This report is an analysis of the business climate in which Netflix currently functions, as well as the identification, breakdown, and predictions of three emerging trends that will affect Netflix and prescribed strategies on how to best respond.
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EXECUTIVE SUMMARY

In this report I will propose a few recommended strategic plans that I believe will help Netflix adapt to both the immediate and near-term changing media landscape when looking at three recent, salient developments that will affect our business. These emerging trends have been researched and forecasted to have an effect on the digital space in which we operate and it is my strong belief that the moves I layout will enable us to not only meet but also positively exploit these affecters.

To begin, I review the current business climate in which Netflix finds itself. A quick SWOT analysis\(^1\) reveals us to have a very well known, national brand name with more than thirty million subscribers. Our competitors have nowhere near the consumers nor content we have available, and our public stock shares have more than doubled in the past six months. Still, we are taking on massive amounts of debt to fund the extreme content licensing our business plan necessitates, and our traditional physical media (i.e., DVD and Blu-ray) delivery service has been steadily declining. Obvious potential threats include our competitors if and when they eventually offer greater value than we do (meaning part of what we must do is continue to add value for our consumers faster than they can match us currently) as well as the government regulation landscape with issues like net neutrality. Finally, we see many opportunities with our original content and demand for streaming television, especially given the recent trends toward cord-cutting and international expansion.

Now that our existing situation is understood, it is appropriate to introduce the three trends I predict as having a great effect on Netflix in the upcoming five years. Second screen engagement, net neutrality, and transmedia all offer unprecedented possibilities along with some worrisome risks if not managed carefully. For example, when it comes to the new trend of viewers utilizing second screen devices, it is important to recognize that, for a large number of consumers, we ARE the second screen: we are the tablet they use to watch their content or the iPhone they seek out new recommendations on. We can capitalize on this preexisting state in consumers’ minds to more cohesively integrate a trend already sweeping network TV into our own original content. Similarly, the rise of video gaming (in particular casual, mobile games) and lobbyists against Internet freedoms can and will have an effect on our business models, and it is time we respond suitably to them.

It is my recommendation, then, that we carefully observe these three trends and select the best courses of action that will allow us to navigate their escalation in a way that yields beneficial results for Netflix’s bottom line. Specifically, we need to rethink our mobile apps and second screen experience (including a redesign of our user interface), develop positive strategic relationships with current ISPs, and (with our future original series) seek out integrated transmedia properties that can be tied into the traditional content.

\(^1\) SWOT: strengths, weaknesses, opportunities, and threats. It is a thorough examination of a company’s strategic position in the marketplace, including both what it excels and fails at along with what may cause future issues and further benefits.
The rest of this report serves as a full account of the analysis, breakdown, predictions, and recommendations for Netflix. Citations are found throughout the text, and a complete list of works cited can be located after the conclusion of the paper.

PART 1: THE CURRENT BUSINESS CLIMATE

We begin with an overview of the environment in which Netflix operates in order to lay groundwork appropriate to understanding how and why the selected trends will affect the company. Essential to this understanding is recognition of Netflix’s current strengths, weaknesses, opportunities, and threats, or a quick SWOT analysis of the company.

SWOT ANALYSIS

To summarize, “Netflix has a critical combination of membership, brand awareness, and accessibility that allows them to be competitive with similar but smaller streaming content providers. To cope with the threats they face, Netflix must redirect resources from its delivery services to enhance strengths. Providing ever-expanding streaming content will enable Netflix to serve and attract an even wider base of customers” (Bauman, Deal, Ishak, & Johnson, 2013).

STRENGTHS

The Netflix brand is a very well known, national name in the US. With more than thirty million customers, its identity is valued greatly among consumers as a quick, easy, and available destination for streaming media. We are the top provider of streaming content in the US, with our service alone accounting for more than thirty percent of US Internet traffic daily. Additionally, the value of our brand name has been on the rise recently after the strong media attention stemming from the success of our first two original series, HOUSE OF CARDS and HEMLOCK GROVE, and the critical acclaim we’ve received from our original scripted content has catapulted us into the world of Emmy nominations and other Hollywood awards.

When it comes to our competitors, all of them are either less widespread (with fewer customers, such as Hulu) or less massive (in terms of content, like Redbox Instant). We have the largest content library available to audiences, with well over sixty thousand titles compared to Amazon’s thirty-eight thousand.

Additionally, positive shares currently weigh in our favor as one of our strengths. The stock price of NFLX has been very volatile in the past six-to-seven months, coming a long way from the approximately $50 region in October 2012 to its current price of more than $180. Combine this with the fact that we still have a good list of original content to be unveiled later this year and it is plain to see that our stock still has a lot further to climb.

WEAKNESSES

Despite the meteoric rise of our stock value, the company is undertaking large amounts of debt to fund the mass licensing packages we use to acquire content from other providers. While this
does—in the short run—guarantee our success in terms of pure numbers when referring to library size, it also enhances our credit risk and runs the danger of impacting further loans. Since we want to continue producing exclusive, original content, we do not want our ability to be provided money impacted (Faruk, 2013).

Additionally, our physical media delivery service has suffered significant losses in just the past year alone. What was once the cornerstone of our business is now a mere sideline to our true function: more than two years ago our CEO Reed Hastings predicted that the market for DVD and Blu-ray discs would decline, and he was absolutely right (Roettgers, 2013). Unfortunately, DVDs still provide more of a contribution margin to our bottom line currently and in FY2012 we lost more than three million subscribers to that portion of our business.

OPPORTUNITIES

Careful scrutiny of the market reveals three main immediate opportunities for Netflix, all centered on the idea of original content. First, the cord-cutting trend popular among consumers has created a new demand for Internet-based TV. The increased adoption of Internet-connected devices for media consumption aids substantially in adding more subscribers as more and more people are constantly “hooked up”.

This, in turn, fuels our greatest opportunity: ORIGINAL, IN-HOUSE PROGRAMMING. The demand for streaming media perfectly fits our ability to provide content digitally, and our own exclusive series can be viewed by consumers anytime, anywhere, at their leisure instead of restricted to broadcast hours or channels. Their natural tendency is moving to desiring content online, and our unique ability to both completely produce and distribute via the Internet is a huge opportunity.

Interestingly, this increasing desire for our own shows can be seen in Netflix’s marketing expenses, which have steadily gone down substantially during the last four quarters and in Q4 2012 stood at just 12.4% of our sales (Faruk, 2013). This can be attributed to our original content providing invaluable word-of-mouth campaigns, and as a result, we can stand to actually substitute some of our marketing budget and redirect those funds to producing more original content.

FIGURE 1

2 Cord-cutting: the process of cancelling a cable subscription and watching television solely via the Internet.
Finally, the idea of original content naturally opens up an avenue into greater international growth. As it stands, we have some global markets but not most, and while a large majority desire American content, it stands to reason that providing content specifically for them would attract greater subscribers. We are already in the early stages of developing content for Latin America; why not continue the outreach to other cultures? Producing original content gives way into international expansion as we take on new roles globally.

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**THREATS**

One of the biggest potential threats to Netflix represents Internet service providers (ISPs) who may discriminate against us if and when network neutrality laws fail to materialize, at least in the US. In 2012 Marcia Clemmit explained “ISPs might consider it their financial interest to slow content traffic to [...] competitors [like Netflix] to gain an edge over them”. Even though our own general counsel David Hyman argues that “bandwidth is cheap and plentiful and will only grow more so with time, there is no good reason for bandwidth caps and fees to take root”, the possibility is still greatly there that such discriminatory tactics could take place (Dampier, 2012), and thus why this is one of the three trends I’ve chosen to focus further on.

Other obvious threats include our competitors if and when they reach a point where they can begin to provide more value to consumers; as it stands, “Amazon has posed the largest threat since 2011 when it began offering streaming as a part of its Amazon Prime service designed to provide free shipping to its subscribers. Although Amazon appears to stay committed to offer this streaming service mainly as a way to attract new customers, its deep pockets and base of loyal customers should have Netflix concerned. In 2012 content growth increased by 70% and Amazon prime had between 3 to 5 million subscribers. Additionally the company plans to attract 5 million additional subscribers by mid 2013” (Trefis, 2012). In the same report by Trefis, they identified that “although Comcast’s Xfinity service offers less content than its competitor Netflix, it is priced much lower and is more motivated to compete directly with Netflix. Worst of all, Comcast possesses established relationships with media companies that will soon gain the leverage needed to gain access to licensing rights that allow content to mimic its competitor”, once again establishing the need to respond early and in a friendly manner to ISPs like Comcast in order to mitigate any potential souring of relationships if the net neutrality trend stands unregulated.

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**COMPETITIVE ENVIRONMENT**

Netflix started in 1997 distributing mail-order DVD rentals with no late fees. It quickly gained 25% of the market share in ten years now commands approximately 37% after it introduced streaming in 2008. Its success motivated competitors to also get in the game, which has resulted in slow (and thus far negligible) losses to its market share since 2012.

Today, Netflix operates within the highly competitive media streaming market that has been forecasted to increase tenfold from $1.3 billion in 2007 to $12.5 billion in 2017 (Bauman, Deal, Ishak, & Johnson, 2013). It holds the lead in program memberships and since Comcast, its closest competitor in terms of subscribers, experienced a net loss of more than 260,000
subscribers in Q4 of 2012, Netflix shows potential to keep the lead, albeit with troubling trends on the horizon if not managed carefully.

“IN ADDITION, AGGRESSIVE GROWTH IN COMMUNICATION TECHNOLOGY HAS LEAD TO AN INCREASE IN INDIRECT COMPETITORS. THE TWO MAIN INDIRECT COMPETITORS ARE YOUTUBE AND VIDEO PIRACY FILE-SHARING WEBSITES LIKE BITTORRENT AND BEARSHARE. CONSUMERS TURN TO THESE SERVICES BECAUSE VIDEO STREAMING IS AVAILABLE WITHOUT SUBSCRIPTION FEES; AN ATTRACTIVE OPTION IN A STRUGGLING ECONOMY WHERE CONSUMERS CONTINUE TO SEEK CHEAP AND FREE SOURCES OF HOME ENTERTAINMENT” (Thomas, 2012).

Comparatively, Netflix’s indirect competitors and privacy represent more of a threat to its profits since they harm all legitimate providers, regardless of market positioning. To help understand, the following figure associates Netflix’s main competitors:

<table>
<thead>
<tr>
<th>Direct Competitors</th>
<th>Indirect Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon Studios / Prime</td>
<td>YouTube</td>
</tr>
<tr>
<td>Hulu</td>
<td>The Pirate Bay</td>
</tr>
<tr>
<td>Comcast Xfinity</td>
<td>Bittorrent</td>
</tr>
<tr>
<td>Coinstar</td>
<td>Dailymotion</td>
</tr>
</tbody>
</table>

FIGURE 2

PART 2: EMERGING TRENDS

It is important to realize that in today’s digital world, change happens both exponentially and erratically. Some of the trends discussed here were barely on anyone’s radar five years ago; others have been put before Congress for at least seven years now and still see no sign of future slowdown. As such, I have tried to identify three of the most effectible trends that will affect Netflix, and in turn eliminated those fads with negligible lifespans.

The three emerging trends come from all areas of the business, from new technologies and consumer behavior to regulatory and government issues. The intersection of these general descriptors is where my three trends lie: the idea of the “second screen”, network neutrality, and video gaming will all affect the entertainment industry significantly, and in particular Netflix as we navigate the uncharted waters of creating our own content for the first time.

What follows is a brief overview of each trend.

SECOND SCREEN ENGAGEMENT

When referring to the “second screen” in the entertainment industry, we refer to the growth of tablets and smartphones as extensions of a consumer’s primary watching mechanism. A viewer may be watching a rerun of a television show through their cable subscription while at the same time looking up relevant information about the show on Wikipedia through their smartphone.
Alternatively, they can be live-tweeting their thoughts about a sports broadcast as it happens and engage with other fans and viewers around the world simultaneously. This is the world of the second screen: literally, a world in which two screens pervade consumers’ lives.

More than 80% of smartphone and table owners report using these devices while watching TV, and at least 25% of them use them multiple times per day. 51% of those who post social media while watching TV do so to connect with others who might also be watching the same program, and 24% of Facebook users report posting about the movie they’re watching while in the theater (Ulanoff, 2012).

Among digital devices consumers use to watch TV, only 3% of usage actually comes from traditional computers: almost 40% is through tablets and a whopping 59% of all streaming television watched is on a smartphone, truly demonstrating its ubiquity and desire among consumers. Since our apps are by far the largest sector of our our subscribers access our content, the usage of second screens by consumers greatly impacts our business.

**NETWORK NEUTRALITY**

In 2010, a new set of edicts by the FCC finally settled parts of the almost decade-old argument surrounding net neutrality: wired broadband providers were restricted from Internet traffic discrimination but wireless providers were free to do as they pleased, including limiting or completely removing access to services (Federal Communications Commission, 2010). Unfortunately, this did nothing to resolve the issues when most cable providers (like AT&T) simultaneously operate wireless cells. Ultimately, the controversy surrounding net neutrality is still very much alive.

The argument boils down to the idea that companies that provide Internet access to consumers should have the right to monitor and restrict what traffic and services are run across their own infrastructure. They’re laying the cables, building the cell towers, and letting a customer use their equipment to access the Internet, so why shouldn’t they be allowed to say what is allowed to use their lines? Internet freedom activists vehemently oppose the issue, citing a base degradation of the founding principles of the Internet, which is to allow the free and open sharing of information. While some governments (like the EU) have codified the idea of “net neutrality”—that is, that ISP companies cannot restrict traffic or access to the open Internet—into law, the US remains recalcitrant in following the rest of the world’s lead. Since we are a service accessed by consumers over ISP Internet connections, the result of this debate holds a huge effect over us.

With no regulation, this opens up some truly terrifying possibilities, such as ISPs charging consumers tiered pricing for access to certain services. The figure #4 on the following page is an example of what could come to pass one day if net neutrality is not respected:
### FIGURE 4

<table>
<thead>
<tr>
<th>Service</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELCO ADSL</td>
<td>$29.95</td>
</tr>
<tr>
<td>Google Search</td>
<td></td>
</tr>
<tr>
<td>Yahoo! Search</td>
<td></td>
</tr>
<tr>
<td>WordPress.com</td>
<td></td>
</tr>
<tr>
<td>eBlogger</td>
<td></td>
</tr>
<tr>
<td>Ask</td>
<td></td>
</tr>
<tr>
<td>Bing</td>
<td></td>
</tr>
<tr>
<td>Flickr</td>
<td></td>
</tr>
<tr>
<td>BBC</td>
<td></td>
</tr>
<tr>
<td>indiatimes</td>
<td>$5</td>
</tr>
<tr>
<td>News</td>
<td>$5</td>
</tr>
<tr>
<td>Telstra</td>
<td>$10</td>
</tr>
<tr>
<td>Disney</td>
<td>$15</td>
</tr>
<tr>
<td>All social networks</td>
<td>$0</td>
</tr>
<tr>
<td>Pandora</td>
<td>$10</td>
</tr>
<tr>
<td>Amazon</td>
<td></td>
</tr>
<tr>
<td>Overstock.com</td>
<td></td>
</tr>
<tr>
<td>PayPal</td>
<td>$5</td>
</tr>
<tr>
<td>eBay</td>
<td></td>
</tr>
<tr>
<td>Steam</td>
<td></td>
</tr>
<tr>
<td>EA</td>
<td></td>
</tr>
<tr>
<td>World of Warcraft</td>
<td></td>
</tr>
<tr>
<td>RealArcade</td>
<td></td>
</tr>
<tr>
<td>Gametap</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The figure illustrates various services and their associated prices. The table lists some of these services and their costs.*
The idea of transmedia relates to cross-platform storytelling. Whereas the old model of storytelling comprises a movie, and then subsequently a novelization of the film and perhaps a game rehashing the plot, the new world of transmedia opens up limitless possibilities that continue a story across platforms, instead of simply duplicating it (Rose, 2011). The image below graphically depicts a comparison of how transmedia franchises can better suit consumers today:

With over three billion hours per week spent globally on video gaming, the idea of continuing stories through alternative media platforms should be highly attractive to Netflix. In 2005, the average American spent 78 hours per month playing video games; in the last year of 2012, that number rose to 142 hours per month. Since casual gaming in particular has been a large part of that increase and consumers already use our apps to obtain our content, it would be very easy and profitable to combine the two and create additional transmedia franchises for our original series. NBCUniversal has recently tried this by co-building an immersive online video game with their cable series DEFIANCE on Syfy, and they were rewarded with their most-watched scripted series premiere in history (in terms of ratings) and more than seven million hours of playtime on the game since launch (Morabito, 2013).

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3 Non-immersive, simple, on-the-go mobile games like Angry Birds or Farmville, as opposed to traditional first-person shooters or role-playing games like Halo or World of Warcraft.
PART 3: TREND PREDICTIONS

Just as identifying the trends themselves can be a capricious undertaking due to the constant ebb and flow of what’s popular, predicting where they may lead is also a fickle beast of a problem. Still, I strongly believe that the directions I lay out below for each of the three trends are pretty good objectives of where they will end up and illustrate our need to respond appropriately.

The second screen will continue to see positive, beneficial engagement among consumers for as long as digital exists. Tablets, once thought of as a passing fad, are now highly integrated into many consumers’ lives, and those without them have at least smartphones. Slowly, at least every household in the US will have some form of tablet or second screen device and consumer behavior patterns indicate they will continue to utilize them as such during the primary consumption of media content. This will be beneficial to Netflix as we can capitalize on our subscribers established use of second screen apps to enjoy our content by creating richer and friendlier experiences for them by which to navigate our service, including greater social media integration for sharing with users’ other relationships.

Network neutrality has seen an eventual push by governments to codify its principles into law, but more so internationally like in the EU than in America. It took almost five years of battling and lobbying Congress on both sides for the FCC to render any sort of decision in the US, and its recent implicit federal authorization for wireless providers to substantively NOT be net-neutral is a sign that we cannot trust government regulations to incubate our business. This trend is potentially dangerously disruptive to us as it is not unreasonable to think that an ISP may eventually decide to charge consumers more simply to access our service: now, paying essentially twice for our content, customers will be less likely to become our subscribers. Alternatively, an ISP may demand that instead of offloading costs to the consumer, we pay them for the ability of our service to reach customers uninterrupted, or slowdowns and inaccessibility will result. Most frighteningly, this can take the form of anticompetitive practices by such larger conglomerates as Comcast who own and operate both ISPs and content production/delivery companies like NBCUniversal, who has a large stake share in Hulu. Suddenly, everyone who uses Comcast for Internet can access Hulu streams much better than our own, and our business will suffer for it. Truly, network neutrality is the most potentially disruptive trend that faces us right now.

As for video gaming, there seems to be no stopping of its current explosive growth. Like the second screen and tablets, it continues to see increased adoption among consumers, and the past decade has seen nothing but upward numbers for Americans and international cultures engaging in video games. Since transmedia properties are highly video game-centric, this provides us with an excellent, positive opportunity to integrate casual and mobile games—AKA transmedia elements—into our original series, creating an even further value for subscribers who enjoy our in-house programming.
PART 4: NEW STRATEGIES

Given the trends I’ve discussed, how they can affect us, and our current business climate, I’ve come up with a few recommended strategies for Netflix to adopt that would help adapt to these trends. In some cases, these take the form of new strategic relationships; in others, it will result in us developing new business models and core competencies while reforming others. In total, adapting these prescribed strategies will help us respond in the best way to beneficially deal with our trends at hand.

RETHINK OUR MOBILE APPS

While many consumers have cut the cord and made the switch to Internet-only TV offerings, undoubtedly they’ve experienced frustrations as well. Our mobile apps, while good, can be overhauled to present a much better and more seamless experience for those on tablets, especially when utilizing second screen viewing modes such as AirPlay streaming to a big-screen TV.

From an interface perspective, the great folks at YOUi Labs created a demo of a product they call FLIPtv, a natural user interface (NUI) that demonstrates the capabilities of tablets for streaming media content as well as their vision of how second screens can provide new and innovative ways to enjoy content. They took their interface and translate it over to Netflix’s tablet app, and the results are astounding:

![Figure 6 Image](image-url)
Compared to the current app’s design, this new proposal feels fresh and clean. While retaining the Netflix brand identity, it revitalizes the oft-used “discover” feature of our service, while providing new opportunities for social integration and community collaboration through such ratings sites as Metacritic and Rotten Tomatoes. Moreover, they propose the login screen change by allowing social credentials as authenticators (much as we do on the desktop version; the feature is shockingly absent in the mobile app) as well as minimizing the screen real estate needed for login by adding large, high-resolution tiles of newly-added content to encourage use of the service (The Lab Blog, 2013).

They continue to suggest added-value features like dragging-and-dropping content posters onto dynamic watch lists and queues (figure 7), skeuomorphic animations, and more detailed friendship connections, including the ability to see what friends on both Facebook and Twitter have watched, their recommendations, and share content with others (The Lab Blog, 2013).

By far, their most impressive change is when watching shows themselves: the new viewing player includes a tagging feature (figure 8) that I believe to be instrumental in expanding the social water cooler aspects of our content. Viewers can tap the button at any time during a show to tag moments on the timeline relevant with quotes from that scene or make a comment regarding what they saw. Subsequent friends watching the content can see these tags, opening up a dialogue between the partners and encouraging more social conversation through our app (The Lab Blog, 2013).
Similarly, many tablets offer an ability to wirelessly stream video content from the table to a larger TV; for example, a viewer’s iPad can be signed into our Netflix app and watching ARRESTED DEVELOPMENT when they choose to AirPlay stream the video itself to a big-screen LCD monitor. At this point, the tablet app becomes the prime real estate for second screen content since it is already the one providing the content’s timeline; it is completely synced with the show as the viewer is watching, allowing for contextual ads, tweets, shopping, relevant social connections, IMDb and cast/crew information, and more (figure 9). Truly, this creates extraordinary opportunities for second screen engagement, especially with our own content, and further branding prospects with our licensed content from third parties as well as a higher value to them\(^4\).

\(^4\) They would have no need to develop a second screen app of their own when we have the capability built-in to deliver one already to their viewers.
Limitless possibilities abound when we consider what can be done once we realize that we *are* the second screen: we are the app consumers use to consume content. The very fact that content is streamed from our servers to customers’ unique accounts opens up amazing chances for taking advantage of this one-on-one time with the viewer. For example, we already permit up to two streams at once per account: if a couple is a long-distance relationship, why not let them both sign in to the same account at the same time and synchronize what they watch together? Couples already hold “Skype dates” where they watch a film “together” when apart, but they’re plagued by manually syncing the films and requiring two of the exact same copy. We’ve already got the content; we can easily stream the exact same timeline of a TV show or movie, at the same sync point, in time, to two computers simultaneously. This is just one example of a very easy, cheap change that can be implemented at relatively little cost to us but with big value for our subscriber, something that will convince them to want us more.

When we recognize the potential that second screen apps hold, we can and should readjust our mobile apps to better present more integrated, pleasing experiences for our subscribers.

**FORM STRATEGIC PARTNERSHIPS WITH ISPS**

This should honestly be a no-brainer, but it bears a quick breakdown: net neutrality threatens our business because ISPs could easily require either Netflix or the consumer to subsidize the traffic related to media streaming. This is a potentially disruptive trend, so the best way to respond appropriately is to develop strategic partnerships with ISPs.

Note that I did not say develop co-productions with ISPs, or co-offerings of content or services. We don’t need to make products with them, but we do need to get in bed with them, so to speak. Netflix needs to make sure large ISPs are on its side if and when the net neutrality debate favors those with the ability to threaten us in the future. It’s a simple idea: make friends now with those who can harm us later. The goal is to develop such close working relationships that, when the time comes, we’re better able to stem such warring price discrimination.

These partnerships can come in many forms, and admittedly should go through enough administrative oversight and with sufficient input before being formed, but I can suggest some preliminary ways in which they may come about. AT&T currently has no stake in any media conglomerate, but a large portion of smartphone users stream our content over AT&T’s 4G LTE wireless network. The FCC’s last decree on net neutrality gives AT&T the right to limit or degrade access to our service, which would in turn pull customers away from accessing us over their second screen and mobile devices, which would of course ultimately turn them off from our subscriptions entirely. To mitigate this threat, we could now explore potential relationships with AT&T through the guise of recruiting new cell subscribers for their 4G LTE service. Perhaps in our advertisements for Netflix apps on devices, the phones and tablets used could be prominently only AT&T’s network, gently encouraging customers that we work best through AT&T. Granted, this is a very rough, early idea, but the fact is that by partnering with AT&T we would provide them a service—additional subscribers—that later they can look upon as a good thing in our relationship that they would not want to sour by harming us through tiered pricing and Internet access models.
Developing these strategic partnerships now with ISPs will help defray attention from the true reason, because otherwise basic capitalism will kick in at the corporate level and any Internet provider currently not limiting us will be hard-pressed to find a reason not to immediately start. We don’t hold many cards in this hand, so it is strategically beneficial for us to avoid the disruptive threat by cozying up now to those who can ultimately hurt us.

DEVELOP TRANSMEDIA PROPERTIES

Video gaming, as I pointed out, is here to stay, and transmedia properties like NBCU’s DEFIANCE on Syfy are quickly becoming a great way to add value to a traditional franchise series. We’ve got an advantage in being able to push out content to consumers anytime, as fast as possible, and not being locked into network airdates, but also the fact that our apps are already downloaded by consumers. To be fair, it is tough to argue that we should develop casual games into our main app, but the trust is already there with consumers: it is natural for them to have Netflix apps on their devices. It would be no different with video games and other transmedia properties created by us.

Furthermore, we could not simply make video games based off everything in our library; aside from not having the rights to do so, it’d be impractical and useless. Instead, it is our own original series that can benefit most from the creation of related transmedia properties: our in-house productions will quickly be realized to have an added value beyond those shows created by traditional networks or cable channels. Syfy already created a TV show that ties into an online video game, but we already distribute online: why can’t our next series be produced alongside a casual game that viewers can play on their second screen while watching on their main monitor? Or, alternatively, we could augment our app with an alternative reality game that would allow eagle-eyed viewers to spot clues in a storyline, tag or select them, and collect/achieve prizes in the game world.

Understandably, the possibilities are limitless, and the best way to capitalize on the upward trend of video games and success of transmedia properties is to get into the game ourselves. We already have plans for many series in development, and some of those will work best as traditional properties. But a few can probably offer our subscribers much more satisfying conclusions by immersing themselves into the world of our creation; viewers can gain euphoria at collecting all the pieces. I prescribe we should absolutely get into the business of at least starting to explore the transmedia potential our original series have, since this will offer added value that will make viewers more likely to choose us instead of competitors that cannot compete with our content.

PART 5: CONCLUSION

As demonstrated, Netflix survives today in a thriving business environment with healthy competition and a flourishing, prosperous subscriber base. We provide a massive content library to viewers, including the recent launch of our own original series, and have plenty of opportunities for international expansion with further in-house content. The few threats that
exist now are solely with competitors largely unable to vie harmfully for our business, and those more significant are addressed in my prescribed strategies.

Some trends that are currently developing in the marketplace include second screen engagement, network neutrality, and video gaming alongside transmedia properties. Second screen engagement has seen huge increases in adoption by consumers as more households purchase and use tablets regularly to watch streaming media content, and video gaming has likewise risen dramatically in the last decade in both casual gaming and more immersive markets. The debate over Internet freedom continues to rage in both the business world and government houses, and can potentially spell troublesome airs for Netflix’s accessibility to consumers. So, while two of these trends have the potential to benefit us, another can really hurt us, and it is important to respond appropriately to all of them.

It is my prediction that both second screen engagement and video games will continue to rise at unprecedented levels during at least the next five years, so it only makes sense to take advantage of these trends by developing products that exploit their use by consumers. Viewers’ tendency toward second screen tasks can easily be addressed by redesigning our mobile apps and presenting more streamlined, integrated interfaces for the current social world, and their great hours spent per week playing video games can augment our original series by giving them added value over competitors’ offerings if we develop transmedia properties that wholly enhance the traditional “watching” of content. Together, these trends and their predicted directions can best be responded to by the strategies I’ve prescribed and I truly believe this will lead to greater profits and customer loyalty among our subscribers.

As for the net neutrality debate, it is still a very ambiguous situation. International markets like the EU now have standardized government regulation in support of Internet freedom and we do not have to worry about anticompetitive practices overseas. But the FCC’s essential siding with wireless Internet providers in their latest declaration on the matter opens up the possibility of mobile data providers limiting subscribers’ access to our service unless the customer or Netflix pay additional fees, a potentially very harmful threat. Thus, now forming strategic partnerships with ISPs can best diminish this disruptive trend, so that we are friendly if and when the time comes.

Truly, the dynamic media landscape is an ever-changing one, and throwing business into the mix only complicates matters further. But by looking ahead to the trends that affect us and predicting their directions to the best of our ability, Netflix can be sure to respond in the best way appropriate to meeting the challenges ahead and ultimately come out on top.


