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Netflix Background

1997
- Co-founded by Reed Hastings and Marc Randolph

1999
- First subscription plan introduced

2000
- Recommendation service

2003
- Netflix posts its first profit

2004
- Blockbuster – new DVD by mail subscription service with no late fees

"In the last six months, Blockbuster has thrown everything but the kitchen sink at us”
-Reed Hastings
Dynamic of movie rental industry has undergone drastic change throughout the years

- Blockbuster recently files for bankruptcy
- Current competition from companies such as Redbox and Amazon.
- Netflix was not named ‘DVDs by Mail’ because Hastings knew that one day the company would deliver movies directly over the Internet
Netflix Recent Performance
Current/Future Prospects

- Online streaming
- Deals with Hollywood Studios
- Deals with major electronics companies
SWOT Analysis

Strengths
• Trusted brand/loyal user base
• User friendliness
• Industry-leading video library
• Ability to quickly adapt to technology
• Efficiency

Weaknesses
• Narrow selection of titles available through streaming channel
• New release delay
• Shrinking revenue per customer

Opportunities
• Internet Services
• International business
• New technology

Threats
• Fierce competition – Redbox and Amazon.com
• Stability of contracts with movie studios
• Shrinking margins
• Vertical integration among mobile companies
Netflix Strategy Analysis

- Overall, diligent in responding to changing market forces
- Requirements for a leading online/mobile video company are different than the capabilities Netflix possessed to create initial success
- Functionalities such as the queue and recommendation engine will transfer nicely to emerging delivering platforms
- Packaging of both traditional and streaming services will help preserve customer loyalty as consumer behavior changes
Recommendations for the Future

- **International expansion**
  - Gain first-mover advantage

- **Long-term alliance with Apple**
  - Ensure they don’t become a competitor
  - Offer services through growing tablet technology

- **Utilizing distribution centers**
  - Leveraged for the physical delivery and rental of other products
  - Ex. Rental of books and research journals or home DVD production services
# Board of Directors Committee Composition

| + + Richard Barton | I |  |
| A. George (Skip) Battle | I |  |
| Charles H. Giancarlo | I |  |
| Timothy Haley | I |  |
| Reed Hastings | I |  |
| Jay Hoag | I |  |
| Ann Mather | I |  |

* = Chairman of the Board  
G = Chair  
M = Member  
I = Independent Director
I. Honest and Ethical Conduct – Defines and outlines honest and ethical conduct and requires Netflix Parties to adhere to this.

II. Conflicts of Interest – Defines a conflict of interest and requires Netflix Parties who feel there is a conflict of interest to address this with a higher level of management.

III. Disclosure – Holds Senior Financial Officers accountable for the periodic financial reports in full. This includes validity and accuracy.

IV. Compliance – States the Company must comply with all applicable laws, rules, and regulations. In particular, this relates to auditing and accounting activities.
V. Internal Reporting – States Netflix Parties must take all appropriate actions to stop any known misconduct and encourages this to be done so through the confidential Internal reporting system.

VI. Accountability – States Netflix Parties are held accountable and may be disciplined, terminated, and possibly prosecuted for actions violating this code.

VII. Waivers and Amendments of the Code – States that Netflix has a duty to continuously review and update policies and procedures in this code.
Ethical Dispute


Suggestions

Make sure that instances of unethical conduct do not occur as in, “Frank Chavez v. Netflix, Inc.”

Continue to follow well structured Code of Ethics
NetFlix is a prominent example of a company that leveraged web technology to create a new movie-rental system. Some environmental thinkers credit Netflix with eliminating millions of tons of CO2 emissions from consumers driving to video-rental stores.

"If Netflix members drove to and from a rental store, they would consume 800,000 gallons of gasoline and release more than 2.2 million tons of carbon dioxide emissions annually."

Instead of the DVD cases you find at the movie store, Netflix uses a paper envelope, and you use that same paper envelope to send the movie back.
Suggestions

Use recycled paper for the DVD envelopes

Stream more movies through Netflix online, to further reduce CO2 emissions

Netflix should make a point to advertise that they are environmentally friendly, as it could increase market share

No community involvement to speak of, perhaps donate old DVDs to the communities that surround the DVD distribution centers.
## Netflix as a Potential Investment

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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</thead>
<tbody>
<tr>
<td>• Industry Leader</td>
<td>• More competition</td>
</tr>
<tr>
<td>• Stock Value: all-time high</td>
<td>• Stock Value: likely to decline</td>
</tr>
<tr>
<td>• Continuing Growth</td>
<td>• Volatile</td>
</tr>
<tr>
<td>• Large Payouts</td>
<td>• Risky</td>
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- **Bottom Line:** Smart short-term investment with large payouts but this is likely to change in the long-run.

- **Rating:** 6 out of 10
Netflix as an Employment Option

**Pros**
- High Pay
- Benefits
- Co-workers
- “Freedom & Responsibility Culture”

**Cons**
- High turnover
- Poor Management
- Poor Communication
- Fear-based Culture
- Limited Promotion Opportunity
- “Freedom & Responsibility Culture”

- Bottom Line: Looks great as a transition job but may not be a safe choice for a long-term career
- Rating: 4 out of 10