

CHAPTER I

INTRODUCTION

Netflix is a company that offers online subscription service to watch TV shows and movies by streaming the media online. According to the MarketLine (2017) Netflix has a subscriber more than 93 million members across 190 countries in the world and their business have three segments which are: domestic streaming, international streaming and domestic DVD. Netflix is an interesting company to study in because Netflix makes a disruptive innovation which changes how people rent a movie into streaming the movie online (Richardson, 2011). Netflix can see the opportunity of DVD subscription business will change into stream subscription more than 10 years ago that other companies cannot predict. Netflix become very popular with their unofficial slogan “Netflix & Chill” that become the pop culture in recent years.

In 2001 CEO of Netflix, Reed Hastings spent \$10 million on the research for streaming video (Mui, 2011). On that time people still rent the DVD to rent a movie and this industry owned by Blockbuster in the United States and nobody on that time can see streaming video from the internet as the way people will see TV or video and Hastings has his own vision that this thing will happen in the future of this industry which becomes one of the competitive advantages of Netflix this day. After 10 years of experiment, Hasting’s effort come into fruition which is streaming subscription become possible after the spread of broadband increased and Netflix has their own library and the price is the half of a subscription for DVDs by mail (Mui, 2011).

Netflix original program like “Stranger Things”, “House of Cards”, “Narcos”, and many others is more likely why people choose Netflix as their internet-based TV subscription. They always create new original series and broaden their content library with a popular movie like Oscar Nominee movies or superhero movies from Disney Marvel that they got their license to stream on Netflix starting from September 2016 (Grauso, 2016). With the net content of the Netflix’s library has around \$11bn worth, Morgan Stanley calculates this worth more than the net book value for established broadcasters Viacom, Discovery, AMC Networks and Scripps combined (Bradshaw and Bond, 2017). Through their own work philosophy Freedom & Responsibility, Netflix can create the disruptive environment they need so they will have a competitive advantage (Netflix, 2017). Bold and different decision that Netflix made for example “burning” cash flow for their investment in original content to compete with a big competitor like Disney that has a lot of famous franchises which ironically Netflix depend on it based on their contract that will expire in 2019 (Monica, 2017).

This paper will have two main questions which are how Netflix is competing and its competitive position and what are the various challenges Netflix to consider when trading across border then there will be a suggestion and prospect part for Netflix in the future.