



# Netflix: Expanding Beyond the Entertainment Industry



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## EXECUTIVE SUMMARY

“Netflix is the world’s leading internet entertainment service with 130 million paid memberships in over 190 countries enjoying TV series, documentaries, and featured films across a wide variety of genres and languages” (NETFLIX Media Center). Maintaining a competitive advantage is a number one priority for any organization. As the entertainment industry continues to grow and other organizations find it easy to enter the market and compete, Netflix is exploring opportunities to offer new services that is outside the entertainment industry.

Becoming an Email Service Provider (ESP), Netflix can be accomplished this strategic endeavor by either using internal resources and create an email service or outsource the initiative. Creating a free email service internally will require Netflix to hire engineers to design the application, add additional hardware and require a long-term cost. A SWOT analysis was conducted on Netflix and based on the data from the analysis, developing the email service internally does not seem like the best path to choose.

The use of external resources or outsourcing to a third-party provider in the application of a Software as a Service (SaaS) platform or potentially create a partnership with another organization to provide the creation and maintenance of the new service. “Do what you do best and outsource the rest”.



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## INTRODUCTION

Netflix is a streaming service that allows our customers to watch a wide variety of award-winning TV shows, movies, documentaries, and more on thousands of internet-connected devices.

Netflix is looking to expand their reach outside of the entertainment industry and into the ESP (Email Service Provider) industry and provide a free email service. Executives at Netflix are trying to determine what is the best course of action to execute this endeavor; utilize internal resources and create a free ESP or outsource this project to a third-party provider. The objectives of ESP service are to strengthen the Netflix brand, provide a new product as a service and capture new consumers.

The purpose of this whitepaper is to provide data points to the Netflix executives to make an informed decision that the outsourcing the ESP feature is the best option for the organization.

Introducing Flix Mail!





## BACKGROUND

As the entertainment industry continues to grow and more competitors enter the market, an organization needs to find a way to make themselves unique and stay competitive. Exploring new markets to enter or developing new products are ways of organizations to accomplish.

Before a decision is made on which path the organization should take to accomplish the strategic decision to enter the ESP market, we can look at the advantages outsourcing, Figure 1 and the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis that was conducted on Netflix. Figure 2 illustrates that overall data from the analysis.

There are two ways to execute the application of an ESP product; internally or externally.

### Advantages of Out Source?

**FIGURE 1**



SOURCE: <http://www.jbeinc.net>



**1. Control IT Costs** - Outsourcing converts fixed IT costs into variable costs and allows an organization to budget effectively.

**2. Reduce Labor Costs** – Outsourcing reduces hiring and training of additional IT staff.

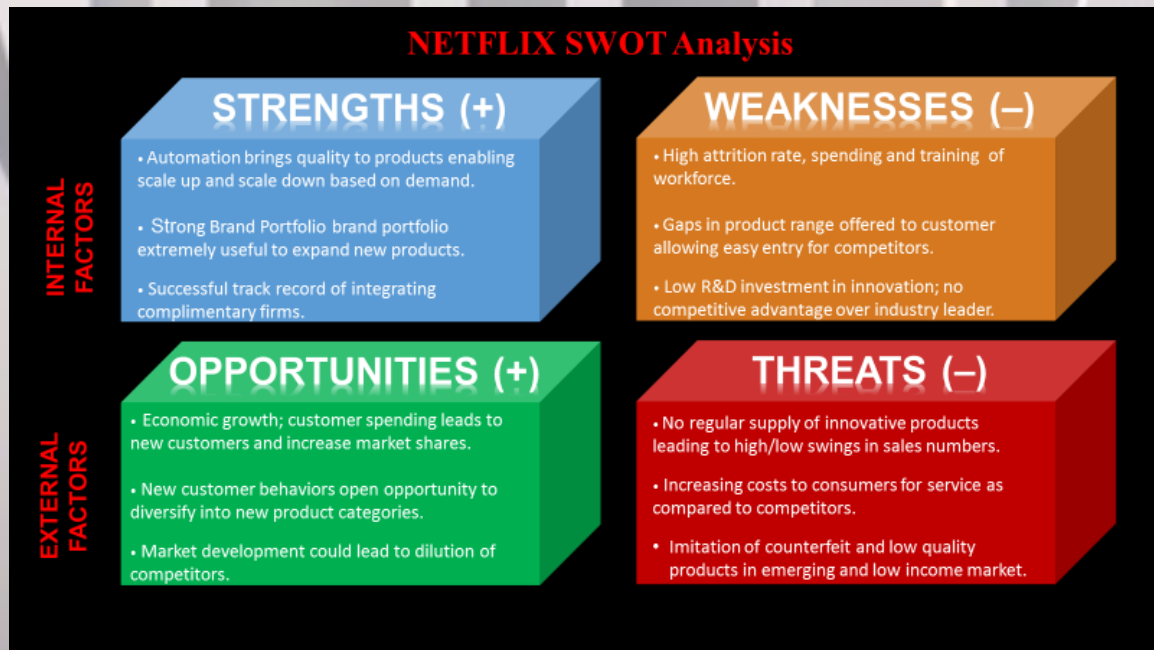
**3. Trained, Experienced, Qualified, Certified** – Outsourcing puts the burden of hiring trained, experienced, qualified and certified resources.

**4. Increase Efficiency and Competitiveness** – Outsourcing decreases the amount of cost passed on to the customer.

**5. Compliance and Security** – Outsourcing Minimizing the risks associated with maintaining client data is at the peak of importance to any organization in any industry. Each additional type of technology that is offered as a service requires firewalls up to date, a DMZ installed, and an audit of the servers.

## SWOT Analysis

**FIGURE 2**



SOURCE: MT490 Virtual Consulting



## SWOT Analysis Summary

Reviewing the data illustrated above in Figure 1, we can see that Netflix has a strong brand that is known for the automation of products and integrating other organizations as partners. Netflix does have a high attrition rate meaning that the organization is spending a high amount of money in the hiring process. This could be the cause of the gaps in the products offered to customers. Low investment by the research and development department of innovation is a weakness that could put an organization out of an industry due to not maintaining a competitive advantage. New customer behaviors do open the opportunity to enter new product categories. With Netflix having gaps in products offered to customers and the increasing cost of the service to the customer could lead to more and more customers to leave Netflix.

## Recommendation

Based off the SWOT analysis summary and understanding the advantages of outsourcing; it is recommended that Netflix outsources the development, implementation, and management of the ESP product; Flix Mail. This will reduce cost, reduce the gap in releasing new products and allows the organization to focus on what they do best and decrease any disruption in business.



## SOLUTIONS

### Integrating Complimentary Firms

As a strength of Netflix, they have a track record of successfully integrating complimentary of other firms.

Verizon – In 2015, Verizon bought Yahoo and AOL for \$4.4 billion and will combine the two into a new entity called Oath. The Oath portfolio includes HuffPost, Yahoo Sports, AOL.com, MAKERS, Tumblr, Yahoo Finance, Yahoo mail and more. Former AOL CEO, Tim Armstrong and soon to be CEO of Oath, stated, “We’re building the future of brands using powerful technology, trusted content and differentiated data”. Verizon’s acquisition of Yahoo is seen as a way for it to extend its reach to more consumers and boost its presence in the mobile and online video space against the likes of Google and Facebook (Fortune, 2015). As Verizon looks to combine Yahoo and AOL to form the Oath ESP, this would be an opportunity to partner with Verizon and bring their new ESP to the market.

From Verizon’s standpoint, it needs to find something it can sell via its available networks, whether that means selling services directly to the consumer or to other companies trying to reach its customer base. That’s where AOL comes in. While AOL may be most known for its dial-up services and growing content empire — which includes *The Huffington Post*, *Engadget* and *TechCrunch*—it also has put together a sophisticated suite of advertising technologies for online and traditional media that no other company (aside from Google and Facebook) can match. AOL’s platform is particularly strong in video advertising—which CommScore says reaches more than 50% of the U.S. population. The Internet company’s successful digital platform will also coincidentally assist Verizon’s plans to launch its own Internet TV service, which it announced this year after buying Intel’s media assets in 2014 and video delivery network EdgeCast in 2013.

Zoho Mail is an ESP and it is primarily aimed at business users and includes an online office suite and other features. It offers a free service with 5GB of mail storage space, so a new user can try it. For increased storage, a user may find it is worth paying €24 per year for 30GB of storage and other features such as domain aliases and Microsoft Active Sync support.





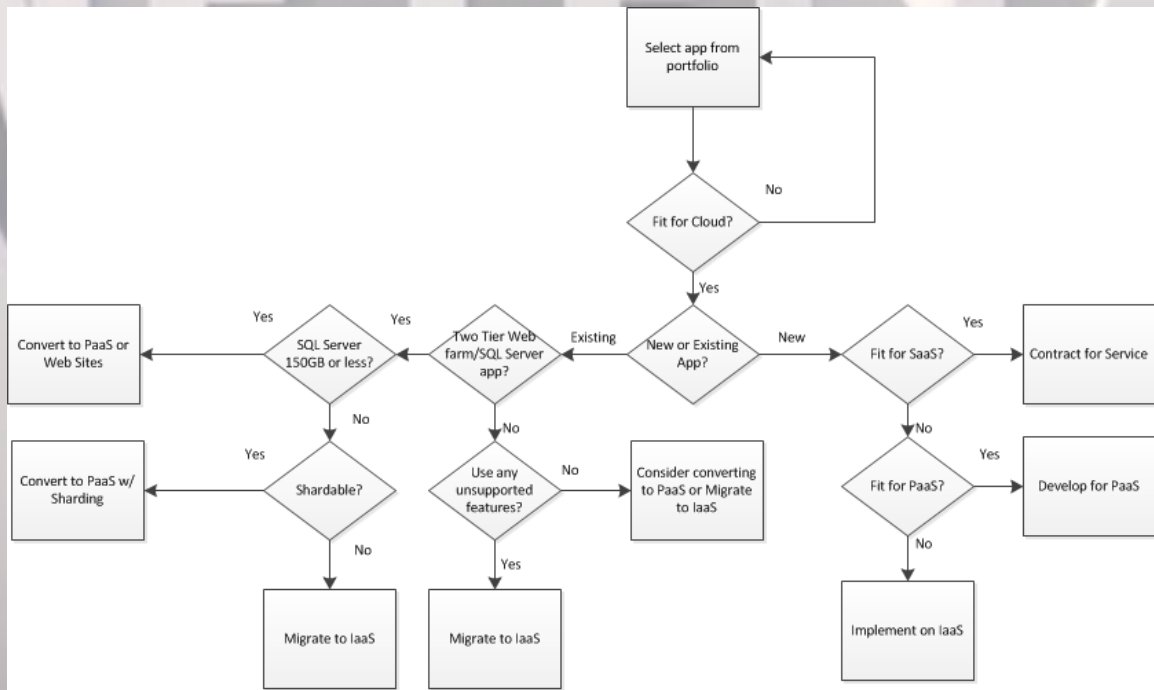
ProtonMail, based in Switzerland, is one of the most privacy-conscious email services, and offers encrypted and self-destructing emails. However, it only provides 500MB of storage to non-paying users. ProtonMail Plus costs €48 per year for 5GB of storage, while ProtonMail Visionary costs €288 per year for 20GB.

FastMail is a popular alternative, because it offers good support with no ads and no tracking, but it's not free. The Basic service with 2GB of storage costs \$30 per year, while 25GB costs \$50 and 100GB costs \$90 per year. There's a 30-day free trial so you can test it first, and a migration guide to help you switch from another supplier.

### Cloud Computing Strategy

Partnering with other organizations can become complicated and costly due to legal agreements and contractual issues due to each party requiring certain securities that provide a sense of comfort. Sometimes, a partnership is not a viable option. Netflix is an organization that is familiar with cloud-based applications. Figure 3, illustrates a flowchart for mapping the decision process at a high level. Netflix should use this flowchart as a baseline for all products or applications that are provided.

**FIGURE 3**



SOURCE: <https://cloudyinnashville.com>



## Why SaaS Platform?

Software as a Service (SaaS) is a distribution model used for cloud computing which means that a third-party host a combination of servers, databases, and code to create an application that is accessible by the customer through the internet on any device.

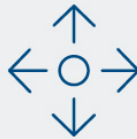


### **Benefits of using SaaS**

While cost is a central reason for using SaaS in your business environment, there are plenty of other advantages to moving your software to a cloud provider.



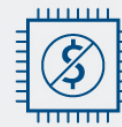
**Low cost**



**Scalability**



**Availability**



**No Hardware Costs**

#### SOURCE:

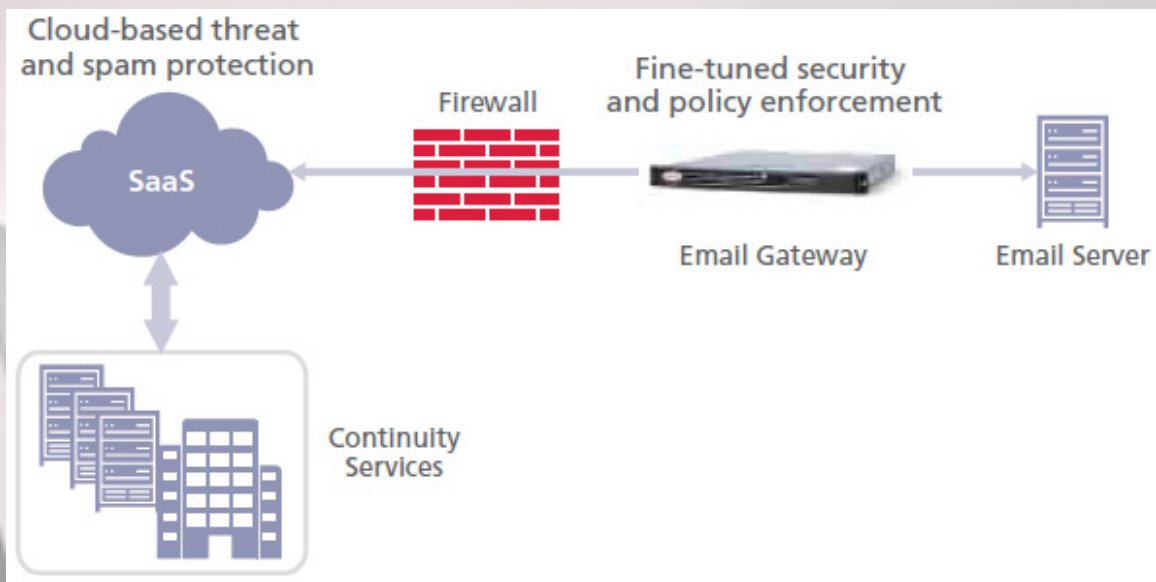
- 1. Low Cost** – Eliminating capital heavy expense of installing, maintaining, and upgrading IT infrastructure needed to be an ESP. SaaS platforms are generally subscription based and have no upfront licensing fees meaning lower implementation costs.
- 2. Scalability** – As the capability grows, instead of investing in additional in-house server capacity, SaaS licensing can be adjusted monthly.
- 3. Availability** – Customer only need an internet connection to access email, SaaS platforms make it easier to access this service on a variety of mobile devices.



**4. No Hardware Costs** – SaaS platform provider deals with hardware upgrades, software upgrades, database management and maintenance.

**5. Security** – The protection of customers information is a highly important for sustainability of a solution. Figure 4 illustrates the how customers are protected will using a cloud-based solution.

**FIGURE 4**



SOURCE: [www.ad-cit.com](http://www.ad-cit.com)

**6. Security** – The protection of customers information is a highly important for sustainability of a solution. Figure 3 illustrates the how customers are protected will using a cloud-based solution.



## CONCLUSION

Expanding outside of a known industry and reaching into a new industry can feel much like when Louis and Clark started their expedition of the West; you can have a plan, but still not sure what to expect. Having a plan can make things a little easier because there is at least a foundation to start from. Netflix started reaching out as an ESP can be a little bit easier when you have a foundation. The objective of this whitepaper is to provide the foundation that outsourcing this project is in the best interest of the organization and is the best solution to ensure that this service becomes a reality and does not die like a grape on the vine due to budget constraints or unavailability of resources. This is a golden opportunity to put Netflix out in front of the market and recognized as the industry leader with a product that set them apart from the rest.





## ADDITIONAL RESOURCES

<https://www.businessinsider.com/verizon-closes-yahoo-purchase-2017-6>

<https://www.cnet.com/news/yahoo-aol-oath-privacy-policy-verizon-emails-messages>

<https://www.essent.com/News/Blog/The-Top-10-Benefits-of-Outsourcing-IT-through-Managed-Services-284-24.htm>

<https://www.forbes.com/sites/deeppatel/2017/07/17/the-pros-and-cons-of-outsourcing-and-the-effect-on-company-culture/#29714944562d>

<http://fernfortuniversity.com/term-papers/swot/1433/379-netflix.php>

<https://www.cnbc.com/2017/06/13/verizon-completes-yahoo-acquisition-marissa-mayer-resigns.html>

<http://www.fortune.com/2015/06/24/verizon-gains-aol>

<https://www.theguardian.com/technology/askjack/2018/apr/2019/whats-the-bet-email-service-that-doesnt-scan-emails-for-ad-targeting>

<http://www.jbeinc.net/benefits-of-outsourcing>

<http://www.ad-cit.com/products/web-email-security>

<https://cloudyinnashville.com>

<https://media.netflix.com/en/about-netflix>