NETFLIX / STRATEGY BRIEF

One-page rubric drill-down. Every grading bullet answered. Use this to write your team's draft.

TAU MBA · STRATEGY FOR MANAGERS
FINAL ASSIGNMENT · 70% OF GRADE

1. COMPANY — 0 PTS

Netflix Inc. — global SVOD leader. **325M paid subs · 190+ countries · $45.2B revenue (2025) · 29.5% operating margin.** Produces, licenses, distributes films/series/games. 2026 forecast: $50.7–51.7B revenue.

325M	$45.2B	$18B	$9.5B
PAID SUBS	REVENUE	CONTENT/YR	FREE CASH FLOW

2. VISION · MISSION · VALUES — 10 PTS

Mission: "Entertain the world." **Vision:** "Must-have service — first place people go for entertainment, last they cancel." **Values:** high performance density, judgment over process, candid feedback.

DISNEY	AMAZON	APPLE TV+	NETFLIX ★
Tied to franchise IP — can't pivot to creators	Streaming = Prime retention tool — not standalone	Premium curated, deliberately small — no scale	**Only mission that ALLOWS the AI-creator pivot**

3. BUSINESS DILEMMA — 10 PTS

1 — Saturation hits the ceiling
UCAN broadband >70%. 2025 net adds fell 37% YoY despite $18B content spend.

2 — Threat is attention, not streaming
Netflix 10-K names Alphabet/Meta/TikTok/Roblox as rivals — **not** Disney+/HBO. TikTok: 95 min/day vs. Netflix: 62.

3 — AI rewrites production economics
Sora 2 (Sept 2025), Kling, Runway, Veo deliver broadcast-quality video at <1% legacy cost.

↳ THE DILEMMA

As Western SVOD saturates and AI commoditises premium production, should Netflix evolve from streaming service into an AI-powered creative direction platform — and if so, where is the only viable launch market?

4. EXTERNAL ENVIRONMENT — 30 PTS

Industry size: Global SVOD = $112B (2024), 9.5% CAGR. Broader entertainment TAM = $600B; Netflix captures 6%. International revenue exceeded UCAN in 2021. (Statista, 2025; Netflix, 2024)

Lifecycle: Early maturity in UCAN/EMEA (>70% penetration). Early growth in India/SEA/LATAM. **AI-creator sub-industry has NO dominant design — window is open NOW.**

▸ INDUSTRY VALUE CHAIN (6 LAYERS)

L1	L2	L3	L4	L5	L6
Talent / IP	**Production**	**Aggregation**	**CDN**	**Devices**	**Consumer**
Fragmented	Capital intensive	NETFLIX	Open Connect (owned)	Gatekeeper risk	1B+ viewers
← Strategy reaches HERE		Owns customer			

↑ *Threat at L1 (AI democratisation) + Vulnerability at L5 (device tax). Strategy = backward integrate into L1.*

▸ PORTER'S 5 FORCES

New Entrants — LOW (SVOD) / HIGH (AI)
$20B catalogue prohibitive. But AI-creator platforms cheap to build = the relevant threat.

Supplier Power — MED-HIGH
A-list talent + WGA/SAG 2023 strikes added $5B costs. AI tools structurally weaken this.

Substitutes — VERY HIGH
Gaming, short-form, social. **TikTok 95 min/day vs Netflix 62 min/day** is the real threat.

Rivalry — HIGH
Two simultaneous battles: Disney/Amazon/Apple on content + YouTube/TikTok on attention.

Buyer Power — HIGH
Zero switching cost. 50% of US households subscribe to 3+ services and rotate.

▸ STRATEGIC GROUPS

- **Premium SVOD:** Netflix, Disney+, HBO, Paramount
- **Ecosystem bundlers:** Amazon, Apple
- **Attention platforms:** YouTube, TikTok, Roblox
- **EMPTY GROUP: Premium AI creator platforms → Netflix can be sole founder**

▸ 5-YEAR FORECAST

- UCAN plateau in 24–36 months
- Ad revenue doubles in 2026 → 35% of paid subs
- India = #1 absolute net-add market by 2027
- AI content market hits **$80B by 2030** (Goldman)
- TikTok-of-premium-AI launches within 24 months

CONCLUSION **Pure-SVOD maturing exactly as AI disruption arrives. India is the only market combining scale + creator supply + price economics + Hollywood-guild safety for the pilot.**

5. INTERNAL ENVIRONMENT — 30 PTS

RESOURCE / CAPABILITY	V	R	I	O	OUTCOME	REPLICATION COST / TIME
Engagement data (25 yrs, 1B users)	Y	Y	Y	Y	SUSTAINABLE	$8–12B + 15–20 yrs
Brand premium (cultural relevance)	Y	Y	Y	Y	SUSTAINABLE	Unquantifiable, 20+ yrs
Global distribution (190 countries)	Y	Y	Y	Y	SUSTAINABLE	$3–5B + 5–10 yrs
Open Connect CDN	Y	Y	Y	Y	SUSTAINABLE	$2–3B + 5–7 yrs
Subscriber base (325M, $17 ARPU)	Y	Y	Y	Y	SUSTAINABLE	Self-reinforcing network
Recommendation algorithm	Y	Y	P	Y	ERODIBLE	Code copyable; data is the binding moat
Original content library	Y	P	N	Y	TEMPORARY	$15–20B/yr — Amazon/Disney match
AI generation tooling	Y	N	N	N	PARITY at best	Tools commercial — moat is in integration

↳ ABILITY TO SUCCEED **Four VRIN-positive resources (data + brand + distribution + network) compound and cannot be bought. They are currently underutilised in Layer 1 (creator origination). The recommended strategy redirects existing sustainable assets to a new value-creation activity. Doing nothing converts sustainable advantage to temporary within 5 years.**

NETFLIX / STRATEGY BRIEF · 2

The two alternatives. The compounding moat. The recommendation. The phasing.

6. TWO STRATEGIC ALTERNATIVES

20 PTS

Both alternatives launch the AI Creative Direction Studio in India. They differ on how to enter — alone or with the local incumbent — and that single choice determines the strategic position.

▸ ANSOFF MATRIX POSITIONING

	Existing Product	New Product
Existing Markets (India)	*Penetration (rejected)*	**PRODUCT DEVELOPMENT** **Both A and B sit here**
New Markets	*Mkt dev (legacy push)*	*Diversification (Yr 4–5)*

India has 20M Netflix subs → product development, not diversification. Lower Ansoff risk than initially appears. Geographic expansion preserved as Yr 4–5 real option.

▸ GENERIC STRATEGY (PORTER)

Alt A — Independent: Pure differentiation — full control, all 4 moat layers owned

Alt B — Partnership: Shared differentiation — JioHotstar absorbs distribution risk, but acquires platform know-how

Both are defensible. The choice is control vs. speed.

★ ALTERNATIVE A — RECOMMENDED

Independent Build of AI Creative Direction Studio

"Netflix builds and owns the platform alone." Invited Indian creators (top 50 → 1,000 over 5 yrs) access Netflix's narrative-intelligence agents: **Narrative Architect, Cinematic Director, Score Composer, World Builder, Dialogue Coach** — each trained on 25 yrs of engagement data. Editorial gatekeeping preserved. Distributed on Netflix with subscription revenue share.

Strategic position: Independent differentiation
Capital: $3–5B over 5 yrs
Revenue capture: 100%

★ RECOMMENDED

V

ALTERNATIVE B

JioHotstar Partnership for India Distribution

"Co-opetition with the local incumbent." Netflix licenses the AI direction toolkit to JioHotstar; JioHotstar contributes its 500M-user base and regional regulatory standing. Co-branded "Creator Studio, powered by Netflix" reaches mass-market; premium tier remains Netflix-exclusive globally.

Strategic position: Shared differentiation
Capital: $2–3B + revenue share
Revenue capture: **~40–60%** (negotiated split)

DEFENSIBLE BUT MOAT-ERODING

↳ THE 4-LAYER COMPOUNDING MOAT (PRESERVED FULLY UNDER ALT A; PARTIALLY ERODED UNDER ALT B)

01 — Data flywheel
25-yr engagement data tells AI agents what works. No competitor has this depth.

02 — Brand certification
"On Netflix" carries quality signal. In India where Bollywood aspiration is cultural — this matters.

03 — Sub monetisation
Creators earn from watch-time, not ads. Rewards depth not virality. Different creator pool.

04 — Network effects
Top creators bring audiences; audiences bring more creators. Twitch-style lock-in.

None of these alone is unique. ***The combination is — and it deepens with every creator and viewer that joins.***

CRITERION	★ ALT A: INDEPENDENT	ALT B: JIOHOTSTAR PARTNERSHIP
Platform & IP control	**Full — 100% Netflix-owned**	Shared — partner controls distribution
Speed to scale in India	Slow — organic creator build	**Fast — immediate 500M JioHotstar users**
Moat defensibility	**STRONG — all 4 layers fully owned**	Moderate — partner replicates post-contract
VRIN leverage	**All 5 sustainable assets redeployed**	Brand + distribution layers diluted
Capital required (5 yrs)	$3–5B incremental	**$2–3B + revenue share**
Revenue capture	**100%**	~40–60% (negotiated split)
Hollywood guild exposure	**Manageable (India ring-fenced)**	**Manageable — same**
Partner-as-competitor risk	**N/A**	Material — JioHotstar acquires know-how
Execution risk	Higher — organic build	**Lower — partner absorbs distribution**
Strategic optionality	**HIGHER — geo expansion preserved Yr 4–5**	LOWER — contract constrains future moves

★ RECOMMENDATION: ALTERNATIVE A

Independent build · India launch · 5-year horizon

- **The moat erodes if shared:** 4-layer moat works by integration; partnership dilutes brand + creator-network layers. JV pattern (AT&T/TWX, Disney/Hulu): partners gain learning even when IP-protected.
- **Deployable assets are already Netflix's:** 5 VRIN-positive resources currently underutilised in Layer 1. Alt A redirects; Alt B dilutes without acquiring offsetting unique resources.
- **India is the necessary launch market, not a separate bet:** 4 conditions — 100M creators + 7.6% market share + $2 ARPU forces AI use + outside Hollywood guild jurisdiction. UCAN offers none.
- **Real option preserved:** geographic expansion (LATAM, SEA) becomes available in Yr 4–5 if pilot succeeds (Grant's "strategy as real options").

5-YEAR PHASING

YR 1–2
Partner Sora/Veo for AI infra. **Acquire** creator-tooling co. Onboard top 50 Indian creators (invitation, quality gates). Decision review at month 24.

YR 2–3
Open to top 1,000 creators. Revenue share launches. **Target: 25M Indian subs by end Yr 3** (vs. current ~20M).

YR 3–5
Extend to LATAM + SEA (same 4 conditions present at lower intensity). Western rollout only post-guild agreements (~2028–29).

Risk mitigation:

- Ring-fence pilot to India for 36 months — Hollywood guild firewall
- License style training FROM working directors → converts adversaries to platform participants
- Quality gating + editorial review board preserves brand
- Engage Indian gov early — frame as Digital India creator empowerment