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1. Abstract

This report will analyse one of the leading streaming services in the world. With an impressive history and an almost constant growth, Netflix is one of the giant players in the entertainment industry. Some of the main points to be discussed in this report are a brief history of Netflix, an analysis of the company's market, its income, their competitors as well as understanding the microeconomic and macroeconomic factors which impact the business. From the Company almost going out of business to becoming the number one streaming service, this report will execute a thorough analysis of their marketing strategies. This analysis will also cover the concept of a lean business method and the possible outcome of it, if applied in Netflix's business plan.

2. A Brief History of Netflix

Netflix was founded on 29th of August in 1997 by Reed Hastings and Marc Randolph in Scott Valley, California. Their initial thought was investing in VHS tapes, but due to their high costs, after the invention of DVD's, they decided to test the concept of DVD home selling and renting. The concept of a monthly subscription was introduced in September 1999 and they abandoned the single-rental model in early 2000. In the same year, due to their low number of subscribers, they lost \$57 million and received a sell-out offer from Blockbuster for \$50 million. The offer was rejected (Netflix, 2020).

In 2002 the company saw an increase in their number of subscribers to 600,000 in the US followed by the celebration of 1 million subscribers in 2003. Netflix managed to acquire a patent for its subscription rental service issued by the US Patent and Trademark Office. In 2003, Marc Randolph stepped down as a member of the board. The number of subscribers

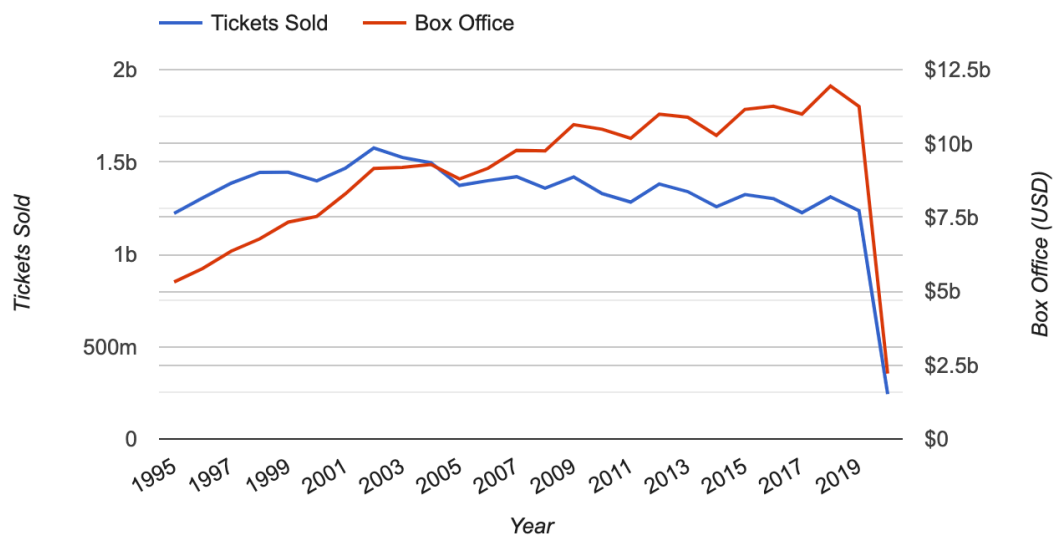
doubled again in 2004 to over 2 million subscribers followed by yet another doubling in 2005 to 4.2 million. By the end of 2006, Netflix achieved 5 million subscribers. In 2007, video streaming was introduced, called “Watch now”, which allowed members to watch movies and TV shows on their personal computers instantly (Burgess, 2020). From 2008 to 2010, Netflix started to work on their partnership with consumer electronics companies to allow streaming on Blue-ray disc players, Internet-connected TV, Apple iPad with the service being launched internationally (Keating, 2012). In 2012 the company made an important step in its business model by creating their own video content. In the same year, they expanded their service to the United Kingdom, Ireland and Nordic Countries, reaching 25 million members (Burgess, 2020). In 2013, a new milestone was achieved by becoming the first TV network to be nominated for the Primetime Emmy with 31 nominations. Netflix’s expansion continued in 2014 and 2015 in Europe and Austria, New Zealand and Japan. In 2016 they covered a total of 190 countries with programming available in 21 languages (McFadden, 2020). In 2017, ‘The White Helmet’ brought Netflix’s first Academy Award. 100 million subscribers were reached, and the Download and Skip Intro enriched the user’s experience. Between 2018 to 2020 the company received 23 Emmys for series such as ‘Glow’, ‘Godless’ and ‘Queer Eye’ with new operation centres opening in London, Madrid, New York and Toronto (Netflix, 2020). In March 2020 the “Hardship Fund” came into place to support the creative industries due to the COVID-19 crisis (Sarandos, 2020)

3. Economics and Finance

3.1 The Market

The entertainment industry has seen an increase in its revenue every year with 2019 reaching over \$100 billion in revenue for the first time. In 2019, an increase of 14% was recorded worldwide mainly in online streaming with home/mobile entertainment reaching 28.8 billion. “The film, television and streaming industry continues to transform at a breakneck pace, and this report shows that audiences are the big winners,” said Charles Rivkin, the MPA’s chairman and CEO (Opinion, 2020). However, due to repercussions caused by the pandemic, the entertainment industry has seen a decline in the revenue due to precaution measures which led to cinemas being closed. On the other hand, online streaming has seen an increase as people are forced to stay in-doors (Watson, 2020).

Annual Ticket Sales

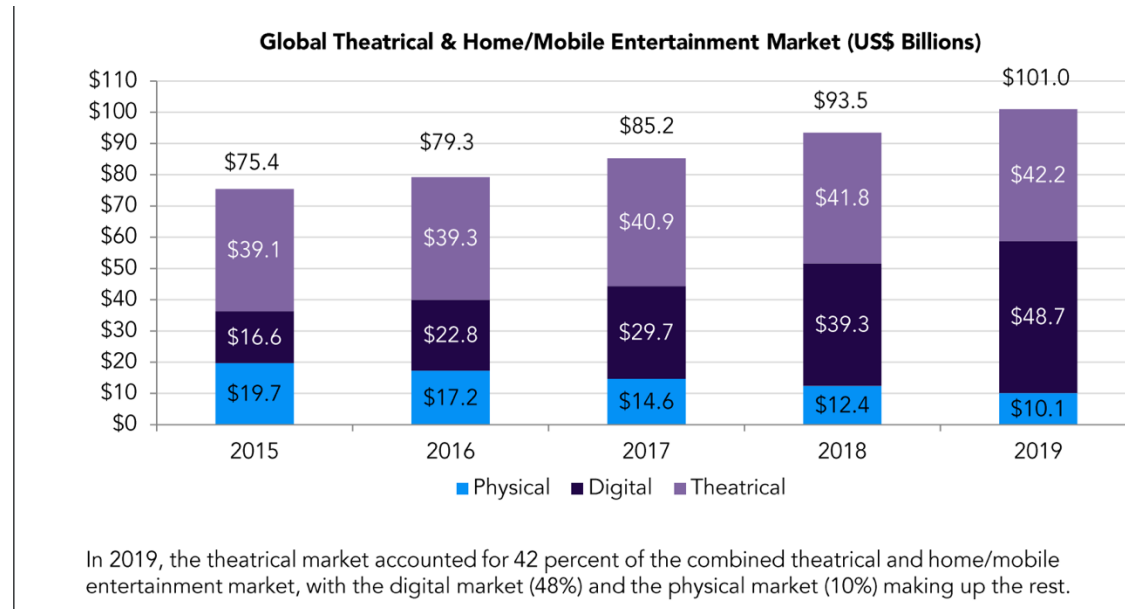


Note: Figures for 2020 are at an annualized rate (both in the graph above and the table below). The Box Office Totals in the graph above are *not* adjusted for inflation.

Graph. 1 (Services, 2020)

The box office revenue had registered a constant increase for a period of 13 years from 2005 to 2018 with a slight decrease in 2019 of 5.78%. However, this was followed by a drastic decline of 80.32% being registered from 2019 to 2020. The number of tickets sold varied from year to year with an increase of 28.98% from 1995 to 2002 followed by a decline

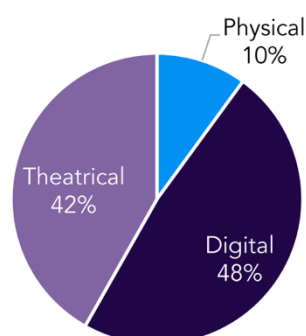
of 21.59% from 2002 to 2019 and a major decline of 80.64% in 2020. These losses have been attributed to the cinemas being closed for safety regulations enforced by the emergence of the COVID-19 worldwide pandemic (Services, 2020).



Graph. 2 (Association, 2020)

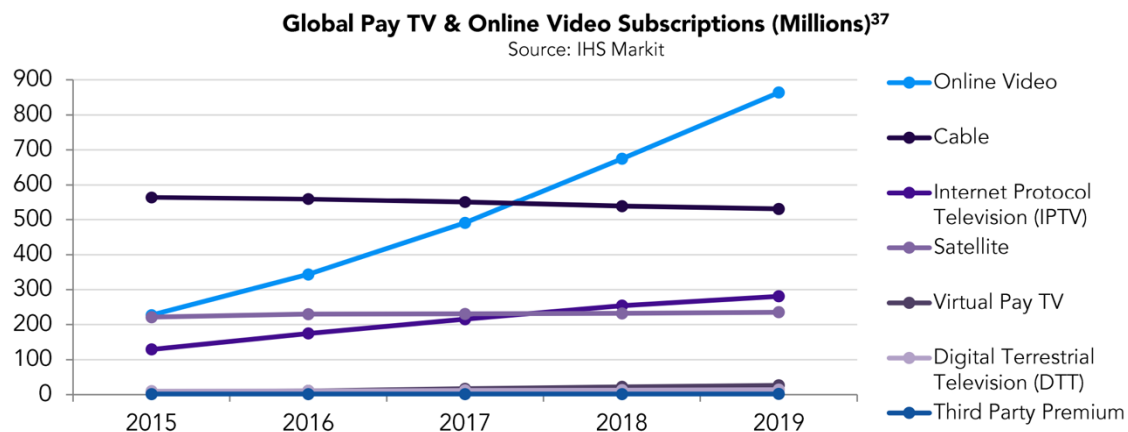
Graph 2 shows the consumer's behaviour evolution from 2015 to 2019 with the Digital market increasing by 193.37%, the Theatrical market increasing by 7.92% while the Physical (such as CDs and DVDs) market declining by 48.73%.

2019 Global Theatrical & Home/Mobile Entertainment Market (% Share)³



Graph.3 (Association, 2020)

By the end of 2019, the Digital and Theatrical market represented 90% of the revenue produced while the Physical market represented just 10% (Association, 2020).



Graph. 4 (Association, 2020)

The online subscription service, such as Netflix, Hulu, Amazon Prime, saw a constant increase from 2015 to 2019. The number of subscribers increased in 2019 by 189.2 million compared to 2018. This shift toward online platforms happened because consumers preferred to choose their own content rather than being ‘fed’ by the TV cable. Graph. 4 shows a decline in cable subscriptions (Association, 2020).

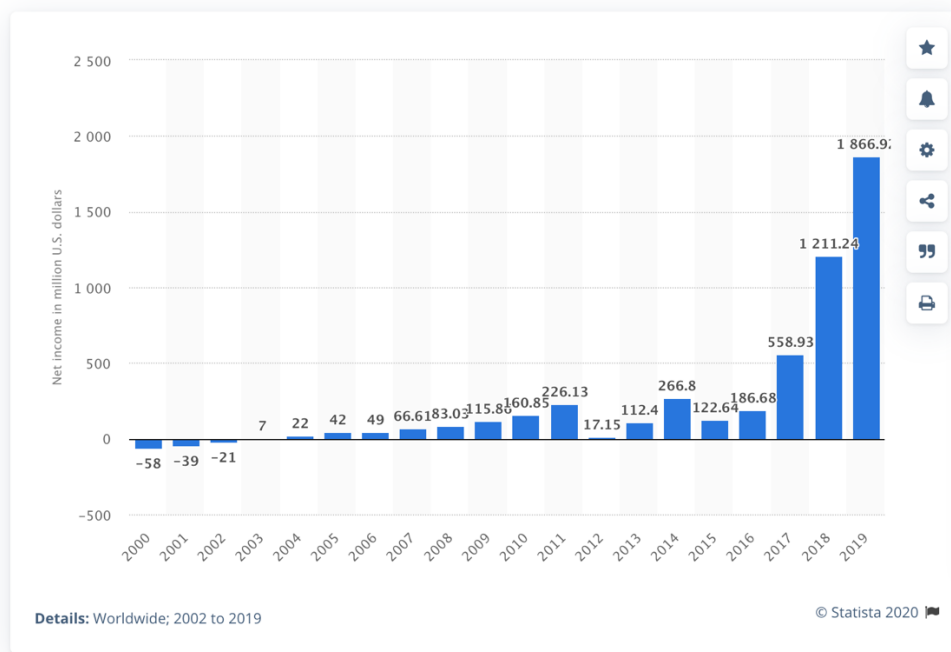
4. Finance

Since the 2000s, Netflix had a constant increase in their number of subscribers, and with the technological evolution they added more and more features, such as the Download button, Top 10 list, Watch offline (Netflix, 2020). Netflix became the leading online streaming service with 16 million new users registered in the 1st quarter of 2020, and a total of 195.2 million paid memberships in over 190 countries (Netflix, 2020). Due to some

unexpected operational costs and investments, from 2000 to 2002, Netflix operated with a loss (Graph 5). On May 23rd, 2002, Netflix started selling shares for \$15 per share (McCarthy, 2003).

Netflix's net income from 2000 to 2019

(in million U.S. dollars)



Graph. 5 (Watson, Netflix. Net Income from 2000 to 2019, 2020)

In 2003 Netflix registered a revenue of \$272.2 million, up 78% from the previous year and a net income of \$6.5 million. Also, in 2003 Netflix became a pillar in the entertainment industry with the largest DVD library available at that moment in time. By the end of the year, Netflix had 1,487,000 subscribers, an overall increase of 41% compared to 2002. An increase in house penetration to 5.9% was seen in all markets, especially due to the overnight delivery, which represented over 80% of subscribers. This year also indicated a very low rate of Churn of 4.8% (Crawford, Netflix Earnings Release, 2004).

By the end of 2004, Netflix measured a total of 2,610,000 subscribers which represented an increase of 76% compared to the previous year. The revenue of this year increased by 86% to \$506.2 million. The net income was \$20.8 million, including the loss of \$4.6 million registered in the UK. Registering a high increase in the stock market, by 2004, each share was priced at \$70 (Crawford, Earnings Release, 2005).

In 2005, Netflix registered a new record in revenue of \$688 million, up 36% from \$506.2 million from the fiscal year 2004. The number of subscribers reached 4,179,000 with an increase of 60% compared to the previous year. (Crawford, Netflix Announces Q4 2005 Financial Results, 2006).

In 2006 revenue reached almost \$1 billion with an astonishing record of \$996.7 million, up 46% from the previous year. An increase of 51% was registered as well in the number of subscribers, with a total of 6,316,000 users and net income reached \$49.1 million (Ross, 2007).

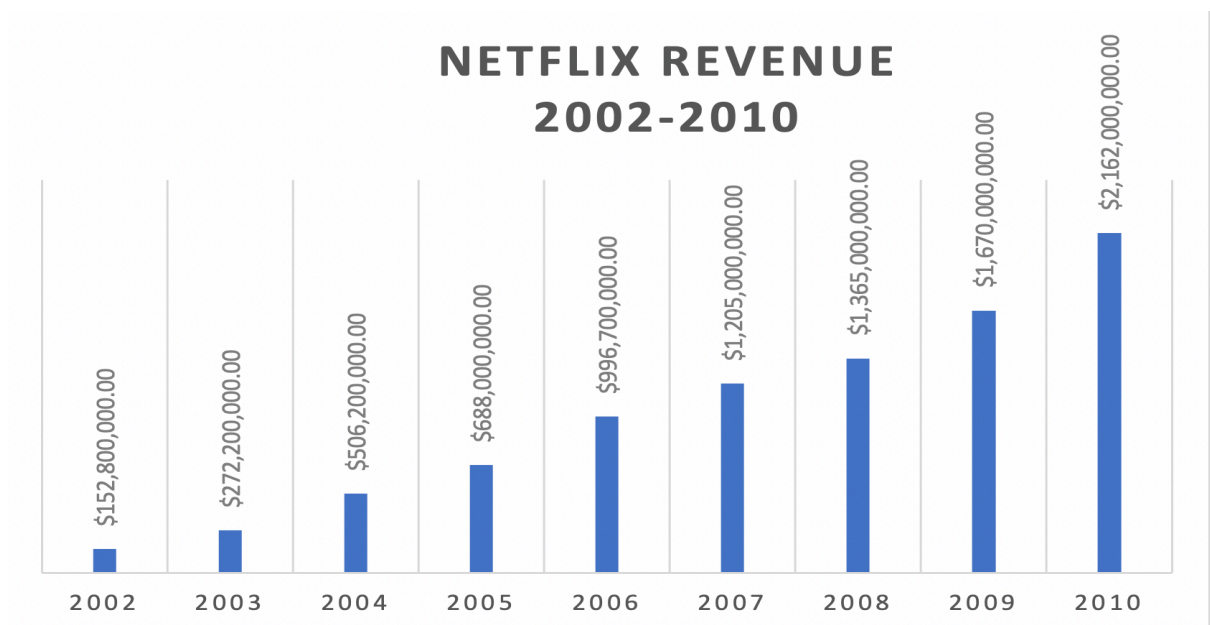
The year of 2007 represented a huge success for Netflix as, despite their fast-growing DVD business, they launched the Watch Now streaming product which would change the entire future of the company. Even though a big investment was made in the online video initiative, 2007 was still a year which showed growth. Revenue reached \$1,205 million, up 21% compared to the previous year, with net income reaching \$67 million. The number of subscribers kept on increasing to 7,479,000, up 18% compared to the previous year (Swasey, 2008).

As the user experience increased, in 2008, the number of subscribers reached 9,390,000 with 98% paid subscribers. The other 2% were free subscribers compared with the previous years, where 5% were in the free category. Revenue was \$1.365 billion, up 13% from the fiscal year of 2007 with net income measuring \$83.0 million up 25%. (Crawford, Netflix Announces Q4 2008 Financial Results, 2009). The retail sale of DVD stopped as

well as Netflix partnerships with Starz, the American TV network which gave Netflix's customers access to more than 2,500 TV shows and movies (Prokopets, 2020).

The year 2009 represented another continuous year of growth for Netflix when the revenue reached \$1,670 million, up 22% from the last year with a net income of \$115.9 million. As the company started moving towards the online streaming concept, the number of subscribers increased to 12,268,000 (Crawford, Netflix Announces Q4 2009 Financial Results, 2010).

Due to the high demand for online streaming and the success showed by the increasing number of subscribers, in 2010, Netflix made streaming the main priority as the future of the company. The new number of subscribers reached 20.1 million with a revenue of \$2,162 million and net income of \$161 million (Hasting, 2011).

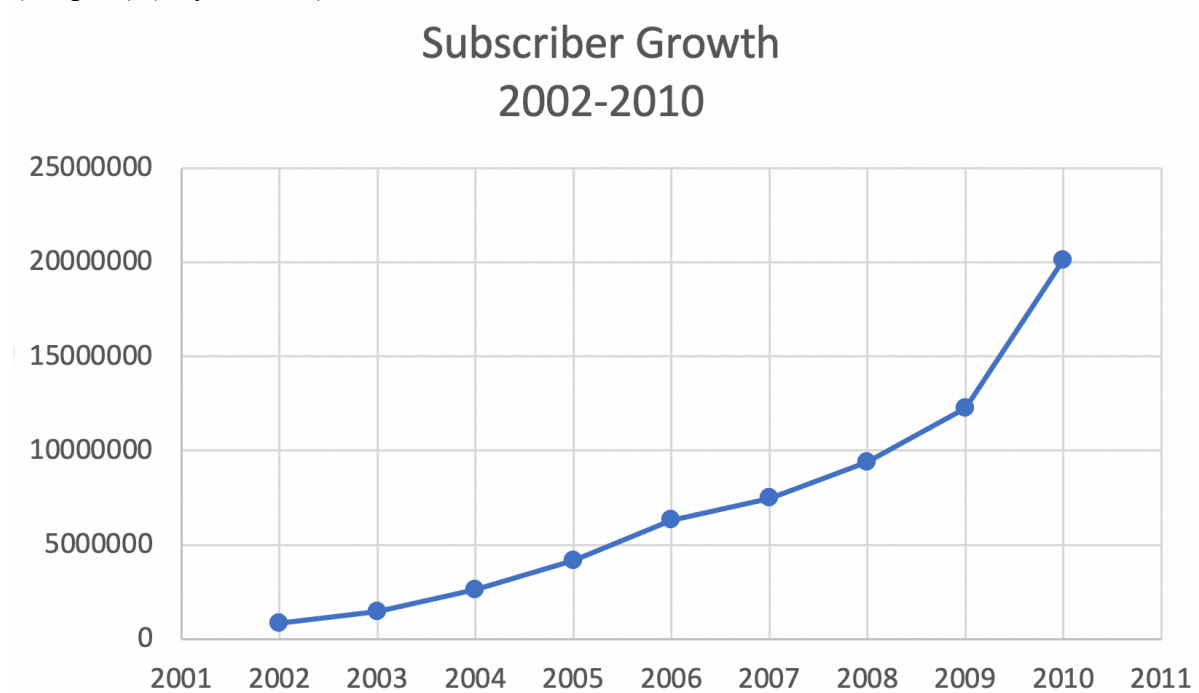


Graph 6. (Source: Author)



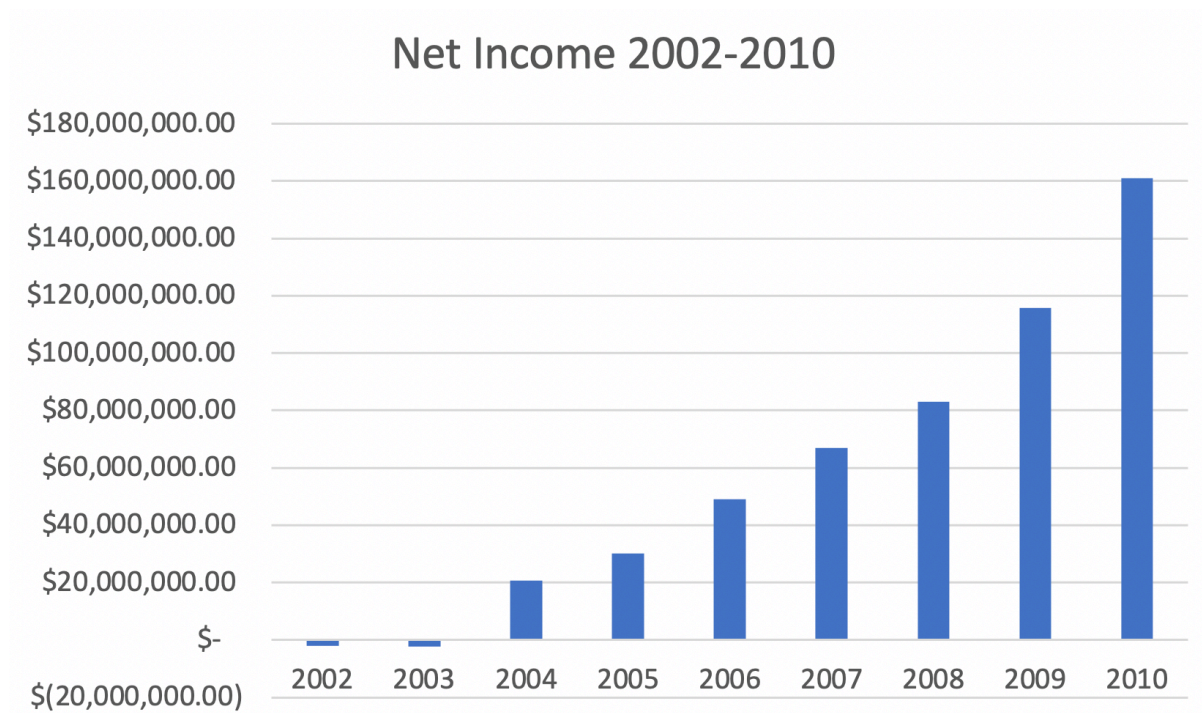
Graph 7. (Source: Author)

From 2002 to 2010, for a period of 8 years, Netflix registered constant growth (Graph 6; Graph 7). Good management and the ability to adapt to new technology made Netflix not just survive but become the leader in online streaming, increasing its revenue from \$158.2 million in 2002 to an astonishing \$2,162 million in 2010 (Graph 6), up 1314.92%. The number of subscribers increased by 2245.39% from 857,000 in 2002 to 20.1 million in 2010 (Graph 8) (Hayes, 2020).



Graph 8. (Source: Author)

The only time Netflix operated with a loss was in 2002 and 2003 (Graph 9) due to necessary investment which would allow the company to expand its business. From 2004 to 2010, Netflix has registered constant growth. (Keating, NETFLIXED: The Epic Battle for America's Eyeballs, 2012).



Graph 9. (Source: Author)

Due to a significant change in their subscription plan, in 2011, Netflix lost 800,000 subscribers in just 1 month. The initial subscription offered DVD rental and online streaming for \$10 per month, which changed to \$7.99 each or \$15.98 for both. The change took place in September 2011. This was heavily criticised by everyone especially as Hasting had just been invited to become part of the board of members for Microsoft and Facebook for his abilities to forecast the future of the market. This decision affected not just the number of subscribers but the price of their shares on the stock market as well. From \$304 per share back in July

2011, the stock market depreciated by 77% in four months resulting in each share costing \$69.92 (Sandoval, 2012). The revenue for 2011 was \$3.204 billion, with a net income of \$231 million and 21.544 million subscribers (Mertz, 2012).

Initially, Netflix predicted that 2012 would mark a loss due to their price hike and due to the investments made in order to expand their service in Denmark, Sweden, Finland, Norway, the UK and Ireland. The stock market represented a challenge as in August, shares reached \$53.87, closing the year at \$92.59. Netflix kept on reinventing their business model, in 2012, the first original show ‘Lilyhammer’ was released offering for the first time, all the episodes of a season at once. (Blagdon, 2012). Netflix closed their 4th quarter with a revenue of \$3,609 million, net income of \$17.4 million, down 92.46% compared to 2011 and a total number of 33.25 million subscribers from which 27.15 million were US subscribers and 6.1 million internationally (Friedland, 2013).

After a challenging period for Netflix, 2013 brought the first original TV series “House of Cards” which was a real success highlighting the popularity of its streaming service. In August ‘User profile’ features were added, which would allow families to have separate channels within the same account (Heathman, 2017). At the beginning of 2013, the shares were trading at \$99, with an increase of 42% to \$140 within a period of just 2 days. After announcing a possible collaboration with Time Warner and Disney, NFLX closed at \$354.99 on October 2013 (Ross S. , 2020). The revenue for 2013 reached \$4,374 million, with net income of £112.4 million, reaching a total of 44 million subscribers (Kasenchak, 2014).

Even though Netflix had won several awards before, in 2014 they won the first award in the acting category making Robin Wright the winner of a Golden Globe for her role in “House of Cards” for an online-only television series. Netflix Stock (NFLX) prices fluctuated from \$314.21 to \$484.39, with markets closing on the 31st of December 2014 at \$341.68. The revenue kept increasing by 20.54% to \$5,504.66 million with net income reaching

\$266.8 million up 57.87%. The number of subscribers increased as well, by 23.34% to 57.4 million users. (Kasenchak, Q4-2014 Shareholders Letter , 2015)

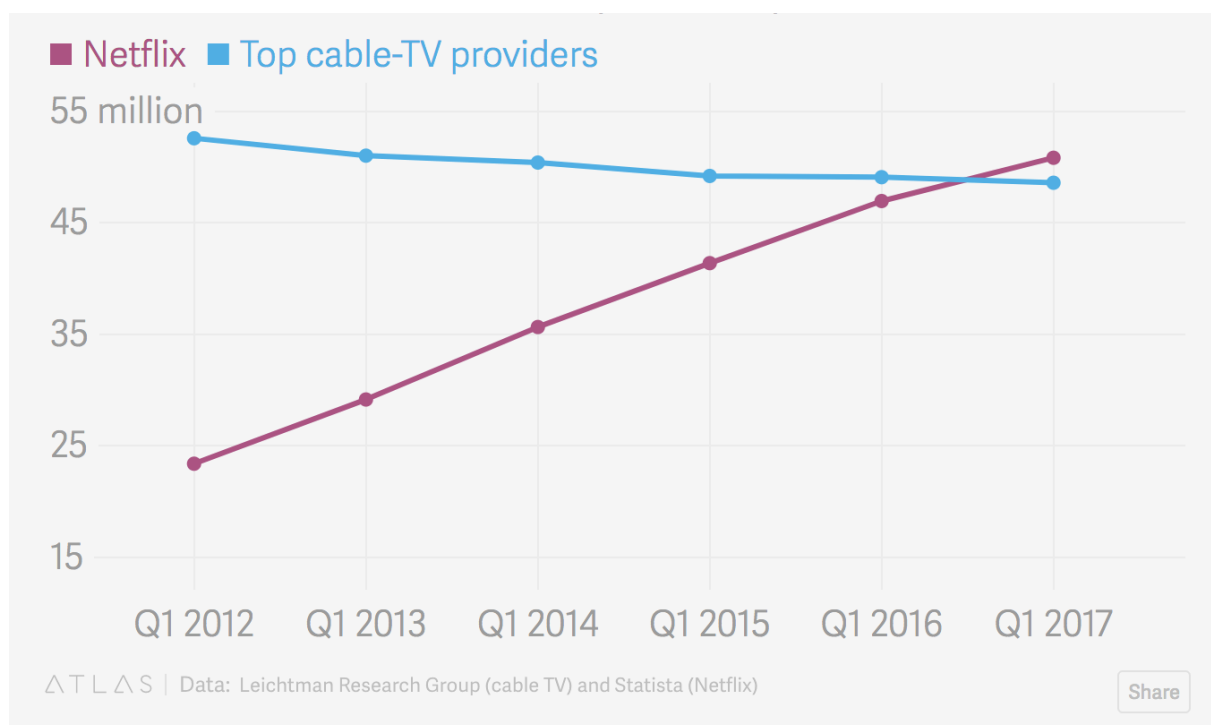
Another important event for Netflix took place in 2015 when they released for the first time a movie. It was intituled “Beasts of No Nation” with a budget of \$6 million.

Unfortunately, the movie was not a success in cinemas, bringing criticism toward Netflix’s work ethic as it broke the 90 days window of exclusivity. Despite the amount spent towards the movie, Netflix reported that, for their first movie, they were happy with the number of streams generated. Financially, 2015 registered an increase in revenue, reaching \$6,779.5 million but with a decrease in the net income from \$266.8 million in 2014 to \$122.6 million in 2015, a decrease of 54.04% and with a base of 74.7 million users. The drop in the net income was generated by the lack of subscribers supposed to be generated in the 3rd and 4th quarter in the US (Wang S. , 2016). In January the share price was \$340 which escalated quickly in July to an astonishing \$707.61 at which point Netflix announced a 7:1 split, only the 2nd company to have ever done that (Ross S. , 2020).

With a record-breaking 54 nominations at the 68th Primetime Emmy Awards, Netflix was not anymore just an American company; it had become an international organization. In 2016 they launched their service in 130 countries worldwide. A partnership with Univision was agreed in order to test the market for new users by airing old series, which would incite excitement for upcoming new seasons (Steel, 2015). One of the main features was the option to watch offline as they aimed to engage with customers from countries less developed where internet access is limited or very expensive. This led the company to reach 93.8 million subscribers, an increase of 20.36% compared to 2015, with a revenue of \$8,830.6 million and with a net income of \$186,6 million, up 34.29% compared to 2015 but still 30% lower than 2014 (Wang S. , 2017). An immense drop of 88% was registered in the share price in January

2016 from \$707.61 to \$82.79, followed by a quick increase to \$91.61 in February. The year closed at \$97.06 (Caplinger, 2018).

The investment made in the previous year for expanding the company worldwide made Netflix register in 2017 a total revenue of \$11,692.7 million, up 24.47%. The net income was \$559.9 million up 66.67% compared to 2016, and the number of subscribers reached 111 million up 15.49%. (Wang S. , Q4-2017 Shareholder Letter, 2018) For the first time, the number of cable TV subscribers in the United States was surpassed by the number of Netflix subscribers. With a budget of over \$8 billion to be spent on content, Netflix saw an increase in their number of subscribers due to the return of several series, such as “The Crown” (Graph 10). Due to its popularity, Netflix ranked as the 7th internet-based company in the world (Bloomenthal, 2020). In 2017 the share price increased to a maximum of \$198 closing the year at \$192.7 (Garry, 2020).



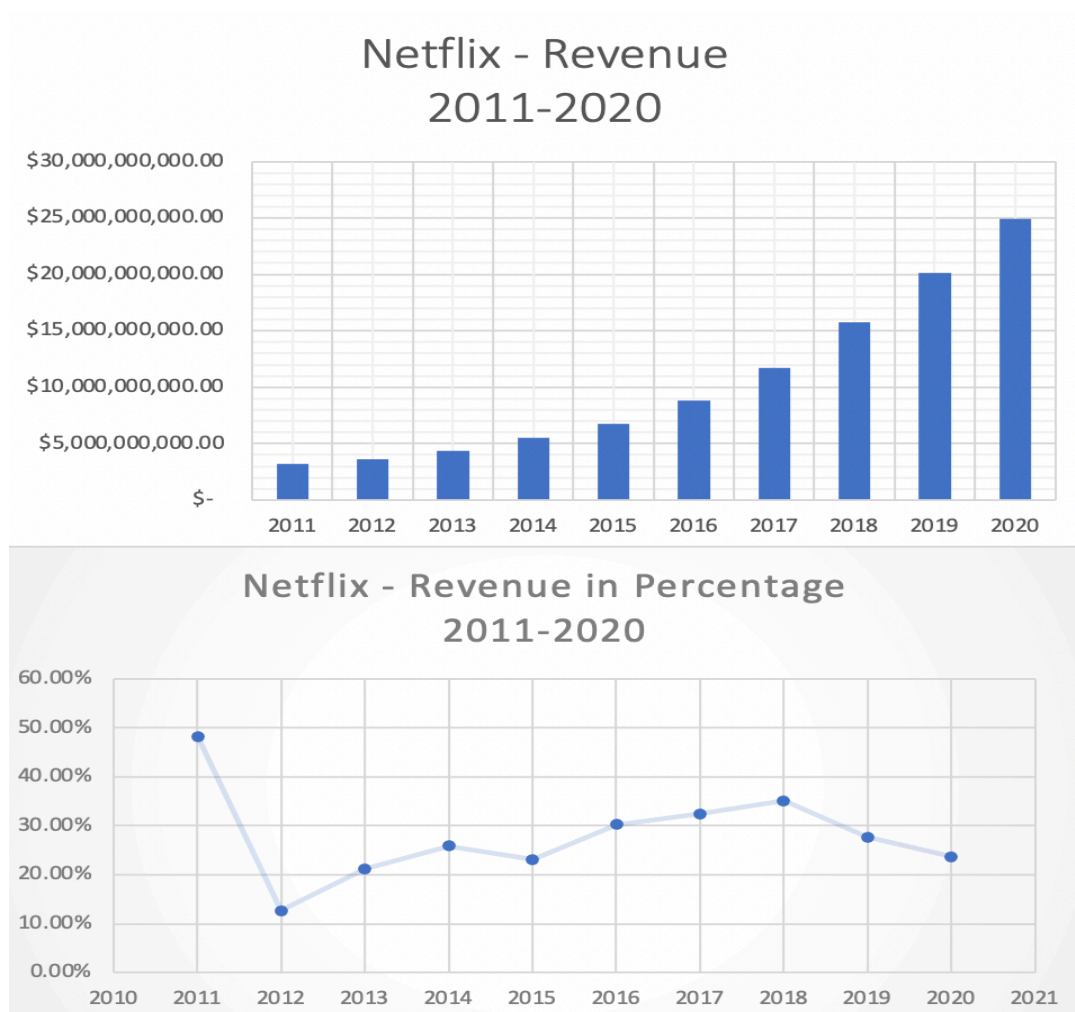
Graph 10 (Association, 2020)

In 2018 Netflix kept on expanding and testing new business models in order to grow and keep up to date with the public requirements. Another first happened in 2018 when Netflix released the first interactive movie for adults “Black Mirror: Bandersnatch” where the viewer had the option to control the faith (fate?) of the character. Despite the high number of shows produced, Netflix attracted criticism from all over the (world) for cancelling shows overnight after CEO Reed Hastings said: “we need to start cancelling more shows” (Adalian, 2018). Meanwhile, the number of subscribers reached 139 million, with a revenue of \$15,794.3 million and net income of \$1,211.2 million, up 53.77%. In January, the share price was registered at \$212.05, reaching a maximum of \$408.25 in July, closing the year in December with \$233.88 (Siklos, 2019).

On 2019 Netflix focused on analysing and understanding customer behaviour in order to help them achieve a better user experience from the payment method to the types of movies watched. A mobile-only plan was released in Malaysia and Indonesia. The revenue for 2019 was \$20,156.4 million with a net income of \$1,866.9 million and with a constantly increasing number of subscribers to 167.1 million. The stock market opened at \$302.12 in January with the highest value of \$378.38 in July, closing at \$323.57 in late December (Wang S. , Q4-2019- Shareholder Letter, 2020).

Due to the worldwide pandemic of COVID-19, Netflix managed to gain even more subscribers. The pandemic did not affect the number of movies and series Netflix created, and so with people forced to stay at home, consumers started looking more than ever for ways of entertainment (Thomas, 2020). The revenue registered by 30th of September 2020 was \$18,351.6 million predicted to reach \$24,924 million. Net income was \$2,219.2 million predicted to reach \$2,834 million, and the number of subscribers reached 195.2 million predicted to reach 205.2 million. The stock market has seen an increase from \$330.75 in

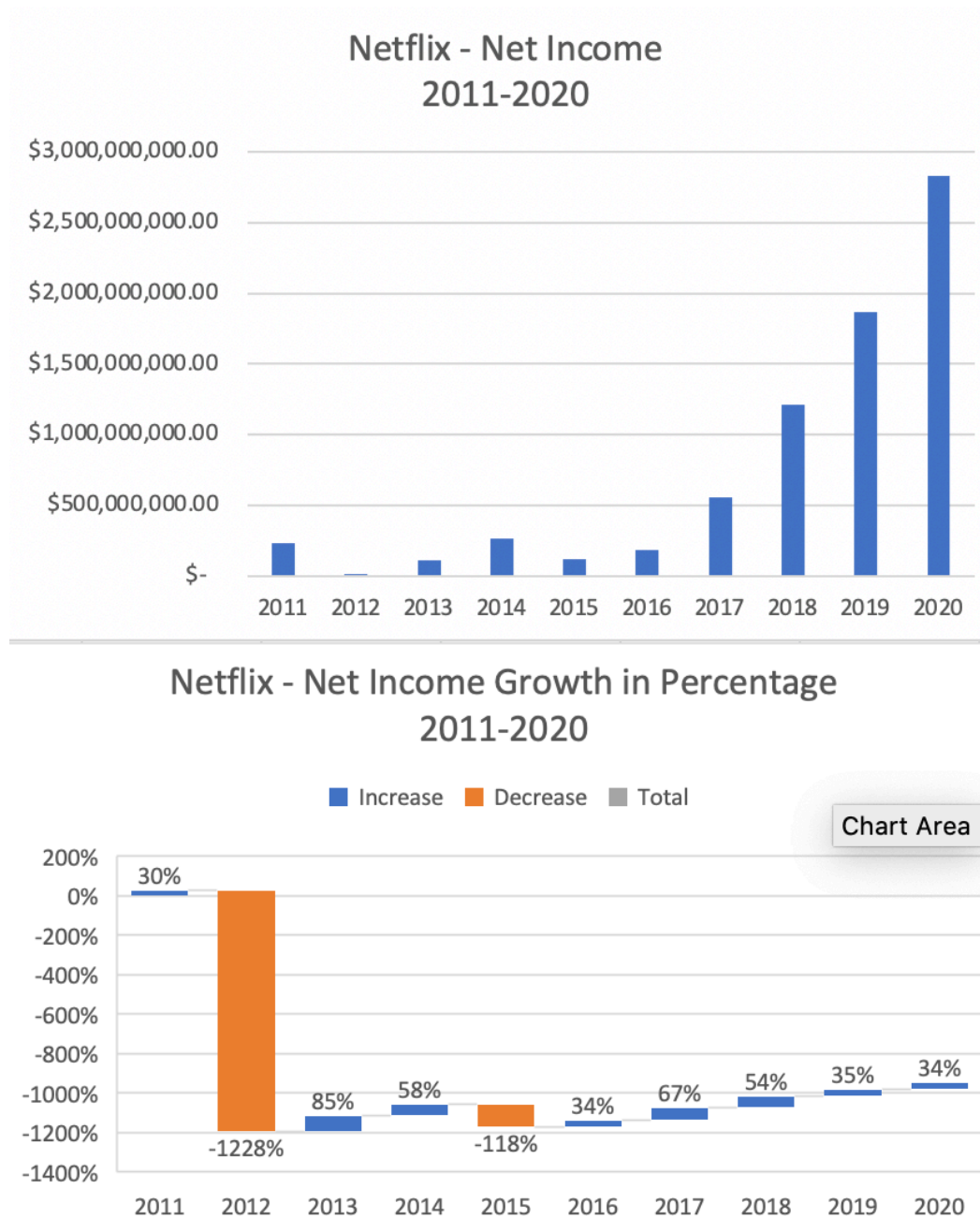
January to \$481.79 by 16th of November 2020 (Wang S. , Q3-2020 Shareholder Letter , 2020).



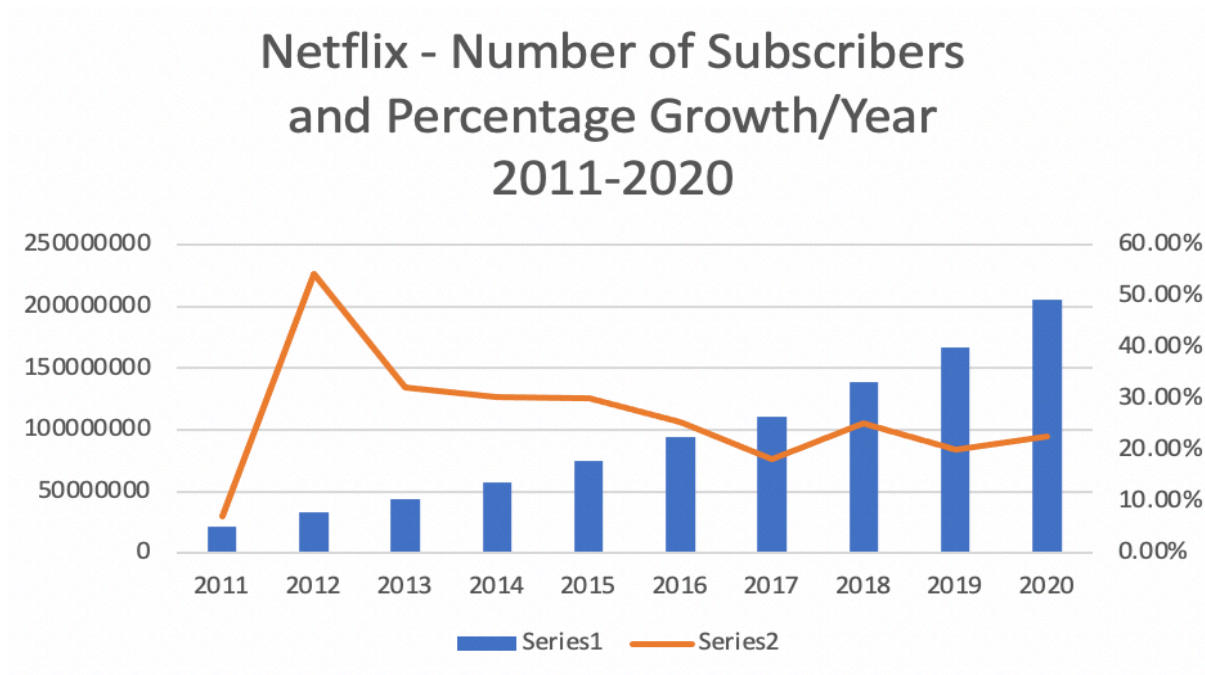
Graph 11. (Source: Author)

After a thorough analysis of the last 10 years of financial activity with data collected from the official documents released by Netflix Inc., it was clear that Netflix's revenue grew in every year. Starting with a revenue of \$3,204 million in 2011, by the end of 2020, the company is projected to reach \$24,924 million, registering an increase of 84.14%. The same continuous growth is registered in the number of subscribers. Even with the loss suffered in 2011 of 800,000, with new subscribers from the international market, Netflix managed to

generate a positive outcome. From 21.544 million subscribers in 2011, by the end of 2020, Netflix is projected to gain 205.2 million subscribers with an overall increase of 89.50%.

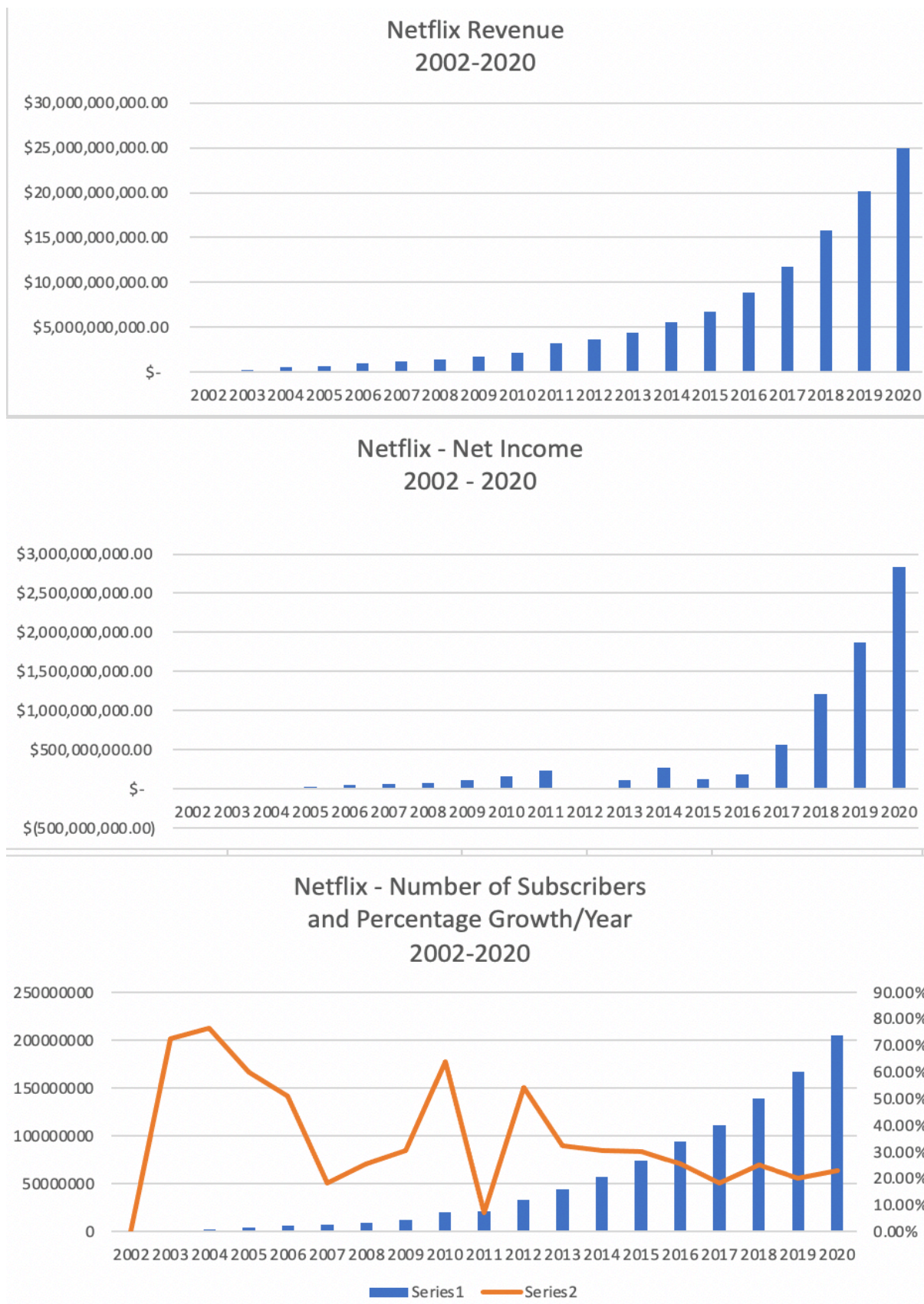


Graph 10: (Source: Author)



Graph 11. (Source: Author)

Due to the membership price changes (an increase of 60%), Netflix lost 800,000 users affecting the share price as well, triggering a decrease of 77%. The company made a tremendous investment as well in order to expand the company internationally. These actions led to a colossal drop in net income from \$231 million in 2011 to \$17.4 million in 2012, down 1228%. In 2015 another drop in the net income was generated due to the lack of subscribers from the 3rd and 4th quarter, from \$266.8 million in 2014 to \$122.6 million in 2015, down 118%. From 2016 to 2020, Netflix registered a constant increase. Overall, from 2011 to 2020, the company saw a total increase of 91.84% in its net income.



Graph 12. (Source: Author)

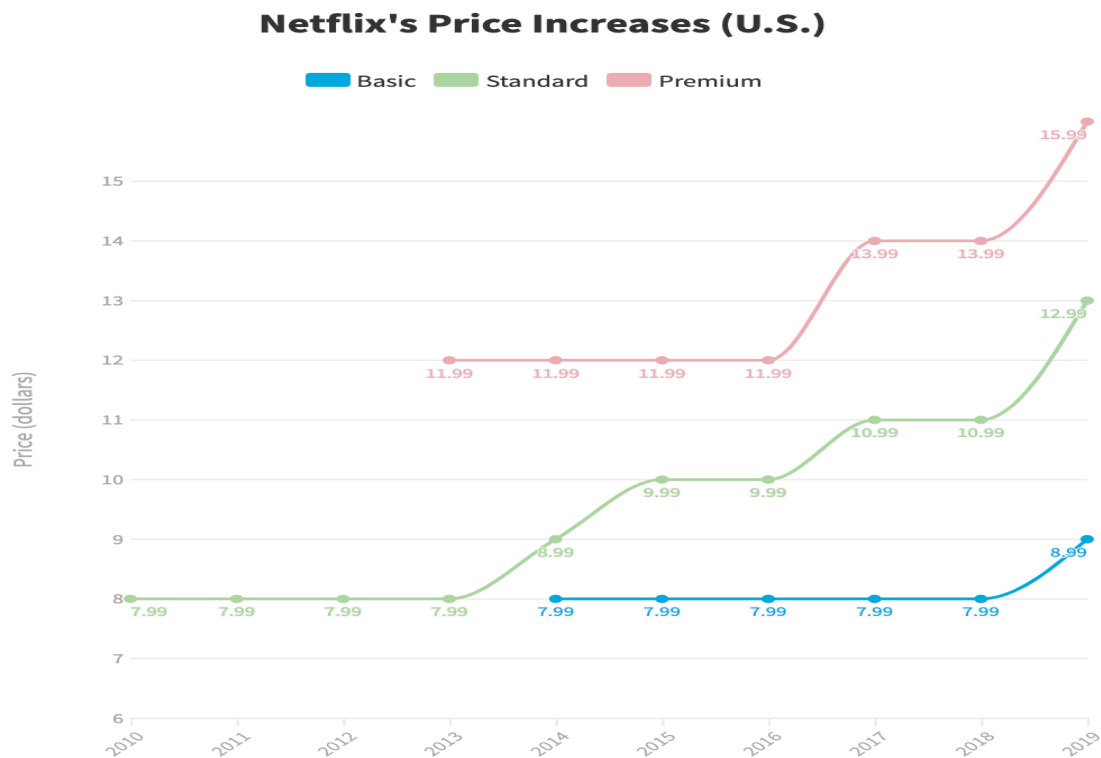
Overall, Netflix proved to have a knowledgeable management team opened to reinventing itself every year. In 2002 the revenue was \$152.8 million with a predicted revenue in 2020 of \$24,924 million, an increase of 99.38%. The number of subscribers increased 99.58% from 857,000 to 20.5 million. The net income has seen an overall increase of 100.07%.

While the company managed to become a leader in online streaming, many criticisms were brought against Netflix towards its work ethic and content quality. An important point of view was made about the quality of the movies produced. Yes, Netflix brings new content and keeps the public entertained all the time, but most of the movies created are easily forgotten and on top of that many are poorly produced, promoting low standards in the movies industry (Wright, 2019). Netflix is also considered the biggest disrupter in the cinema and television history by refusing to respect the 90 days release window. Even when major theatres took a stand against the company, Netflix refused to cooperate and usually streamed a movie on its platform just 3 weeks after it was originally released in the cinema (Haridy, 2019).

5. Products, Services, Customer Base and Price Strategy

Netflix is considered to be a champion in innovation, always looking for new ways to grow and outperform its competitors. With a forward-thinking attitude, the company constantly tried new trends and added new features which allowed Netflix to grow from a DVD rental company to become the biggest online content creator platform. The first innovative action was taken in 1997 when the company decided to use DVD even though it was new technology, and it was not on high demand. By 1998 the business consisted of renting and selling DVDs via email. To differentiate itself from the competition even more, in

1999 Netflix innovated on the revenue model. Instead of a pay to rent a single DVD model, Netflix tested subscriptions. In 2000 an unlimited number of DVDs could have been rented per month for a flat fee of \$19.95, and in addition to that, there were no due dates to return it. After 2002 the company went public as the number of subscribers kept on increasing, however, by 2007, Netflix quickly understood that it would be beneficial to deliver video directly online. By 2004 Netflix lowered its subscription price to \$10. Between 2007 to 2009 the sale of CD and DVD started to decline, which allowed Netflix to keep on growing through the video-on-demand option. In 2011, Netflix split the company in two by keeping online streaming on Netflix.com and creating a second company called dvd.netflix.com available just in the US. Not only was Netflix innovative with the online streaming concept, but it was the first company to make its content available on all devices (Lusted, 2012). By that time, competitors were already planning to offer the same service, and so, Netflix kept on innovating in other areas. The main change was the creation of original content with high investments in series and movies. That represented a new key activity to its business model, which is content creation. This is called vertical integration, where a company owns several parts of its value chain. Netflix also started releasing full seasons at once, cutting the waiting times of weeks between the episodes. In just a matter of 6 years, Netflix expanded globally starting with 2010 in Canada, 2011 in Latin America and the Caribbean, 2012 in the United Kingdom, Ireland and Scandinavia and in 2016 Netflix went live in 130 countries simultaneously becoming accessible globally (Burling, 2018).



Graph 13. (Cale, 2019)

Over the years, Netflix was known for constantly increasing their prices. The first major increase was in 2012 when they announced the division of the initial pack which covered both online streaming and DVD rental for \$10. After the plan was divided, each new subscription plan became \$7.99 each. In time, Netflix started introducing different subscription plans. The first package was called the “Basic plan”, and it granted access to all the content available on Netflix in Standard Definition (SD) streaming was available on just one device at a time. This plan kept the same price from 2010 until 2019 when it was increased from \$7.99 to \$8.99. The second plan was introduced in 2013, the “Premium plan”, which started at \$11.99 and it allowed 4K with the option to download and stream on 4 devices at the same time. By the end of 2019, the price increased to \$15.99. This plan increased 3 times over the last 7 years. In 2014, the initial “Basic plan” became the “Standard

plan”, and it allowed streaming High Definition (HD) on 2 devices at once. The starting price was \$8.99, and in a span of 4 years, it increased its price 3 times to \$12.99. The Netflix CEO was criticised for the constant price hikes, but he argued that Netflix was creating more content than ever and so the costs were increasing as well (Cale, 2019).

5. Major Competitors

Since access to the internet and technology has become more attainable, several companies started to offer the same online subscription service as Netflix.

5.1 Amazon Prime Video

Launched in 2006, Amazon Prime Video is a service offered to the customers with an Amazon Prime subscription. It represents Netflix’s main competitor with, 150 million worldwide users and is still growing for two reasons (Kim, 2020). First, they started to invest more in original content, and second, due to the pandemic, people used their service for door-to-door delivery. While Netflix focused on creating TV series and movies, Amazon focused more on sports channels (Moskowitz, 2020). The Amazon Prime Video is available by itself for \$8.99 same as Netflix’s basic plan or \$12.99 for the Amazon Prime account, including delivery (Amazon, 2020).

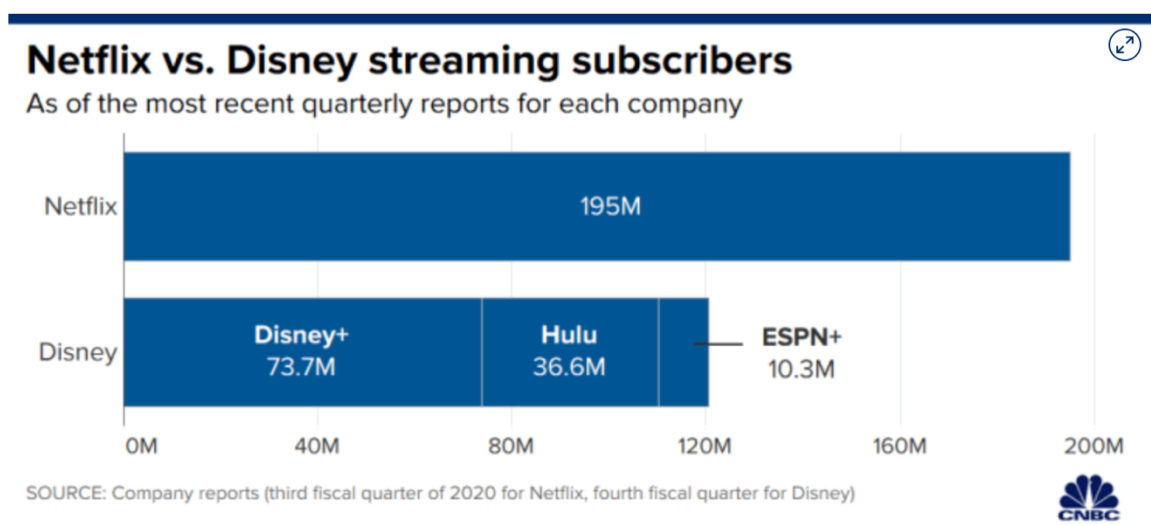
5.2 Hulu

With over 35 million subscribers, Hulu is another international streaming platform with service available in 190 countries. It was launched in 2007 and owned by The Walt

Disney Company, NBC Universal and Comcast. Hulu launched the first online subscription plan, Hulu Plus, in 2010 followed by Hulu Live TV in 2017. Hulu's basic plan starts at as little as \$5.99 and the Hulu + Live TV at \$54.99. It also offers bundle options, including Disney + and ESPN+. Compared to Netflix, Hulu focuses more on the TV broadcast, but it has its own original content as well. (Rutnik, 2020)

5.3 Disney +

Disney + is seen as a fierce competitor as it had the quickest growth in the history of an online streaming platform. Launched in November 2019, in one year Disney + surpassed 73.3 million subscribers even though their initial target was to reach 60 million by 2024 (Graph 15). The monthly plan costs \$6.99 or \$69.99 a year. Before deciding to launch their own platform, Disney + had an arrangement with Netflix for some of the famous movies, but after Disney + made the launch official, all the contracts with Netflix have been cancelled. Despite the enormous library of movies, Disney has access to; it creates original content as well (Bursztynsky, 2020).



Graph 15. (Bursztynsky, 2020)

As the number of companies offering the same service rise, the fight for keeping subscribers gets more and more fierce. Another competitor to consider is Apple TV plus who is estimated to have gathered over 33 million subscribers and ESNB+ with over 10 million. The final difference in this war is going to be made depending on the price, the product quality, diversity and features which could attract more users (Spangler, 2020).

6. The Macro Environment

Netflix's macro-environment consists of political, economic, social, technological, environmental, and legal factors that affect its external operation. Netflix serves over 200 million people in over 150 countries today (Tapalaga, 2019). First, political factors affect company's operation. In some regions, especially in the European countries, introducing the new taxes on foreign technological companies has significantly increased the company's tax burden. Also, economic factors affect the operation of Netflix internationally by considering the exchange rates of the local currencies against the US dollars (Kiesha, 2018). For example, an increase in disposable income enable people to spend more on leisure activities, thus increasing subscribers worldwide. Moreover, the legal factors play an essential role in developing the company in other countries because most laws are still a work in progress to effectively put up a robust legal framework that regulates the technology industry's operation. Netflix is also working around the clock to enhance user privacy and protect the users' data across the world.

Additionally, environmental factors are relevant to any large multinational company since its impact on the environment directly influences its image and reputation. As a result, Netflix aims at reducing the environmental effect as much as possible by minimizing the use of non-renewable sources of energy (Sadaq, 2015). The company is also a leading champion

in supporting renewable energy projects in the United States and about 20 countries globally. Besides, sociocultural has become part and parcel of the marketing and operational strategy, and that is why Netflix is producing content accepted in different cultures and societies (Pratap, 2020). Technology represents one of the key leading factors in the competition and growth of most businesses in the world today. More importantly, Netflix has adopted technology as a core of its business model. It is the main reason why the company has surged in its popularity in the last couple of years.

7. Lean Business

7.1 What is Lean Business?

Lean is a philosophy, a way to achieve continuous improvement of performance daily in the organisation. It is based on 5 principles; The first is to understand what value is in the eye of the customer, focusing on the customer's needs and ensuring that customer-driven measurements are in place. The second principle is 'Pull' which means to produce depending on the customer demand, minimising overproduction, inventory and working capital. The third principle is 'one-piece flow' focusing on one product at a time minimises work-in-progress, process interruptions and waiting time increasing quality and flexibility. The fourth process is Takt, the 'heartbeat' of a system, representing the speed at which a product must be manufactured to meet customer demand. It allows us to balance work content, achieve a continuous flow and respond flexibly to changes in the marketplace. The fifth process is 'Zero defects' which states that no faulty product can be sold. This is combined with the robust, continuous improvement process (Do, 2017).

7.2 Critique of Lean Business

Although lean thinking can improve the results in the workplace, one element can cause the company to collapse. The stress imposed by strictly following these rules can lead to overthinking, over-analysing, bringing unwanted tension and, as a result, making the employees less productive and less efficient which could potentially lead to a faulty product, which would essentially go against the initial plan.

7.3 The Application of Lean Business Techniques

Netflix applied the lean business technique from the beginnings of the company. In 1997, Jim Cock, the Mozilla's CEO, accepted to work for 2 years as a business supervisor after Reed Hastings contacted him to conduct Lean Start-up experimentation ensuring the company followed a strict plan which could bring success. The lean technique was used until 2006 when their main focus was to gain new subscribers and deliver the product in a record time for that age, in 24 hours. At that time, one of the main factors which contributed to the success of the company was the product delivery speed, most of the content being sent during the night shifts and rigorous data collection process (Program, 2017). As the beginning was meant to be open to experimentation and improvement, Netflix's founders took their liberty to assess and experiment with every single detail, such as the size, shape and colour of the envelope, reaching over 150 types of envelopes in a few years. Their work ethic combined with their entrepreneurial skills led the company to become a giant in its industry (Women, 2019). Due to the several changes in their business model, through the adaptation to the online product delivery and the end of the DVD era, in 2011 Netflix adopted the Kaizen

business technique which focused on the continuous improvement of its product (Six Sigma Case Study: Netflix, 2017).

8. Summary

To summarise, Netflix became the most successful online streaming platform due to its willingness to take risks, continuous development and customer-focused approach. Through the years, with the ability to adapt and reinvent itself, the company managed to change its business model depending on the consumers' demands. Even though several competitors are emerging and offering almost an identical service, Netflix manages to stay ahead of the competition due to its constant innovative thinking. In the future, Netflix could consider improving their relationship with the world of cinematography and to increase the quality of their original content.

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