Strategy for Growth and Market Leadership: The Netflix Case

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This case study is from Netflix, which started in 1997 as a small online DVD rental company in Scotts Valley, CA, U.S.A. In 2022 Netflix was available Internet-connected with over 221 million subscribers. In terms of strategy, some of the case questions we addressed were: firstly, how did Netflix evolve from a DVD retailer shop to a successful online streaming platform? And secondly, how did Netflix cope with the growing competition in the U.S.A. and around the world? With the growth of Information Technology, Netflix introduced an online website with affordable packages, locking in their U.S.A. users, to achieve remarkable growth, and become the market leader.

Keywords: Management Information Systems, Online subscription, Web-based Services, Marketing, Strategy, Marketing Mix, Consumer Behavior, Netflix, Case Study, U.S.A.

1. Introduction

1.1 Some Theoretical Considerations

Marketing strategy is defined as "an organization's promotional efforts to allocate its resources across a wide range of platforms, channels to increase its sales and achieve sustainable competitive advantage within its corresponding market" (Baker, 2008 p. 3). According to the Resource-based View of Competition (RBV), firms need to have unique core competencies suggests that organizations must develop and utilize in a superior way, unique, firm-specific core competencies in order to compete successfully in the market (Prahalad & Hamel, 1990). The RBV posits that a firm's resources can potentially create sustainable competitive advantage if they are "rare, valuable, and imperfectly imitable" (Barney, 1991). As an extension, other authors classified competition based on price, quality, innovation, service, benefit, and tailored positioning (e.g., Hooley et al., 2001). Another stream of research comprises some of the earliest writings on the marketing mix paradigm in the pursuit of marketing objectives, which can be traced to three researchers. To make a marketing plan actionable, the idea of a marketing mix was proffered, often referred to as the 4Ps – Product, price, place, and promotion (McCarthy, 1964). The term was used by another researcher (Borden, 1965), who claimed to have derived it from Culliton (1948). In response to changes in the marketing environment, new Ps were proposed, namely people, processes, programs and performance (Kotler & Keller, 2016 p. 26). Another researcher reviewed of the marketing mix in specific areas such as consumer marketing, relationship marketing, services marketing, retail marketing, industrial marketing and eCommerce (Constantinides, 2006). Several authors criticized the marketing mix paradigm (e.g., Lauterborn, 1990; Constantinides, 2006, and Popovic, 2006). Regardless, the 4Ps marketing mix paradigm continues to be in use among researchers and practitioners, while little support was found for new Ps of marketing (Kent & Brown, 2006). Our study will incorporate some of these theoretical concepts.

1.2 Case Study Approach

In this case study, we adopted the qualitative research method, which suggest that a society is constructed through relationships created among individuals, and is not a given. Also, we subscribed to the constructivist approach, viewing businesses as complex and integrated social systems, which calls for comprehension of "how" things occurred, before arriving at the "why". Further, we adopted an ideographic research strategy, which tries to understand phenomena in a given context, without attempting to generate generalizable results (Gagnon, 2010). We conducted bibliographic research primarily from trade journals. Given the context of Netflix, we examine elements of market strategy in offerings of Netflix as well as selected firms in the industry.

1.3 Industry and Company Background

The movie retail and marketing industry is service-based, and is built from a unique business model. One of early entrants, Blockbuster initiated a rental market business model that attracted consumers worldwide. The successful strategic approach gave Blockbuster a competitive edge over its rivals in the movie retail industry. As a new competitor in the industry, Netflix adopted the same strategy and built its organization around the original mail-order business model. Netflix successfully outcompeted its rival by introducing a no-fee policy, a large selection of movies, and fast delivery processes. Netflix applied different marketing strategies from Blockbuster to control the video industry.

In 1997, Marc Randolph and Reed Hastings started Netflix as an online DVD rental company in Scotts Valley, CA, U.S.A. The word Netflix is an abbreviation of the wherein "Net" represents the Internet, and "flix" is a variation of the word "flicks" which means films (Dunn, 2017). The company started as a small business for the video market without any relationship with studios. And, in two years, the company adopted a subscription model that successfully reigned over competitors. The Netflix model was website-based, and consumers rented DVDs via direct mail, which served as a competitor for Blockbuster shops that hired videos. With the growth of Information Technology, the company strived to bridge the gap between Hollywood and its competitors; it was the digital disruptor for movies in the world. Competitors and media companies such as Disney, HBO, Blockbuster, and Sony possess the necessary reasons to lament Netflix's rise, following the spawned windfall of DVDs (Barr, 2011). Netflix's strategic web-based plans spoiled the competitor's digital media such as high-definition physical format and initiated the struggle for market share, decline in consumer ratings, and audience fragmentation.

Online subscription via the web was becoming popular because of expanding Internet coverage. The movie entertainment industry was starting to ignore the traditional techniques of Netflix's IT-based strategy for competitive advantage. Competitors such as Blockbuster tried to adjust to an e-commerce website for online retail but failed due to struggling models and inadequate resources, and finally shut down in 2014 (Trendowski & Sherman, 2014).

In 2007, Netflix adopted online streaming services that enhanced instant enjoyment via personal computers and television shows. It also partnered with other customer electronic companies to increase its compatibility and user base worldwide. Netflix entered the Australian market in 2015 through a great partnership with iiNet and Optus internet service providers. Their growth resulted from success in the U.S.A. market and a free month trial program to its services. As a roll-out plan of penetration to the Asia market, Netflix registered as a limited liability partnership in India to commission its content.

1.4 Description of Company's Business: Netflix

Netflix started as a subscription DVD business in 1997, when it rented DVDs to its customers in the U.S.A. for a fee. Netflix has now grown, and streams movies in over 190 counties globally and has more than 221 million paid subscribers (Stoll, 2023). The platform has a variety of films documentaries and features an assortment of TV series from different languages and genres, including their own original productions. They entered the "over-the top" format, and introduced streaming branded as "Watch Now". This new streaming enabled customers to view movies and television programs on their computers in real time, after they realized that streaming was the future for entertainment. A market map of OTT services, highlighting the position of Netflix, is given below. (Table 1).

Table 1 *Market Map for OTT Video – Streaming Platforms*

Category	Content	Selected Companies
Video on Demand	Entertainment	Netflix, Hulu
	Sports	Fubo, FloSports
	Gaming	eSports, Silver TV
User Generated Content	Entertainment	YouTube, Daily Motion
	Gaming	Twich, Mixer
IPTV	Entertainment	Yupp TV, Tango
Virtual MVPD	Entertainment	Wherever, Pluto

Source: *OTT Video - Sector Landscape and Marketmap. Tracxn. (2021, March).*

The company partnered with consumer electronics companies in 2008, which allowed their users to stream on blue-ray disc players, x-box, and TV set-top boxes. In 2010 Netflix was available in internet-connected devices such as iPhone, Apple iPad, and iPod Touch; reaching nearly 20 million subscribers. With time, their customer's streaming shows outpaced renting, which led Hasting to declare Netflix a primarily steaming company that also mails DVD (Feuerverger et al., 2012). In 2013 Netflix started making original shows offering licensed and original television movies, series, and documentaries. Netflix's 221 million online subscribers (Stoll, 2023) pay between \$15.99 to \$99 per month. In 2013, the company was valued at \$141 billion (Villarroel et al., 2012). Total revenue of Netflix grew from \$272.24 million in 2003, to \$8830.7 million in 2016, to about \$24,996 million in 2021 (Rathore, 2021). (Table 2).

Table 2 *Netflix Global Revenue Fiscal Year 1998 to 2020*

Year	Total Revenue US $ million	Year on Year growth %
1998	1.34	0
1999	5.01	273.86
2000	35.89	617.02
2001	75.91	111.49
2002	152.81	101.28
2003	272024	78.16
2004	500.61	83.88
2005	682.21	36.28
2006	996.66	46.09
2007	1205.34	20.94
2008	1364.66	13.22
2009	1670.27	22.39
2010	2162.63	29.48
2011	3204.58	48.18
2012	3609.28	12.63
2013	4374.56	21.2
2014	5504.66	25.83
2015	6779.51	23.16
2016	8830.67	30.26
2017	11692.71	32.41
2018	15794.34	35.08
2019	20156.45	27.62
2020	24996.06	24.01

Source: *Rathore, I. (2021, April 23). Netflix revenue and net income by year: FY 1998 to 2020. Dazeinfo.*

2. Motivational Factors

In this section, we discuss factors that motivated Netflix’s marketing strategy. Netflix started as a movie retail service, with customers browsing for films and placing orders from the website at a $4 and $2 postage charge. Netflix delivered a DVD or video in red Mylar envelopes to the customer, who after watching would mail back the material in a return envelope. There was no time limit for holding the material but returning it was a precondition for placing a new order. The only competitor was Blockbuster, which started in 1985 and established DVD renting shops in different locations around the country. They were selling their DVDs at a lower price, but they had high penalties for late returns, which led to customer dissatisfaction.

Netflix entered the market intending to capitalize on Blockbuster's weakness (Dunn, 2017). It mailed its products at a lower fee. Customers placed orders online via Netflix.com, and paid no mailing expenses. Blockbuster had a localized distribution system, whereas Netflix distribution was centralized, making way for it to gain market leadership.

Netflix's wide product selection led to high customer satisfaction (Dunn, 2017). Its stock of titles was over 100,000 DVDs. Shelf space was a constraint for the firm to satisfy demand comprising a wide variety of film, TV shows, documentaries, cartoons, and concerts. At the same time the Internet had gained popularity, and more consumer-

based companies were opting for it as an IT-based strategy. Blockbuster had online e-Commerce and joined the retail market but lacked resources. Hence, they signed contracts with other companies and invested heavily to sell DVDs online. However, they could not successfully compete with Netflix (Malviya & Laghate, 2018).
On the one hand, Netflix faced challenges as transportation and logistics in the distribution of DVDs. On the other, the use of the Internet was growing. Netflix explored innovative ways of utilizing Information Technology to bridge the gap between physical and virtual consumers worldwide. In terms of strategy, some of the case questions that Netflix Corporation attempted to address regarding IT were:

- How did Netflix will evolve from a DVD retailer shop to a successful online streaming platform?
- How does Netflix cope with the growing competition in the United States and around the world?
- How did Netflix sustain its growing market globally?

3. Description of the Study

3.1 Relationship between Product, Pricing, and Distribution

Especially is a situation where the product line and product depth are large, determining the optimal product and size can pose a challenge. Extensive stocks are required to cater to a wide variety of tastes and preferences. This factor, along with direct mail of DVDs, would increase costs and prices. On the other hand, cutting down on inventory would result in limiting customer choice, reducing sales volume, and increasing costs and prices. Also, the geographical constraint is a predominant factor in costs and prices (Malviya & Laghate, 2018). Netflix overcame this dilemma with the crucial switch to online distribution.

3.2 Strategy for Change

"Firms develop strategy by choosing their view of the future" (Kotler & Keller, 2016 p. 47). Below, we discuss the Netflix strategy for change.

Defining and Fulfilling Needs: A need family is "the core need that underlies the existence of a product family" (Kotler & Keller, 2016 p. 380). The importance that customers place on movies and series is often discounted, but Netflix described entertainment as a core need. The company was a pioneer in entertaining the world by giving more empathy, joy, and laughter. Entertainment relieves stress, nurtures culture, promotes creativity. In addition, it provides distraction from monotonous routine, promotes productivity. In addition, it develops self-esteem and friendships (Divine You Wellness, 2021).

Creating the Market Offerings: "… a market offering is a distinct entity that (1) is composed of a bundle of attributes, which (2) may be tangible or intangible, objective or subjective, and which (3) may be viewed by some buyer(s) as a want satisfier." (Hunt, 2010 p. 54). The core need for Netflix was fulfilled through a product/service mix of DVDs, streaming, and content production. This satisfies the definition of a market offering (Hunt, 2010 p.54). Based on the service mix, Netflix falls under the category "major service, with accompanied with minor goods and services" (Kotler & Keller, 2016 p. 400). This entailed supporting goods such as DVDs (Borden, 1965;

McCarthy, 1964), and a substantial investment in capital good (servers) and services (systems) (Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990). Netflix created and differentiated their unique market offerings based on attributes and their level of tangibility (DVDs are tangible, while streaming is intangible). Some of these attributes are objective, such as quality of DVDs, speed of delivery or streaming, while others are subjective, depending on individual preferences. Finally, each market offering is seen by a set of buyers as satisfying their needs and wants (Hunt, 2010 p. 54).

Marketing Innovation – Product, Pricing, and Distribution: Market mega-trends call for innovation in marketing strategy. A mega-trend is “a large social, economic, or technological change which is slow to form, and once in place, influences us for some time – between seven and ten years, or longer” (Kotler & Keller, 2016 p. 73). Film studios faced a changed business environment, in which primary sales would no longer be generated by physical theatre ticket sales. A major threat to movie ticket sales came from DVD rentals by Blockbuster, Netflix and later Redbox, which charged a dollar per day for renting movies through widely available kiosks. In the movie industry, at least one company, Warner Brothers, adopted a strategy of simultaneous release of DVD, Internet offering, and cable; as well as video games based on its film characters though Warner Interactive. Disney achieves maximum market coverage, and offers a range of prices for the same video, by using its theme parks, Disney TV, as well as brick-and mortar Disney outlets to distribute family-friendly movies (Kotler & Keller, 2016 p. 48). Disney is also a prime example of a multi-channel marketing strategy, as it distributes its videos through not only these outlets, but also through Redbox, Netflix, its own and other online stores, its own catalog, and other catalog-based sellers (Kotler & Keller, 2016 p. 495). These actions also relate to Resource Based View of competition (Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990), and the marketing mix (Borden, 1965; McCarthy, 1964).

Websites are critical in overcoming geographical limits and shelf space (Feuerverger et al., 2012). Web services provide a wide range of selections which attract more customers. With the growth of Information Technology, Netflix introduced a website with an affordable package to compete with its stiff competitors such as Disney and Apple, who offer packages worth $5 and $7 per month to help keep their U.S.A. users locked (Lüsted, 2013). The website enabled the company to transit from a DVD retailer to an online streaming shop successfully. New content is the core benefit from Netflix's way of maintaining its leadership position, as other platforms put more effort into their streaming services. Further, Netflix's web distribution was a critical strategic component to counter the challenges posed by market aggression, competition, and technology disrupters. Supported by internal logistics software, web-based subscription was crucial in eliminating the costs of DVD's logistics (Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990).

The use of self-service technology (Kotler & Keller, 2016 p. 421) enables speedy delivery on the web-based program, depending on consumer internet bandwidth, thus providing better service, and improved consumer satisfaction. In addition, the pricing strategy is of utmost importance. The web-based subscription provided unlimited movie selection at an affordable fee. The website had a much larger inventory of new movies as opposed to traditional distribution. Web-based subscription was responsive to consumer preferences by eliminating late fee payments and penalties. Netflix digitized its content from physical DVDs to online streamed content stored on its servers. It acquired movies and offered viewing access on a variety of distribution channels, including internet-accessible TV sets, and devices such as smartphones, computers, and tablets, where downloads were also possible. Netflix evolved from traditional marketing, characterized by mail-order distribution of DVDs, to online distribution by adapting to technology (Berry et al., 2010). Social media and film festivals were other channels used by Netflix for distribution). The above elements lend credence to the Resource Based View of competitive advantage (e.g., Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990).

Personalized Marketing refers to "making sure that the brand and its marketing are as personally relevant as possible to as many customers as possible" (Kotler & Keller, 2016 p. 146), and competitive positioning (Hooley et al., 2001). Technology enabled Netflix to personalize their offerings and forge positive long-term loyalty relationships.

Evaluating and Selecting Market Segments and Targets: Similar to its competitor Amazon, Netflix undertakes full market coverage, serving all customers with all their products. This is achieved through differentiated marketing, satisfying needs and wants of different segments. Both Amazon and Netflix leveraged technology to change consumer buying behavior. As a result, "hit" content comprises half of the firm's revenues, while the other half comes from lower-selling products or niches "down the tail", unlike what we observe in the Pareto principle (80-20 rule). Besides increasing customers' choice, it reduces search costs for products, since the Internet is replete with information, user preference data from vendors, as well as e-word -of-mouth (Anderson, 2006; Kotler & Keller, 2016 p. 267).

Brand Positioning and Equity: DirecTV stands out basically as a digital satellite service provider/distributor of multichannel video programming. On the other hand, Netflix, Hulu and Amazon are associated with digital access through streaming and downloads (Kotler & Keller, 2016 p. 275). Netflix, along with Amazon and DirecTV, scores high on strength and stature, representing a leadership position based on the brand's status and overall performance. (Kotler & Keller, 2016 p. 305).

Market Challenger Strategy: To increase market share, Netflix adopted the strategy "attack the status quo". The company stood out in the entertainment industry with largely unmet customer needs, failing to adequately address the changing marketing environment, especially customer behavior patterns (Kotler & Keller, 2016 p. 343).

Promotion: Netflix used a strategy of a free month trial to enable new users to view its catalog and decide whether to subscribe to the platform. The free service attracted more subscribers, especially if a program they watched was unavailable on other media (Rettie, 2001).

Global Markets: Moreover, with the need to grow globally, companies adopted the entry strategy of the "waterfall approach, gradually entering markets in sequence" (Kotler & Keller, 2016 p. 220). Starting in 2010, Netflix made inroads into Canada, Ireland, Latin America, the Nordic countries, and U.K. (Kotler & Keller, 2016 p. 232). More recently, Netflix management focused on the Indian market (Malviya & Laghate, 2018). Thus, Netflix has changed from being a mere distribution channel for movies, into a content producer in its own right. With its website, the company rolled out cost-friendly, mobile plans in Asia, growing from 4 from 4 million customers to a target of 100 million subscribers. Netflix focused on consistency and provision of its services under one brand and website. The company also had to develop its own content to cope with the gradual rise in copyright law for licensing over the years. (Berry et al., 2010). On the other hand, its competitor Amazon made an early entry and found success in Europe, including U.K. and Germany. However, it did not fare as well in Asia-Pacific, particularly China. Another distribution strategy for DVD and streaming business was through a European acquisition. In addition, Amazon picked London to invest in a research and development unit, along with covering a couple of hundred countries to distribute through Appstore (Kotler & Keller, 2016 p. 232).

3.3 Role of Technology on the Netflix Platform

In 2007 Netflix changed to an online subscriber-based model, providing their customers with a digital streaming platform with a variety of films 24/7. The website has grown into one of the world's most comprehensive entertainment platforms, and in 2019 it had 2.7 million DVDs mails (Monahan & Griggs, 2019), and over 180 million total subscribers (McFadden, 2023). Further, in July 2020, Netflix had a market cap of $209.74 billion and a $476.89 share price (McFadden, 2023).

As of 2007, Netflix started adopting Information Technology to stream its services. Netflix developed and offered its services via the public application programming interface (API) through its online website (Berry et al., 2010). The e-commerce website allowed customers to access data to manage their movies queues and Netflix catalogs and titles. The API was easy to access, free, had a forum for questions and answers, and was allowed for commercial use. Some examples of the Netflix API include Rotten Tomatoes, on which consumers could click and enter titles to their Netflix “wish list”, and view the films from the system. Moreover, the API was critical in allowing the Netflix developer to produce applications for mobile devices. For example, in 2009 and 2010, Netflix made official Nokia and iPhone app that allowed trailer streaming. As of 2012, Netflix restricted public API and started focusing on private interfaces.

To find out the popularity of movies among its customers, Netflix used predictive analysis (Fouladirad et al., 2018). The analysis was Artificial Intelligence powered, and based on customer history, demographics, and preferences.

Technology has helped Netflix innovate and build a business that grew be to the top streaming platform in the world. By utilizing digital technologies, Netflix was able to break down barriers in the platform, interact with customers and ultimately grow to be the market leader (Goldfayn, 2012). Technology proved to be a resource that Netflix used in a superior manner to achieve competitive advantage (e.g., Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990)

4. Implementation

Netflix adapted and continues to adopt new technologies to better customer experience. Technology is the leader of the streaming industry (Berry et al., 2010).

Netflix streams its films at full HD resolution and plans to do Ultra HD format. For Netflix to be successful, the film ensures there is reliable support for connected devices globally.

The company utilizes Microsoft technologies and codecs such as Windows Media Audio and VC-1 for audio and video. As a result, the company's rapid diversification enhanced the encoding of multiple formats for video as well as audio. Netflix encodes the same title in 120 unique ways, and delivers them on all platforms because of the vast number of available combinations.

Currently, the latest technology utilized by Netflix is DCT. The coding format for video is based on Advance Video Coding HEVC (H.265) because it is globally supported by consumers' devices such as television sets, web browsers, and mobile devices. Select titles are streamed with AV1 codec, which is independent of any royalty payments, and is between 20 and 40 per cent more efficient than H.265 (Green, 2022).

As of 2012, the company started to utilize Open Connects, which are run by unique operating systems characterized by less power requirement, and enhanced storage. The custom content delivery network offered Netflix settlement freely peers with internet service providers directly at common internet exchange points. For over 100,0000 subscribers, the company provided Netflix Open Connect server appliances which cut the cost of connectivity by placing content in a cache in the internet service providers' data centers. By 2016, Netflix had closed all their physical data centers, and continues to grow its Open Connect.

The company has a controlled software that runs a variety of plans such as bill payment every month, a one-month free trial for new users, the wide selection of TV shows and movies, taking reviews from its users, subscriber rating, and online trailers (Delimitrou & Kozyrakis, 2013). This ensures that Netflix remains the most dominant player in the streaming services in terms of subscriptions (Goldfayn, 2012). It has an ever-growing catalog of TV shows and films. Its cheapest package is $9 per month and $14 for the most standard plan. Netflix spends about $900 million in research and development, and its recommended engine makes it better as it goes (Lüsted, 2013). Viewing quality has been improved, and uses the best technology is used. That is why it was able to transform from a physical retailer to a worldwide digital content platform. The above support the Resources Based View of competition, as explained by researchers in the field of marketing strategy (e.g., Barney, 1991; Hooley et al., 2001; Prahalad & Hamel, 1990).

5. Outcomes

5.1 What went Right?

The strategies described above proved instrumental to Netflix's success. In a span of just over two decades, Netflix grew from a DVD rental company into a digital platform that produces and streams its original licensed content (Villarroel et al., 2012). After launching streaming services in 2007, which enabled viewing movies and TV show, Netflix partnered with different electronics companies to expand its user base. A U.S.A. study by Cowen Financial Services, in 2018 showed that Netflix enjoyed the highest popularity, with 27.2% of all respondents, and 39.7% of respondents in the age group 18-34 years preferring to watch video content on TV on the Netflix platform. In comparison, the second highest popularity was for Basic Cable, which was selected by 20.4% or all respondents, and 12.6% in the age group 18-34 years as their platform of choice for TV content (Hayes, 2018; Toy, 2018). The Netflix strategy in relation to product/service, price, distribution as well as promotion helped achieve these results. (Table 3).

Table 3 *Americans who Prefer to Watch Video Content on TV by Platform*

Platform	All respondents %	Age 18-34 %
Netflix	27.2	39.7
Basic Cable	20.4	12.6
Broadcast	18.1	7.1
YouTube	11.4	17
Hulu	5.3	7.6
Prime Video	4.7	3.4
Premium Cable	4.6	3.5
Other	8.3	8.7

Source: *Hayes, 2018. Netflix Ranks as Most Popular Viewing Option in Living Room, Survey Says. Deadline*

A big factor in Netflix's success was entry into global markets through the "waterfall" approach (Kotler & Keller, 2016 p. 220). Netflix grew internationally due to its technology adaptation and its success in the United States. Netflix was available only in the U.S.A. until 2010; it has been venturing into the global market region by region. The first country outside the U.S.A. was Canada in 2010 due to geographical factors and its close similarities with the home market. It was a strategic move. Rather than entering all markets at once, it carefully selected markets according to how they were perceived, which has seen it succeed in penetrating new markets worldwide. It has ventured into more than 190 countries today – about 65% of subscriptions are outside the US, and continue to grow (Moody, 2021).

5.2 What went wrong?

Netflix faced issues with its pricing strategy. The company has faced different competitors such as Disney+ Apple TV+, HBO Max, and others that came up since 2020, which posed a major challenge. The U.S.A. comprises less than two-fifths of its subscribers, and its stock crashed for weeks after the company announced U.S.A. subscribers' drop in July 2019; the pressure to retain subscribers is intense (Feuerverger et al., 2012).

Some platforms that have been flocked by subscribers (Delimitrou & Kozyrakis, 2013) - these include Disney+ since it is a more affordable platform of $8 per month and offers National Geographic, classic Disney films, Pixar, Marvel, and Star Wars, and viewers are opting for the streamer. Peacock offers a free tier, has live news and sports. In March 2020, WWE became a contender; even though it is free to get the whole experience, there is a subscription fee of $5 per month. Discovery runs at $5 a month and has a variety of networks such as Discovery Channel, TLC, Animal Planet, Food Network, The History Channel, and HGTV. With its vast base, Netflix has more to lose, and is vulnerable to some of the newer entrants that are just starting out (Goldfayn, 2012). In-house content was a way of dealing with high licensed policy fees, but the production cost is very high, and there is stiff competition with the likes of Amazon. They still heavily depend on suppliers, and brand loyalty continues to be an issue (Villarroel et al., 2012). The company needs to continue monitoring industry trends, and update its pricing methods in the U.S.A. markets, especially due to pricing constraints in developing countries.

5.3 The Netflix Response

Netflix has partnered with different firms, including Disney, Paramount, and Warner Bros, collaborating with movie and television content producers. This gave Netflix a wide range of content for a bigger customer base (Goldfayn, 2012). Netflix also navigated government policies due to the cost of production and content creation that has grown tremendously. The Video Privacy Protection Act, which limited videotape services providers and required consent, has now been amended. Netflix can now share movies streamed together with “friends” on social platforms such as Facebook, creating a wider marketing platform and helping the business grow (Goldfayn, 2012; Zeng et al., 2013). It launched a mobile application on IOS and android mobile to advent into smartphone technology. Users can subscribe and stream movies from their mobile phones and increase the growth of their subscribers. Netflix started their own production company, which helps them release episodes immediately after production instead of waiting for it over some time; it also ensures they release their original films (Lüsted, 2013).

Netflix has to maintain a virtuous cycle to remain the leading ecosystem by growing its subscriber base for affordable content, and reviewing its access policy based on subscriber's IP addresses. Netflix allowed family users' monthly subscriptions to be accessible to individuals. Even after children moved out of their parent's house, they could still access Netflix using their parent's account, which slowed the growth rate of new subscribers for Netflix. This helped build demand, and more recently, the company placed a control on password-sharing, and switched to enforcing individual accounts for every customer.

6. Managerial Implications

In preceding sections, we discussed specific aspects of Netflix’s marketing strategy. In simple terms, the Netflix case study offers several lessons for the practicing manager. Some of these are

- Market Trends and innovation (Barney, 1991; Berry et al., 2010, Hooley et al., 2001; Kotler & Keller, 2016 p. 47, p. 495): Hastings recognized the mega-trend in the entertainment industry, resulting from technological change. He realized that DVDs did not have a future new technology that would dominate the DVDs industry and learn it; he experimented and introduced new technology to the film industry.
- Exercise the ability to transform (Hooley et al., 2001; Kotler & Keller, 2016 p. 47): Netflix's technology evolution changed the way people watch TV shows and movies. Netflix is currently available in more than 190 countries with over 221 million subscribers in 2021; online transformation is an ongoing project, not just a short-term project.
- Address a need (Divine You Wellness, 2021; Kotler & Keller, 2016 p. 380): One might underestimate movies and series importance, but Netflix recognized entertainment as a core need, which saw it succeed.

- Pay attention to Market Segments and Targets (Anderson, 2006; Kotler & Keller, 2016 p. 267): Netflix undertook full market coverage, serving all customers with all their products through differentiation. Netflix also impacted consumer buying behavior through the use of technology. The revenue of a company's product/service offering do not always reflect the Pareto principle (80-20 rule). Netflix recognized that 50% of its revenue is generated by lower-selling market offerings "down the tail", bringing multiple benefits to the customer as well as the company.
- Brand positioning and equity (e.g., Hooley et al, 2001; Kotler & Keller, 2016 p. 275; Kotler & Keller, 2016 p. 305): The Netflix focus on digital access through streaming and downloads resulted in the company's high score on strength and stature, with the brand's status and performance giving it market leadership.
- Create your market offerings (Borden, 1965; Hunt, 2010 p. 54; Kotler & Keller, 2016; McCarthy, 1964): In the 1990s, Reed Hasting saw a problem and looked for a solution by giving customers access to DVDs rentals. Blockbuster had hiked their fee, and customers were not happy until they got a feel of Netflix. Netflix created and differentiated their unique market offerings based on attributes and their level of tangibility. Some of these attributes are objective, such as quality of DVDs, speed of delivery or streaming, while others are subjective, depending on individual preferences. Finally, each market offering is seen by buyers as satisfying their needs and wants.
- Be a Challenger (Kotler & Keller, 2016 p. 343): The Netflix strategy of "attack the status quo" helped achieve rapid market share. Netflix focused on growth (Lüsted, 2013), and it is still expanding due to Hasting's reaping scale effectiveness, that helped him create a business that would grow over time.
- Never give up: Netflix was to be sold at $50 million to Blockbusters, but they rejected the offer, Hasting did not give up on his company, and now it's worth more than 100 times.
- Keep on innovating (Barney, 1991; Hooley et al., 2001; Kotler & Keller, 2016 p. 495; Prahalad & Hamel, 1990): Blockbuster ignored the video streaming and delayed venturing into the online digital market as Netflix embraced the Internet and found new ways of delivering entertainment, thereby achieving success.
- Incorporate personalization (Hooley et al., 2001; Kotler & Keller, 2016 p. 146): Use technology to make the brand and its marketing relevant to customers, and achieve long-term loyalty relationships. Every user gets a personalized Netflix portal that suits their preferences.
- Offer convenience (Feuerverger et al., 2012): Back when DVDs were the only way of watching movies, there was a lot of commitment since if you ordered a DVD, one had to watch it whether they liked it or not since if one returned it meant a couple of days without watching. However, now Netflix has eased the process, and watching is just a click away. If a viewer doesn't like the content, they can stop streaming it, and select something different.
- Consider the price factor (Borden, 1965; Keller p. 73, McCarthy, 1964): Competition is often decided by price, and Netflix introduced a flat-rate model at a fixed price a customer can watch unlimited movies and TV shows, and a package starting at $9 per month which is less than a single visit to a movie theatre

- Provide speedy delivery (Borden, 1965; and McCarthy, 1964; Kotler & Keller, 2016 p. 421): Unlike when DVDs used to be delivered by mail, today watching a video is just a click away due to self-service technologies.
- Institute a good predictive analysis (Foularidad et al., 2018): Netflix employs user Artificial Intelligence based data to track and generate customer experience; they also give their customers control to search and select titles, and power to post recommendations.
- Provide high network quality and capacity (Barney, 1991; Berry et al., 2010; Hooley et al., 2001; Prahalad & Hamel, 1990): Artificial Intelligence (AI) also helps Netflix analyze network that has fast, reliable high-capacity network
- Show determination (Barney, 1991; Goldfayn, 2012; Hooley et al., 2001; Prahalad & Hamel, 1990): Netflix acquired online film distributors such as Paramount pictures, and it was able to make in-house productions; today, cord-cutters bring substantial growth.

7. Conclusion

Netflix proved to have a strong marketing strategy, which helps it stay ahead of other companies. The increase in Internet coverage, along with technological changes, had a huge impact on the company. By using the Internet to market its products and services, stream its content from the website, Netflix crossed 221 million in 2021, and the number is still rising. Netflix also offered its services on mobile and other devices to reach a wider range of customers. Netflix has been on a constant flow and makes its product excellence a corporate philosophy. The planned expansion into global markets, moving region by region, has proved to be a success. Using state-of-the-art technology does not only mean making high profits; it also provides extraordinary customer experience and satisfaction which contribute to market leadership.

However, Netflix needs to continue monitoring its performance, as well as industry and environmental trends. The COVID-19 pandemic had a major role to play in the growth of streaming. However, it is not easy to predict post-pandemic demand for streaming. Another factor is the rising cost of living, and how it might affect industry and firm demand. In addition, the control Netflix is placing on the sharing of passwords is likely to be a factor in future subscriptions. Also, shorter attention spans and media preferences of younger audiences, especially Gen Z, along with the increasing popularity of YouTube and TikTok, which hosts content with duration of 10 minutes or less, may pose a threat to the streaming industry. Also, as stated earlier, Netflix needs to address the high cost of in-house production, heavy reliance on suppliers, issues with brand loyalty, and pricing in the U.S.A. markets.

The study lends support to the Research-Based View of competition (RBV), which focuses on firms' need to have unique core competencies, as well as to develop and utilize in a superior way, unique, firm-specific core competencies in order to compete successfully in the market (Barney, 1991; Hooley et al., 2001; Hunt, 2010; Prahalad & Hamel, 1990). Further, the study supports the role of the 4Ps marketing mix paradigm as explicated by various researchers (e.g., Borden, 1965; Kotler & Keller, 2016; McCarthy, 1964). Also, the study provides lessons for both, the student of management, as well as the marketing practitioner.

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