NETFLIX

Entering the Video on Demand Industry through Providing Streaming Movies

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1 Introduction

Netflix is the world's largest online movie rental service with over 6.3 million members and a collection of more than 75,000 titles. They are known for both their excellent customer service and their convenient and user-friendly interface on their award-winning website. Though Netflix has received many criticisms, it has continually grown and thrived in the movie rental market. New technology has enabled Netflix to provide high quality streaming videos directly to their subscribers' PCs. This service is being rolled out over the first six months of 2007, free of charge, to Netflix's current subscribers. In order to maintain its superior position in the in home filmed-entertainment, Netflix must enter the Video On Demand (VOD) market immediately.

By entering the VOD market through offering streaming videos, Netflix will be able to differentiate itself from its competitors, and reduce the likelihood of price competition. Offering a movie streaming service as opposed to a movie downloading service will further aid it in differentiating itself. For the short run, Netflix needs to incorporate the service of streaming movies to complement its DVD rental service. In the long run, after the popularity of streaming movies has grown and the technicalities of this service are fixed, Netflix can separate the DVD rental and streaming movies services, offering two different sets of plans. Pursuing this strategy is vital to Netflix's future, because as new innovations in technology become popular, the DVD-rental subset of the home movie market will shrink, while the downloading and streaming of movies will eventually come to dominate the majority of this market. Therefore, the correct implementation of Netflix's entry into the VOD market, will serve as a bridge strategy, aiding Netflix in its evolution from a DVD rental service to a distributor of digital entertainment.

2 A Closer Look at Netflix's History

Reed Hastings and Marc Randolph founded Netflix in 1997. DVDs were a relatively new technology, with less than a thousand titles available at the time, but Hastings and Randolph believed it had potential to replace the VHS format. The company began operating in April 1998, offering 7-day rentals for about $6. Netflix, along with Magic Disc, DVD Express, and Reel.com, were the first few companies to rent DVDs by mail. Netflix differentiated itself by spending heavily in promotions. It created partnerships with companies selling the most vital complementary good, a DVD player. It offered free rentals with the purchase of DVD players from Toshiba and Pioneer and computers with DVD drives from HP and Apple. However, Netflix was in direct competition with Amazon.com in selling DVDs so they came to a compromise in December 1998: Netflix would stop selling DVDs in exchange for being heavily promoted on Amazon's website[2].

Netflix began to partner with online movie information providers and promoted more features on its website to attract more customers. In September 1999, it began the Marquee Program, offering 4 DVDs rentals per month with no late fees or due dates for a monthly subscription fee[2]. In February 2000, it introduced CineMatch, a program that evaluates the rental patterns of customers, identifying which movies customers of similar tastes would enjoy[3]. Both programs were highly popular and soon Netflix did not rent out individual DVDs, relying fully on the Marquee Program.

Continuing its aggressive marketing and networking campaign, Netflix signed a deal with major DVD producers, such as Warner Home Video and Columbia Tri-Star. In exchange for cheaper prices on large quantities of DVDs, the movie studios received a portion of the rental receipts[2]. As the success of Netflix grabbed the attention of the media, competitors began to respond. In the summer of 2002, Blockbuster started its own unlimited rentals and no late fee subscription plan and bought out an online DVD rental company. Wal-Mart and Columbia House also tried to amass large volumes of DVD titles to compete with Netflix. However, Netflix already had a solid foothold in the market, fending off these major competitors. In response, it announced the opening of more distribution facilities. Five years after its debut, Netflix finally began to produce profits[2].

On January 16, 2007 Netflix issued a press release regarding a "New Feature Will Be Included in Subscribers' Monthly Membership at no Extra Charge." For every dollar a user pays for their subscription, they will be able to view one hour of streaming video from a selection of about 1,000 movies and TV series on their PCs. Netflix also announced that they plan to expand the technology to reach "every Internet-connected screen, from cell phones to PCs to plasma screens"[10].

3 SWOT Analysis

3.1 Strengths

Entry timing

Netflix entered the market for DVD rentals at a time when there were few other competitors in the market, allowing them to establish their brand name and image for providing a unique service. They were the first to offer DVD rental by mail and this allowed them to offer a greater variety of DVDs to consumers as compared to their competitors at the time, as DVDs were relatively new to the market. Combined with its successful business model, Netflix's early entry has allowed it to maintain a high relative market share in the online DVD rental industry.

Understands weaknesses of competitors: Customer Satisfaction

From the start, Netflix understood what irritated many video rental store customers: late fees. Usually after renting and watching a movie from a store such as Blockbuster, the customer has to rush to return the movie on the subsequent day (before midnight) or pay a late fee comparable to the price of the rental. Although Blockbuster does get an estimated 18% of its total revenue from late fees, it leaves the customer annoyed, frustrated, and unsatisfied. On the other hand, Netflix lets the customer keep the DVD until the customer wants to see the next one in their queue, allowing the fredom to return the movie at one's convenience[1].

Networked connections with many partners and even potential competitors

From the very beginning of its entry into the market, Netflix understood the importance of making partnerships with the movie industry, the electronics industry, and retailers[1]. Netflix's name was spread widely through promotions with complementary products, such as DVD players and movie websites. When it saw Amazon.com as a competitor, it stopped selling DVDs to cease all tensions in exchange for being promoted on their website. Additionally, quality leadership has enabled Netflix to stay afloat despite the advent of powerful competitors like Wal-Mart. Not only was Reed Hastings able to fend off Wal-Mart's attempt to bankrupt Netflix, he was able to convince Wal-Mart to encourage customers to switch to Netflix after the Wal-Mart service fell through[3]. By staying strong but cooperative, Netflix ended up profiting from many threats.

Award-winning website

Netflix's website boasts many features. Netflix's CineMatch implements an award-winning algorithm that can predict with surprisingly consistent accuracy what movies someone would prefer given their previous rental history, planned future rentals, and ratings of movies they've seen in the past[4]. Furthermore, they're constantly trying to improve the CineMatch program: Netflix is offering a prize of $1 million for a better algorithm[18]. Netflix's large subscription base has allowed a small type of network externality to take shape. More Netflix subscribers means more people rate movies, write reviews for movies, and recommend movies to one another. This also helps fine-tune the accuracy of the CineMatch program.

Unique and very large selection of DVDs

Netflix has the largest and most diverse collection of DVDs out of any competitor. They have more than 75,000 titles, including foreign films and independent films that are usually not carried by other distributors such as Blockbuster Video and Wal-Mart[7]. Foreign films such as those from India's "Bollywood" are particularly successful at attracting customer attention[2]. This selection of movies taps into the underserved population of consumers who are solely with Netflix because the unique titles Netflix has to offer cannot be found for rent elsewhere in the United States.

3.2 Weaknesses

Like most brick-and-mortar rental businesses, Netflix often has trouble providing enough copies of new, popular movies. As a result, a main cause of customer dissatisfaction is Netflix's inability to completely satisfy the initial rush for a new movie. However, the company knows it would be unprofitable in the long run to buy more copies just to serve the rush when a movie first becomes available, because the copies will not be rented with nearly as much frequency soon after the rush. Customers have caught on to the fact that Netflix only purchases a limited quantity of new releases right away, opting to wait a few weeks to buy the bulk of its supply at lower costs. While this might save Netflix money, it also has the tendency to drive away current and potential customers. Finally, Netflix does not have a direct connection to any movie studios so it must purchase its entire media through the consumer market[5].

One disadvantage of Netflix's rent-by-mail business model is that customers have to wait (often for several days) for the next movie on their queue to arrive in their mailbox. In many cases, by the time the subscriber receives the DVD, he or she may no longer be in the mood to see that particular movie. Likewise, a Netflix subscriber may feel like watching a movie on a night where all of the DVDs that are part of their plan are currently on route to or from a Netflix distribution center. In such a case, the customer will likely leave the home and rent a movie from a brick-and-mortar retailer, or perhaps order a movie from a service such as Pay-Per-View or iN DEMAND.

3.3 Opportunities

Netflix is in a position to expand right now. Previously, sending movies to customers through the mail was a novelty in the rental industry. Now, delivering movies straight to computers of customers is likely to be the next revolution in how consumers view movies in their homes[6]. Luckily for Netflix, this service is only available as a per-viewing basis. Netflix can seize this opportunity if it is successful in efficiently providing streaming content to a customer on a time usage basis rather than a per-viewing basis. In addition, active management could possibly enable Netflix to absorb current providers of this service, such as Movielink, in a way similar to how it absorbed Wal-Mart's DVD division.

3.4 Threats

The clearest threat to Netflix is Blockbuster and other established rental businesses. Beyond this, customer satisfaction is the only aspect of this business that can make or break a company. If Netflix were to lose its wholesome, reliable image, it might not be able to retain enough of the market to survive. Also, companies like Apple can potentially harm Netflix if they are able to provide services through one's computer that can be easily ported to one's TV[6]. Netflix is less suited to compete with hardware innovations such as Apple TV because it has little to no experience in this area, though such innovations may eventually be complementary rather than competitive. Moreover, there is always the threat of entry by another firm, especially into the VOD industry, a closely related industry, which Netflix is about to enter.

4 Six Forces Analysis of the Video on Demand Industry

By offering streaming movies through its website, Netflix is entering the Video on Demand (VOD) industry. This industry, along with DVD rentals (both from online providers such as Netflix, and cable services such as On Demand and Pay-Per-View), is part of the larger industry of "watching movies in the home." However, since Netflix is already positioned in this market, with its online DVD rentals, we will examine the smaller portion of the market that is streaming online movies. This business is too closely related to the movie downloading service to be considered as a separate market.

4.1 Entry

The Video on Demand industry requires a significant level of capital, so potential entrants face the large sunk costs of acquiring licenses to the movies they want to provide. Moreover, it is too expensive for a firm considering this market to merely test the waters. An established video rental retailer already has experience in marketing movies to people, giving them an experience advantage over potential entrants. Netflix, for example, invested over $40 million to launch its "Watch Now" streaming video service, shocking many shareholders[6]. These shareholders' reactions only highlight the risk involved with such sunk costs. Netflix's "Watch Now" feature will be fully integrated with its normal online DVD rental website. A firm without the technological advantage of a website with movie-recommendation algorithms like Netflix's CineMatch program is at a significant disadvantage. Moreover, Netflix's website alreay has reams of user reviews and input, that a new firm would be unable to match for years. The technology to offer high-quality downloads is also a barrier to entry, but this barrier is small because such technology is available for licensing from third parties. In this market, product differentiation takes the form of varying quality in the downloaded movies, yet it should be noted that all firms will at least have to offer quality that is very close to DVD quality in order to ensure that discerning customers continue to use their service. Besides quality, differentiation exists in the type of service offered by a company: streaming movies, permanent downloads, or limited time downloads. In sum, this is an industry where entry is difficult for all but the most experienced firms with already established online movie rental/sale experience. These firms are more likely to thrive in this market due to their experience, reputation, and recognizable brand names.

4.2 Rivalry

The movie download industry, like the online DVD industry, is not very concentrated[20], and so the few market leaders that share the market may engage in rivalrous price competition. A key example of this is Netflix's and Blockbuster's recent price war[8], which lasted until both resolved to settle on a higher price through tacit collusion. A variety of services are being offered in the online movie industry. Amazon Unbox sells movies that one can download and keep on one's harddrive for one to two days[9]. Netflix's "Watch Now" feature ties in its streaming movie service with its online DVD rental service. Current Netflix customers will get this service for free, which will cost significantly less than Amazon Unbox. Because the product is not easy to differentiate, the competition focuses more on the services provided with the product than the price. An existing variety of movies is essential in this market because consumers will frown upon not finding a movie they want to see. The entry barriers mentioned in the previous section will prevent small and undifferentiated firms from entering the market, practically ensuring that the prices will not be competitive. With a low concentration of firms and emerging differentiation, this industry will not likely be especially rivalrous.

4.3 Supplier Power

Netflix and its competitors buy their movies from the movie studios that create the films. The major studios have marginal supplier power in the online movie download market because they are the exclusive source of big name movies that customers desire. These highly popular movies have practically no substitutes in the rental market. However, buyer concentration in this new market is relatively high[20], so suppliers tend to want to sell their product to all of the companies in the market to maximize their revenue. This reduces competition for supply and therefore prevents supplier power from being very high. In this particular market, studios may be concerned with "cannibalizing their own product"[6]. By making inexpensive movie downloading available to customers, they may lose sales on the more profitable hard case DVD sales. Therefore, large studios may be more willing to withhold licensing agreements to movie download providers such as Netflix, thus strengthening their own supplier power. Overall, the suppliers to this market have only enough power to slightly control prices, but not enough power to influence the evolution of the market as a whole because they must sell their product to survive.

4.4 Substitutes

The main substitutes to streaming movies are brick-and-mortar rental stores, online rentals, pay per view TV and theatres. Brick-and-mortar rental stores provide the same service with possibly a better selection of movies as compared to movies available for download by Netflix, but they do not provide the instant gratification of downloading or streaming them whenever a customer desires[3]. Furthermore, the streaming movies service provided by Netflix is more cost effective than these other substitutes because Netflix plans to allot its users a total amount of stream time. For instance, if a customer decides after 20 minutes of watching a movie that he does not want to watch it anymore, switching to another movie incurs no extra cost. Substitutes such as buying per download or traditional renting do not offer this convenience. For this reason, these are weak substitutes to streaming videos.

4.5 Buyer Power

Buyer power is very low in this market because one customer's decision to buy the service or not will not affect the overall market at all. Similarly, one customer's dissatisfaction will not influence a significant amount of other customers. The source of dissatisfaction would have to be concerning an inferior product or service to incite such a widespread response. Clearly, this is not something an independent customer can control. There are substitutes for movie rentals, but these are weak substitutes. Buyers can rent movies from local brick-and-mortar businesses, but this is not nearly as convenient as the instant-gratification downloading of movies. In a broader aspect, a customer always has the option to not spend their free time watching movies, no matter what the source, so the price of rental services cannot climb much higher than they currently are. Overall, individual customers do not hold bargaining power over the price of products in this market; however, the prices themselves are regulated by the substitutes and preferences of customers as a whole.

4.6 Complements

Technology is the main complement to streaming videos offered by Netflix. The basic complement required is high bandwidth. According to Netflix, a consistent bandwidth of 3 megabits per second is required[10] to watch streaming videos online at DVD quality. This bandwidth is already present in over 47% of US households, which means over 50 million households have broadband service available[14]. Because the required infrastructure is already well developed, Netflix has access to a large customer base. This figure is projected to grow to 55% by the end of 2007, making it a dependable complement. Apart from bandwidth, another possible complement is a product similar to AppleTV that allows users to watch streaming videos directly on their big-screen televisions[15]. Currently, users with S-Video capability can connect their desktops to their televisions but this does not provide the simple and elegant solution the average Netflix customer is looking for. With easy methods to view streaming videos on the television, physical media (CDs, DVDs, etc.) would be much less functional in the movie rental industry.

5 Netflix's Entry into the VOD Industry via Streaming Movies

In our analysis below we will examine Netflix's current business model to find that their business can successfully incorporate such VOD offering. Netflix's choice of providing streaming content as opposed to downloadable movies allows it to differentiate its service from others in the market, thus aiding Netflix in its strategic positioning. There are both advantages and disadvantages in tying in this new service with Netflix's current subscription plans as opposed to offering the services separately, but the two can complement one another at this early stage in Netflix's entry. These proposed strategies will place Netflix in a strong position in the newly developing market of VOD, and can act as a bridge to allow Netflix to leave the DVD rental industry as physical media becomes obsolete.

5.1 Business Definition

The question arises, however, as to how streaming videos and DVD rentals can both fit within Netflix's business definition. There exist scale economies associated with the offering or bundling both of the services, as Netflix's good relations with the movie studios will help enable it to negotiate better prices for its streaming movies. Much of Netflix's existing infrastructure, including its award-winning website cited to be one of Netflix's keys to success, will also apply to streaming movies. The same page that allows one to add a movie to their queue will have a "Watch Now" button allowing the user to begin streaming the movie immediately. Moreover, a substantial proportion of customers who rent movies online will be open to watching streaming movies, as both are ways of watching movies at home. Streaming videos may be used as a way to sift through movies they are considering to watch on DVD. Since these two somewhat different services have a similar consumer base and share benefits in cost structure, they can both be successfully integrated into the same business model. On the downside, however, it should be noted that many of the elements that allowed Netflix to succeed in renting out DVDs via mail, will not carry over to the digital distribution market. For example, superior logistics in mailing out DVDs and processing receieved DVDs will not aid Netflix in addressing bandwidth problems. The business model will have to undergo some changes if Netflix decides to offer a stand-alone streaming plan in the future (see Tying-in DVD Rentals and Streaming Movies below).

5.2 Netflix's Choice of Streaming Video over Movie Downloads

The Online Video on Demand industry has consisted of services such as Amazon Unbox and Movielink which allow users to download a movie for a fixed cost of about $3 and have 24 to 48 hours to view it. Recently, Starz launched Vongo, which allows users to download and watch movies for an unlimited amount per month, but are only allowed to choose from a catalog that is mostly representative of movies currently airing on one or more of Starz's cable television channels[11]. Therefore, Netflix's immediate entry into the VOD market will mark the arrival of one of the first monthly payment-based content providers that will allow viewers to watch their movies via streaming video files, similar to the format that has been popularized on websites such as YouTube and Google Video with higher quality.

Perhaps the greatest advantage to streaming video is that it offers an even greater "instant gratification" incentive than downloadable VOD movies, as one can get the former up and running within a couple minutes with a modest connection speed, whereas a full movie download will often take about a half hour or more. A disadvantage of Netflix's business model has been the waiting times associated with the turn-around between DVDs. Netflix's competitors have been quick to make use of their infrastructure to exploit this disadvantage. Blockbuster frequently gives monthly in-store movie rental benefits to its online subscribers such as a "speedier gratification" bonus, where the customer can drive to the store and rent a DVD for free to watch for the night while the DVDs previously requested online are still in transit[12]. Now, Netflix can take the lead again in offering the fastest way to watch a movie in one's home.

5.3 One Subscription: Tying-in DVD Rentals and Streaming Movies

Netflix's "Watch Now" will be available at no additional cost to all subscribes within the first half of 2007; there is no plan offering only the streaming download service without DVD rentals. The bundling of these two services is a necessary component of Netflix's strategy. By doing so, Netflix will differentiate its service from the services offered by its competitors and use these complementary goods to reinforce one another (as mentioned above in Business Definition). Netflix simply needs to consider this new bundled feature as just another method of delivering their product.

Movie studios who supply films to Netflix are afraid that this "Watch Now" feature will contribute to cannibalization of their own DVD sales market. They are also concerned with the potential piracy of streaming and downloaded videos[6]. Due to the studios' unusual supplier power in this particular matter, the catalog of movies that can be streamed with Netflix is much smaller than the size of their total DVD catalog. If Netflix offered a separate streaming plan, it would have a library of only about 1,000 films and television series to offer to its subscribers, making it difficult to satisfy a wide range of consumers. Variety of selection has always been one of Netflix's keys to success, so spinning off a half-hearted stand alone service could potentially harm its brand name. Tying the two services together allows consumers to see that Netflix is expanding its features since it offers it at no increase in price. It is providing existing subscribers a greater value and giving potential subscribers more incentive to try Netflix's services.

By offering the new product as a tie-in, consumers are presented with a unique service that they can only get from Netflix. Consumers are given the opportunity to see a movie precisely when they want to, but can still order a DVD they feel like watching later. This gives consumers the opportunity to see more movies for a relatively lower cost than using only rental services or only temporary download services. The threat of price competition is reduced because the bundle of services makes Netflix appear to be less of a direct threat to download-only VOD services. The only firms able to replicate Netflix's bundling structure are those with an established DVD rental infrastructure.

However, Blockbuster is such a firm capable of imitating Netflix's bundling model, especially as it has recently entered negotiations to acquire Movielink, a movie downloading service that offers both downloadable purchases and temporary downloads[13][20]. Blockbuster's interest in Movielink suggests that it will more specifically attempt to integrate movie download rentals and sales into its online subscription plans[13], as opposed to streaming content. Should Blockbuster acquire Movielink, it will be able to offer a similar subscription plan to that being offered by Netflix. This apparently small difference reduces the threat of price competition because it will present consumers with a dilemma of "preference," rather than an obvious choice of choosing the cheaper of two seemingly identical services.

At this early stage in Netflix's attempts in the VOD industry, it is important that Netflix ties in its VOD offerings with its existing, time-tested DVD rental service. This ensures Netflix offers a unique and differentiated good, while not risking Netflix's brand name due to the lack of selection in the movies being offered, potential problems that may arise due to Netflix's lack of experience in the industry, and the relatively new and untested technologies being put to use to offer these services.

5.4 Positioning for the Future

Over time, Netflix's bundling of DVD rentals with streaming movies will enable them to work out any kinks they have with their ability to distribute movies digitally, while continuing to build a large customer base of subscribers. Traditionally, Netflix has relied on a combination of word-of-mouth suggestions from their existing subscribers and an aggressive marketing campaign[1]. Should they continue to market their services effectively, their subscriber base will grow steadily, and Netflix will be able to collect more personalized user data and become even more proficient at being able to "personalize [their] library to each subscriber by leveraging [their] database of user preferences"[17]. Netflix's compilation of this data and their subsequent understanding of their customer base will serve a vital part in aiding their positioning in the coming future.

However, the future of the DVD rental industry is very unclear as newer forms of media are developed. There are several factors that could hurt the industry that Netflix and other DVD rental outlets have been paying attention to. It is predicted that DVD and its successor formats (Blu-Ray and HD-DVD) will be more prevalent than digitally distributed movies in the short term[6][19]. Yet as complementary technologies grow that will allow for streaming of high definition movies directly to HDTV, VOD will continue to gain popularity and will eventually unseat DVD and other physical forms of media as the dominant format for watching rented movies at home[17].

Technology, however, is not the only barrier to the inevitable prevalence of VOD. As previously mentioned, the studios are wary of allowing the legal digital distribution of films to take place on a major scale, as they rely on DVD sales for a large portion of their revenues. Moreover, if the studios start reducing the window of time in which a movie is exclusively available on DVD after its major theatrical run or allow movies to be distributed in the home in other formats before they can be distributed on DVD, Netflix and other DVD rental firms will be adversely affected[17]. They will no longer have a significant advantage in allowing consumers to view new releases first through their services and more substitutes emerge for viewing those new releases (Pay-Per View, iN DEMAND, etc.). The fate of the DVD rental industry largely depends on factors outside of the hands of Netflix and its competitors.

In order to prepare for the demise of the DVD industry, Netflix must make its streaming services available under a separate subscription plan of its own. This point will likely come at a time when the penetration of technology allowing for viewing streaming content on high-end TVs is substantially high. The technology already exists in some ways; the Apple TV is used to wirelessly connect to one's computer and retrieve movies downloaded from the iTunes store onto the computer, then play those movies on one's television[16]. However, it will be some time before this expensive technology is adopted by the mainstream population to such an extent that the digital distribution of movies onto those TVs will return large profits. It is also at this time that Netflix's experience with streaming under the previous tie-in structure will aid it in completely changing its business model toward eventually becoming a digital distributor of filmed entertainment as opposed to a DVD rental outlet. The one important factor it will maintain from its rent-DVDs-by-mail days will be the aforementioned "personalized library" available to its subscriber. Netflix will continue to benefit from the advantages associated with its superior understanding of its customer base through their databases, which they have acquired over the years and will continue to develop. Clearly, Netflix's competitors will be trying to do the same. As mentioned before, Blockbuster's acquisition of Movielink only serves to signal that it is also pursuing a similar strategy in trying to survive beyond the death of physical media[20]. Yet, Netflix has historically been more adept at understanding its consumers and delivering easier to use content, so it will have the right tools to experience a growing relative market share as this new market begins to take shape. Since Netflix has been able to market itself successfully even to the less tech-savvy consumers, this should not pose much of a problem for Netflix, and will give it a likely advantage over other firms in the future of this emerging market.

The importance of Netflix's position in the VOD market in the future only serves to highlight that it is essential for Netflix to enter this market immediately, although initially only through the tie-in structure described in the section above. If Netflix hesitates in its entry or does not gain sufficient experience in this market today, it will only see diminishing market shares, especially as DVD and its successor formats begin to lose popularity in favor of purely digitally transmitted media.

6 Conclusion

Netflix's business model has allowed it to thrive in the DVD rental market, but the development of technologies complementary to Video on Demand services are heralding the outdating of DVDs and its successor formats in the distant future. Netflix can prepare to eventually make a full transition from the DVD rental market to the VOD market by entering the streaming movie market today. By implementing its present entry in limited form, namely by offering streaming videos exclusively as a tie-in to its DVD service, Netflix will be able to differentiate itself from its competitors, and reduce the possibility of hurting its brand name due to any potential shortcomings with their new service. Meanwhile, its streaming service will act as a complement to its DVD rentals for several years to come. Ultimately, the experience Netflix gains while offering this bundle of services, combined with Netflix's reputation for providing user-friendly interfaces, will put Netflix in an ideal position to evolve into one of the major players in the VOD market in the last days of physical media. Taking advantage of the opportunity to enter the VOD market now is essential to Netflix's future growth and survival.

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