. As a matter of fact, Netflix's results of 2017 have been highly supernormal. But there has been some disparity in the domestic and the international performance, which may be due to their content strategy.

In the international subscribers' market, the firm has continued its strong run with significant growth. However, in the domestic subscriber market, the company's growth has been slowing down, mainly due to intensified competition in the streaming segment. Essentially, the differentiators in the content sharing strategy were less in number and novelty in the domestic market. The company was still able to add around 1.5 million domestic subscribers in the first quarter. (Forbes 2017, "A closer look at Netflix's content strategy**[10]**).

Competitive Focus*:* Now let us analyse the difference in content strategy from its competitors. Players such as Hulu and Amazon invest heavily in quality content, which means that the battle of streaming shall be fought mainly on the basis of originality of the content. Secondly, Amazon is looking to acquire live sports broadcasting rights and hence vying for this segment would render the Netflix earn lower profits. As a result, Netflix has been clear that their prime focus shall remain on quality TV shows (especially popular stand -up comedy) and movies (they recently hired Scott Stuber to lead its original film initiatives). The aim is to build a portfolio of movies which will attract and retain viewers and optimize the cost of licensing these movies in relation to the number of subscribers who watch them. This strategy has been implemented in the recent past in every new country they have approached.

Hence to sum it up, Netflix's content strategy has had three key pillars:

1. Original Content
2. Stand Up Comedy and other popular TV shows
3. Movies with high ratings

As per the 2017 letter to its shareholders by Netflix, they have agreed that they will work on a wide variety of content to satisfy the diverse tastes of its international audience. They have also changed their approach based on the legal complications for each geography. Additionally, they are not looking to stream live events or sports in order to drive growth. As mentioned above, they are also increasing its focus on stand-up comedy, which it believes can be a key growth driver in future. Finally, the company has categorically stated that its focus is on "on-demand commercial free viewing rather than live, ad-supported programming." This strategy shall let Netflix be different from its competitors and help them lure more subscribers.

Budget decisions are also dependent of the content strategy of Netflix. As per a 'Business Insider" report of April, 2017, while firms like Amazon and Hulu are increasing their content budgets, and Amazon's budget is very close to that of Netflix (See graph below), there is a key difference. The strategies in allocating these budgets are likely to differentiate the two giants.

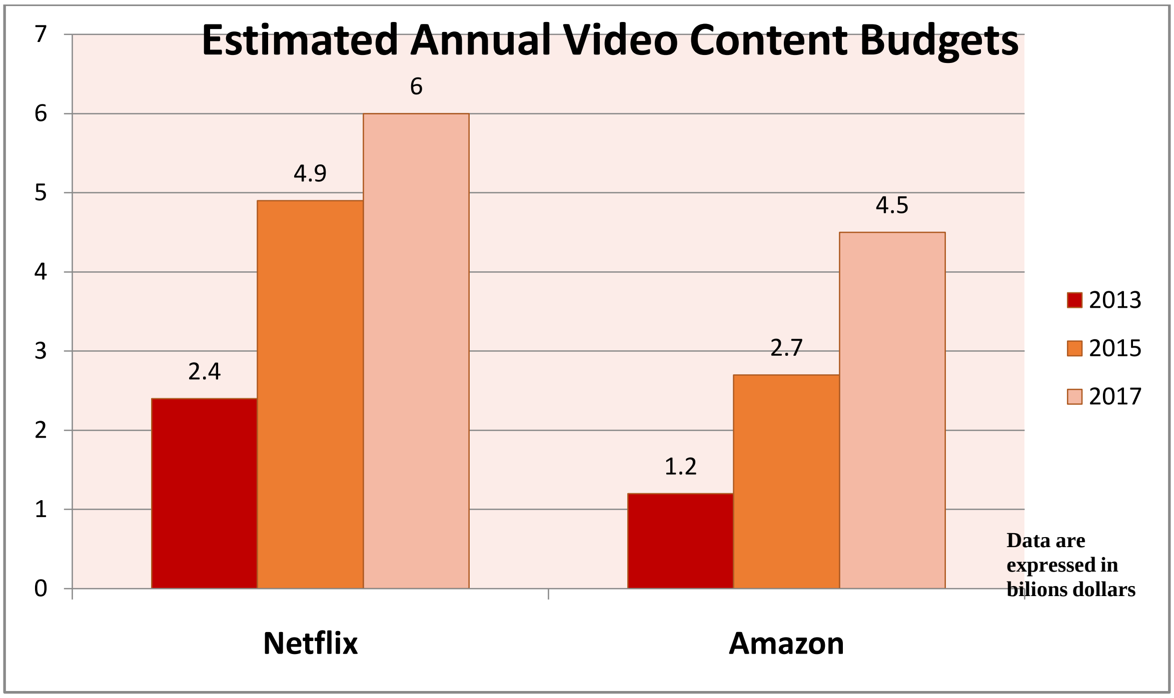


Figure: Data source for graph: Business Insider April 2017, Complied by 2013 & 15, HIS Markit. [11]

And the strategies are as analysed earlier- Netflix is establishing its identity as an on-demand content provider rather than a live streaming player. It is expected that this kind of strategic focus shall lead to a continued and long term growth for Netflix.

Service Decisions: How does Netflix design its Service Approach?

After analysing the content strategy of Netflix, let us look at a closely related aspect of decision regarding how to deliver these contents i.e. their service decisions. Netflix's video on demand streaming service, formerly branded as Watch Now, allows subscribers to stream television series and films via the Netflix website on personal computers, or the Netflix software on a variety of supported platforms, including smartphones and tablets, digital media players, video game consoles, and smart TVs (Falcone, John P. (May 9, 2008). *"Netflix Watch Now: Missing too much popular content"*. CNET.**[12]**)

The Nielsen had conducted a survey in July 2011 to understand the usage patterns of devices of the customers. It was obtained that 42% of Netflix users used a standalone computer, 25% used the Wii, 14% by connecting computers to a television, 13% with a PlayStation 3 and 12% an Xbox 360. (NeilsenWire Survey *"What Netflix and Hulu Users are Watching, 2011***[13]**).However, the pattern has changed since then.

Netflix's way of providing services was unique and they always used pro-active marketing techniques. For example, when the streaming service first launched, Netflix's disc rental subscribers were given access at no additional charge. Subscribers were allowed approximately one hour of streaming per dollar spent on the monthly subscription (a $16.99 plan, for example, entitled the subscriber to 17 hours of streaming media). In January 2008, however, Netflix lifted this restriction, at which point virtually all rental-disc subscribers became entitled to unlimited streaming at no additional cost (however, a restriction to two hours of streaming per month remained on the subscriber of the cheaper plan of two DVD per month, sold at $4.99). This change came in a response to the introduction of Hulu and to Apple's new video-rental services. (San Francisco Chronicle, “Netflix Expands Internet Viewing Option”, 2008**[14]**).

With the changing demands and tastes of the consumer, Netflix has shown its proactivity yet again in last couple of years. Netflix has splitted the DVD rental subscriptions and streaming subscriptions into separate and standalone services, and now the monthly caps on Internet streaming has been lifted. (DailyNews.com, “Netflix lifts limits on streaming movies”, 2016.**[15]**)

Binge Watching & Current Services: Now let us study the current service plan system of Netflix in the wake of increased ‘binge Watching Behaviour’ of the consumers. Netflix service plans are currently divided into three price tiers so as to suit the watching behaviour of most groups of consumers:

1. Single device, Definition- standard
2. Two devices simultaneously, Definition- High
3. 4 devices simultaneously, Platinum Plan, Definition- 4K or high

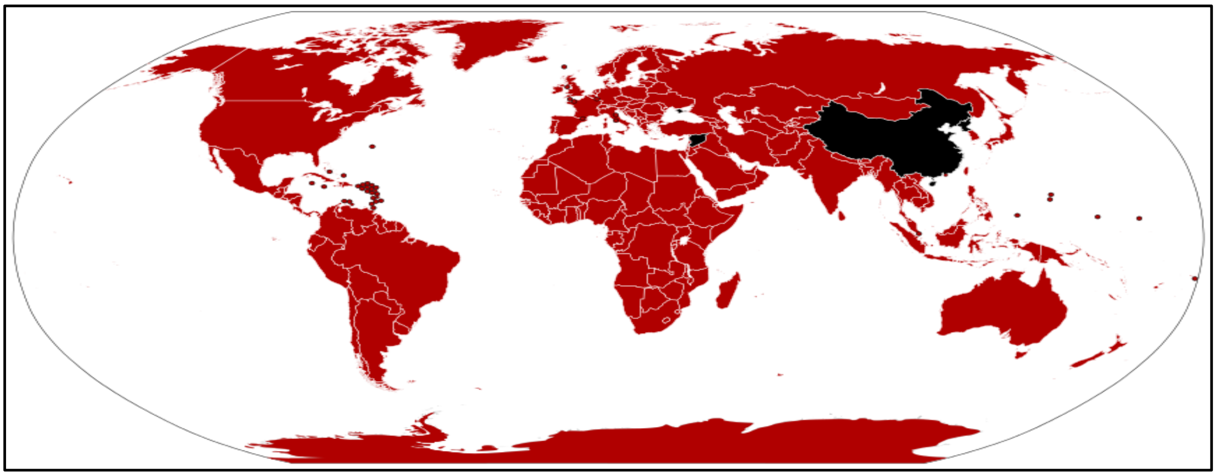
However, for 4K streaming, the device should also support the same.

***Price Discrimination in the Internet Economy**:* It is interesting to note the kind of price differentiation Netflix has used very efficiently. When in 2014 it revised the existing earlier price range for the HD subscriptions, it started a differentiation between the new and the old users. Earlier users were charged 8 dollars while all the new users were to be charged 10 dollars, as announced in the month of April. The old users would be in a relative advantageous position as they could go on with the earlier price regime till the end of two more years in 2016. The offer for them would end in the month of May. From the month of June, they would have the option to go down the grade to Standard definition from HD. Alternatively, they could continue with their access to the HD streaming by paying the new range of fees as decided. This was an brilliant use of price discrimination by Netflix as it not only served them with better revenue generation, but also help feel their customers good about the offers as token of loyalty or early adoption. (CBC News, “Netflix to phase out $7.99 HD plan for long-term members starting in May:” 2016**[16]**).

This was an excellent way of price differentiation used by Netflix. Note that this kind of effective price differentiation has been possible easily in internet economy as here it is possible to associate the customers with two different group based on the kind of subscription they have. This would have been impossible or very unusual in the brick-mortar economy. To drive growth, creativity has been shown by Netflix based on their expansion to various countries (see figure below), and all these countries may not have a large number of users with 24 hours’ internet facility.

As a result, they launched an offline playback feature, allowing users of the Netflix mobile apps on Android or iOS to cache content on their devices in standard or high quality for viewing without an internet connection, in Nov, 2016. However, they have taken care to start with availability of this feature just in selected series and films, and they shall go on increasing the scope based on the customer response and their own technical build-up. (Chicago Tribune, 30 Nov 2011, “Netflix unveils download feature for offline binge-watching” **[17]**).

Figure: Countries where Netflix was available in Jan, 2016. China also has Netflix now (with Baidu, 2017);



Source: Business Insider, Jan 08, 2016[18]

Dealing with issues of social equity and associated controversies:

Netflix gathered a great controversy in 2011. It was during its initial launches in Canada and in Latin America. In September of that year, as mentioned in the report above as well, the company decided to switch to two separate plans (one for streaming and one for DVD), hiked its prices accordingly, and attempted a move to two websites (one for streaming and one for DVD rentals). The change to its business model was accompanied by a loss of approximately one million American users and a plunging stock price. (Netflix Annual Report 2011 **[18]**).

The change in the stock price was phenomenal. Prior to announcing the change to service stock was valued at just around $300, after the price it plunged to less than $53 a share. (Masters, Kim, 2016, “The Netflix Backlash: Why Hollywood Fears a Content Monopoly”**[19]**). The Hollywood Reporter. Retrieved 18 September 2016.Prior to this debacle, Netflix had been having its most successful quarter, mainly due to the decision to expand to Latin America. The company quickly lost all the money it made in the quarter it announced growth to Latin America, was forced to apologize, and rethink its changing model. This also tested the adaptive abilities of Netflix, and led to some reputational loss as well. A cost benefit analysis (CBA) can be done for the same if we assign the costs to al such intangible losses by developed qualitative research methods.

Aftermath: The company was forced to rethink its strategies. First, it began work on producing its own original content – announcing its adaptation of House of Cards in 2011 for a 2013 air date and its revival of Arrested Development in 2012 for a 2013 air date. Second step taken was an aggressive international expansion, and merge this with the first step to create synergies as well. Netflix took care to retain control of their rights of distribution in most part of the expansion geography.

Other Issues of discrimination: From our secondary sources, we discussed about how Netfix dealt all such controversial situations and how was the decision making affected at such times. It was understood that allegations of ‘Digital Discrimination’ in some modern companies like Netflix, Disney, Peapod Grocery etc, have been serious affairs, and these could be analysed not only from the perspective of internet economies but also from the viewpoints of "sustainability & negative externality related concepts". This would be possible if we could do a cost-benefit analysis, as mentioned earlier, based on methods presented in qualitative research for businesses involved in such opportunities/practices, by assigning certain costs to the unaccounted losses & benefits (reputational loss, societal disutility etc). However, touching on the cost assigning part is beyond the scope of this project report, and we shall just do an investigative analysis on the areas in which these discriminatory practices were alleged. One such area was that Netflix had been doing discrimination to the persons with disability.

In fact, not only Netflix, but many other big companies like Disney and Target have all faced lawsuits alleging their websites offer poor accessibility for the disabled (or certain other class of people).It is well known that US legal guidelines are supposed to change by the end of 2018 only, and not immediately, and these companies do not want to modify any of their business strategies as of now, mainly because in legal terms they are mostly compliant to the norms.

In a similar landmark case, where the US department of Justice alleged last year that Peapod – one of America’s largest online grocers – had discriminated against people with vision loss, hearing loss and limited manual dexterity. This is also one kind of digital discrimination that is similar to the one alleged with Netflix. The common understanding is that many companies in their pursuit of creating quick competitive advantages in this internet economy, have found opportunities in legal loopholes & secretly adopted digital discrimination as a means to better targeting of customers, from pure profit maximization objective.

In an attempt to identify secondary sources as lead papers, it was realised that this area has not been widely researched for many companies as of yet. One very recent HBR article also highlights such issues in many companies (Larry Downes, 2017**[20]**). This holds importance for Netflix, as it claims to be at the frontier of modern world customers. Hence, they cannot risk staying away from any sociological trend that is driving the market sentiments. Netflix has been a pro-active company, but they also need to be pro-active in understanding the market sentiments of the customers even in issues which are not directly related to their business model.

Does Netflix need to be aware in these social issues as well?

In the previous section, we concluded how it is important for Netflix to go beyond their own business area in understanding the customers. However, let us view this from the internal perspective of Netflix management. As per ‘The Verge’ report of May, 2017, Netflix CEO Reed Hastings, communicated that Net Neutrality and digital discrimination was not their primary battle. Essentially, the stance of Netflix has been changing in the net neutrality debate, possibly due to Trump’s administration. Reed Hastings addressed the fact that Netflix has been completely quiet about these issues now, compared to how vigorously they defended net neutrality in previous occasions of debate.

This change in their stance is very important to be understood. It is evident that today's Netflix is a very big and powerful company. It thinks that such debates are now very less important to them because they are big enough to get the deals they want. (Recode's Code Conference, Reed Hastings Speech, May 31, 2017**[21]**). As mentioned in the reports, It was an honest and candid admission: no matter what FCC decides to do with Title II, Netflix isn't worried about its ability to survive. Kindly note that such a stance may not be true for a new or non-established player, for example, Hotstar in India, as they have high vulnerability.

Strategies that Netflix can teach others

Finally, let us analyse just some of the strategies that other companies can learn from Netflix. As per the Market-Realist reports, in May 2017, Netflix saw its stock price jump a massive 30%, which is extremely impressive. (Also see the financial reports table presented below). However, if we go back to the roots of this, the key driver behind this rise was Netflix's decision to increase its video subscription fee by $1.00, which can be marginally thought of as a small amount. This is because they have large customer base, and they knew the behaviour of the customers. As per their survey, 73% customers told about the increase that they were either very less likely to cancel their subscriptions.

Another intelligent action that Netflix has always taken is that of building strategic partnerships. For example, Netflix's partnership with Apple. Netflix allowed the owners of the Apple TV set-top box to sign up for Netflix directly. They could even pay for the service through their iTunes accounts. This deal, was reported for Netflix to be an opportunity to access Apple's large customer base while for Apple, it was a chance to provide their customers with more content in a convenient way. (Predictable Profits Report, April 2017**[22]**).

US Over-the-Top (OTT) Video Service Users, by Service Provider, 2014-2019

	2014	2015	2016	2017	2018	2019
OTT video service users (millions)						
YouTube	163.5	170.7	176.1	180.7	184.7	187.8
Netflix	94.9	114.3	126.9	134.9	139.4	143.0
Amazon	57.4	65.2	73.2	79.9	85.1	88.6
Hulu	51.6	59.9	67.0	73.7	78.8	82.2
Total	**173.0**	**181.0**	**186.9**	**191.9**	**196.2**	**199.6**
OTT video service user growth (% change)						
Netflix	19.7%	20.4%	11.1%	6.3%	3.3%	2.6%
Hulu	23.7%	16.2%	11.8%	9.9%	7.0%	4.3%
Amazon	16.1%	13.5%	12.3%	9.2%	6.6%	4.1%
YouTube	5.4%	4.4%	3.2%	2.6%	2.2%	1.6%
Total	**5.6%**	**4.6%**	**3.3%**	**2.7%**	**2.3%**	**1.7%**
OTT video service user penetration (% of OTT video service users)						
YouTube	94.5%	94.3%	94.3%	94.2%	94.1%	94.1%
Netflix	54.9%	63.2%	67.9%	70.3%	71.0%	71.7%
Amazon	33.2%	36.0%	39.2%	41.6%	43.4%	44.4%
Hulu	29.8%	33.1%	35.9%	38.4%	40.2%	41.2%

Note: individuals of any age who watch video via any app or website at least once per month that provides streaming video content over the internet and bypasses traditional distribution; examples include Hulu, Netflix and YouTube
Source: eMarketer, Oct 2015

Source: eMarketer, Oct 2015, Retrieved from Forbes article, July 31, 2016 [23]

The last thing worth mentioning here is the relevance of values that Netflix provides to its customers. As per CEO Reed Hastings, the secret to Netflix's success is that it adapts to its user's requirements closely. For example, the Netflix recommendation engine is very good at predicting what types of movies people are likely to want to watch. This is data analytics at use in best possible manner. As a result, 60% of the movies that are added to subscribers' queues come from recommendations. To quote Reed Hastings, "Netflix is more than just a movie rental service, It's a place where you can find the right movie for you to watch"**[24]**

Future Aspects

While Netflix as an adaptive firm has been a highly successful company but as it goes into future with such a widespread reach, there are few things that it should take care of. This section looks into the reasons that trouble Netflix in the near future in the international markets.

Netflix has been changing its stance in the past especially with matters as important as net neutrality. While such matters may with the immediate strategic requirements of the firm, it possesses a danger of reputational loss and of being perceived as an opportunist firm. This may be seen as a case where the firm is only concerned about its own profit and expansion plans and does not fully relates itself with the issue of digital equity. This gives a message that digital equity is important for the firm only as long as it gives them direct benefit. In the modern era, many companies have faced such flak as the users have become more sensible, liberal and educated in these issues.

As per the July 2016 reports, it has been conjectured that the failure to promptly provide the content as per the needs of local population can be a source of trouble for Netflix in future. Mobile app market, for example, is popular today because they provide highly localised services. This is true for most of the firms competing in the internet economy. Hence, Netflix as well should try to make its content as localised as possible, especially in nations like Germany and France, where the local players have beaten Netflix in understanding the needs of the viewers and then providing targeted contents accordingly. (Business Insider **[25]**) Moreover, it must also ensure that it is able to cross the language barriers while communicating its value proposition. Netflix has most of its content in English. This can impact it badly in places like Russia where only 5% English speakers are there (2010 census)

An analysis from Hambrick's framework of strategy diamond for Netflix as a firm may suggest that the economic logic for the supernormal profit of the firm could be premium pricing. However, it is worth taking care that the strategy diamond for Netflix must vary across international geographies. It just cannot go on and charge a high price in countries where online streaming is not yet very popular, or the countries which are developing and consider on-demand videos as a luxury item. Unfortunately, Netflix has not quite been doing that and have summarily charged higher prices even in those markets. Observing this as a flaw in the marketing strategy of Netflix, local players may cash in and Netflix must be aware as well as adaptive in those markets also.

Finally, while Netflix boasts of its strong systems worldwide, the method of payment or the procedure used may be very complex for certain geographies. The broadband infrastructure has also been accused to be of substandard quality in some of the markets. The logistical elements of the Netflix can be considered as a very expensive thing in many emerging markets, unlike how it is considered in USA. Hence, the company will need to adapt itself not only to deal in a balanced manner with the infrastructure providers, but also with those who help maintain their payment systems as per the payment behaviour of the people in those countries.

As the company has always been highly pro-active and efficiently reactive in the strategies that it has adopted, this can be believed that with a certain level of effort, Netflix can achieve solutions to its existing and future problems as well.

References

[1] Netflix Shareholder letter, Q2, 2017;
Retrieved from: http://files.shareholder.com/downloads/NFLX/4303980673x0x949716/CFB029CB-65E5-43D3-A87D-998FEFAA64C0/Q2_17_Shareholder_Letter.pdf
[2] John Rose, BCG Report, June 2016, "The Future of Television: Where the US Industry Is Heading"
[3] Keating, Gina, 2012 "Netflixed: The Epic Battle for America's Eyeballs" New York: Penguin. p. 47.
[4] 'Netflix launches Canadian movie service'. Canadian Broadcasting Corporation Report 2011.
[5] Minaya, Ezequiel; Sharma, Amol. "Netflix Expands to 190 Countries". The Wall Street Journal. ISSN 0099-9660.
[6] Netflix goes live in 130 new countries. CNET. CBS Interactive.
[7] USA today, "Netflix chief bulks up on series (600 hours!)" in 2016
[8] Goldman, David (5 August 2010). "Why Google and Verizon's Net neutrality deal affects you". CNN Money. CNN.
[9] Bauer, Johannes; Obar, Jonathan A. (2014). "Reconciling political and economic goals in the net neutrality debate". Information Policy. 30 (1): 1–19.
[10] Forbes 2017, "A closer look at Netflix's content strategy
[11] Business Insider April 2017, Complied by 2013 & 15, HIS Markit.
[12] Falcone, John P. (May 9, 2008). "Netflix Watch Now: Missing too much popular content". CNET
[13] NeilsenWire Survey "What Netflix and Hulu Users Are Watching, 2011
[14] San Francisco Chronicle, "Netflix Expands Internet Viewing Option", 2008
[15] DailyNews.com, "Netflix lifts limits on streaming movies", 2016
[16] CBC News, "Netflix to phase out $7.99 HD plan for long-term members starting in May:" 2016

[17] Chicago Tribune, 30 Nov 2011, "Netflix unveils download feature for offline binge-watching"
[18] Netflix Annual Report 2011, Retrieved from: https://ir.netflix.com/annuals.cfm
[19] Masters, Kim, 2016, "The Netflix Backlash: Why Hollywood Fears a Content Monopoly"
[20] Larry Downes, HBR, 2016, The Tangled Web of Net Neutrality and Regulation
[21] Recode's Code Conference, Reed Hastings Speech, May 31, 2017
[22] Predictable Profits Report, April 2017, Netflix-Apple partnership
[23] eMarketer Report, June 2016, US over the top video service users' data of 2012-19
[24] Reed Hastings, "Netflix is more than just a movie rental service, It's a place where you can find the right movie for you to watch" quoted from Predictable Profits Report, 2017
[25] Mclone, Nathan, Business Insider, July 2016, 'The 4 big challenges to Netflix's grand plan for world domination'