CIS 220 Netflix Case Study

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1.Admittedly, as important as DVD-by-mail was for Netflix's rise to category-defining growth and much-envied profitability, it is now being phased out. (Gallaugher,2018) It is important to recognize that Instant Streaming and DVD by Mail are becoming quite different businesses, each with a very different cost structure, benefits that need to be marketed differently. Netflix realized that streaming had a great potential in the future, which drove Netflix to facilitate the transition to streaming quickly that prevents other competitors from taking over the market.

What's more, Netflix is able to save a lot of money and maximize its profit. "The economics of licensing versus content ownership provide a long-term advantage to firms that can continually squeeze revenue from the content that it outright owns." (Gallaugher,2018) According to the "First Sale Doctrine" of the U.S. Supreme Court, Netflix is not permitted to offer streaming business without streaming licensing, and the cost of license rental and renewal is skyrocketing. (Gallaugher,2018) As the large-scale video streaming service company, Netflix has to produce its own content independent of distribution through broadcast. By separating DVD By Mail and streaming business, Netflix invested heavily in creating its own contents, increasing Netflix's revenue by charging customers 8 dollars a month on both sides.

In addition, the streaming experience is liberating both consumers and content creators from constraints of channel-driven "linear TV." (Gallaugher,2018) Users are able to watch multiple episodes at once in contrast to the DVD business. The DVD by Mail business is unlikely to survive under this circumstance. As a result, the risk of continuously operating DVD business is minimized even if it is forsook.

2.The major competitors of Netflix are Disney, HuLu, Apple TV, HBO, and Amazon. The company is fighting hard to be "the first-choice entertainment destination across all possible offerings." (Gallaugher,2018). Netflix offers different pricing strategy and simple service for their customers, which in contrast to firms like Amazon etc. However, customers had given Netflix higher ratings than any of its competitors, including those from Apple, Google, and Amazon that offers complex media pricing. The strengths of Netflix include large resources, reputation, and better prospect. As a prominent DVD business company with tremendous resources, capitals, and experience, Netflix possesses a consistently growing and detailed data base that can help to determine the cost structure and pricing in streaming business. In addition, the large brand recognition of Netflix and number of customers also contribute Netflix to having more market share. Accompanies with the original contents, Netflix is not only able to keep its regular customers but attract more new customers, generating more profits and creating even more market shares. What's more is that buying a production center and expanding studio infrastructure, Netflix consistently produces the best work and lures the very best creative talent.

Works Cited

Gallaugher, John. *Information Systems : A Manager's Guide to Harnessing Technology*. Boston, Ma, Flat World, 2018.