Business Model Canvas Application Task

Your Name

Institution

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Summary

Business Model Canvas (BMC) is a visualization tool which represents value proposition, customer, offer, and infrastructure. This model helps in aligning the activities of a company. Netflix is selected for this case study and model canvas of Netflix is designed. The main purpose of this assignment is to understand the categories of Business Model Canvas and how they are important for a firm. Furthermore, we will conduct an analysis of the company (Netflix) according to the standards of the Business Model Canvas. And at the end, we will find links between the categories of BMC and conclude how this company has become so renowned.

# What is Business Model Canvas

Business Model Canvas is a straight forward tool to understand the business model and its structure. This model gives insights about customers which are served by the company, what value proportions are offered through what channels, and how the company is generating revenue. This model can also be used to annalize the competitor’s model (Joyce, 2016). This model gives a clear picture of how customer needs are met by the company.

This business case model is suitable for the analysis of the existing business model and also for designing a new idea. BMC has many advantages some of them are given below.

## Essential Overview

BMC gives you an overview of what business model stands for. Not only does it sharpen your view of your business essentials, but it also prioritizes activities based on their importance while improving your business model (Andreas Zolnowski, 2014).

## Brainstorming

BMC gives you complete freedom to go wild with your thought process. It allows you to look up alternative models while exploring a new combination of possibilities (Joyce, 2016).

## Structured Presentation

BMC gives structure to your business idea. It can not only help you with understanding your business but also discuss your business model in detail (Andreas Zolnowski, 2014). Additionally, it explores your business idea in such a manner that different departments can get the exact information that they need.

## Dependencies and Conflicts

BMC enables startups to present their business idea while aiding the corporation with new projects. It shows what major concerns need to be catered to regarding the objectives of the conflicts (Andreas Zolnowski, 2014).

## Base

While BMC cannot replace a detailed and well-designed business plan, it can add structure to a business plan using the business model (Andreas Zolnowski, 2014).

# Netflix

Netflix is the largest online platform for streaming movies and TV shows. Initially, they offered Rental DVD services through the mail. Their competitors are YouTube, Flexplay, and blockbuster. The company was started in 1997 and became public in 2002 (McCord, 2011). Shortly after becoming public, they registered one million subscribers and generated USD 1,300 million in 2008 (Pfeifer, 2009). Company is working on internet-based subscription Model with no due date, late fees fine, no membership requirements, and ability to cancel services at any time. In addition to all above, the company provides 24-hours online and telephone support.

From Rental DVD services to becoming one of the biggest names in entertainment providing and producing, Netflix’s business model plays an important role. In its business model, we will discuss each factor in details and will start from the customer and end at revue generated.

## Business Model

Netflix’s business model canvas can be divided into two parts left and side and the right-hand side. Right-hand side includes customer segment, value proposition, customer relationship, channel, and Revenue (HenryChesbrough, 2010). And the left-hand side of the canvas includes key activities, key resources, and cost structure. Below we will discuss each of these categories and how they are related to each other.

### Customer Segment

Any customer who has a mobile phone, laptop, gaming console, or tablet with a good internet connection is a potential customer for Netflix

### Value Proposition

Netflix provides high value on demand at any place and time. A person can be at home, at work, in the metro, or in airplane have access to a huge selection of high-quality content. Netflix is spending a lot of money to get original content for its customers.

### Customer Relationships

Netflix provides basic customer relationship. Normally the customer never has to interact with any person in the company. From registration to the unsubscribing everything is plain and simple in Netflix’s business model. Netflix provides a trial period of one month to gain customer interest. For its regular customers, Netflix suggests content on basis of his history of customer’s steaming.

### Channel

Netflix's biggest promotion is its Public Relation and Word of Mouth. This means that it has a huge reputation. Associated partners are also promoting the company by offering discount packages of their service which are related to Netflix. The biggest example of this are cellphone companies, they provide no limit on their data usage (in attractive prices) for Netflix streaming. In addition, Netflix's website and apps come in this section of their business model.

### Revenue

Basically, Netflix earns money from its subscription from all over the world. Netflix is also producing its own content to support its business model.

### Key activities

The key activity is related to the value proposition, as Netflix has optimized its system to select high-quality content. Another major key activity is to get a license of showing content from different organizations (HenryChesbrough, 2010).

### Key resources

It includes the main resources that the company uses to deliver the content which is discussed in previous sections. Key resources also include license agreement between Netflix and major TV and filming company such as Sony and Disney (HenryChesbrough, 2010).

### Cost structure

It includes the cost of creating a platform and content creation. A huge amount of money is spent to design and upgrade platform which provides a seamless experience to the customers without any lags or glitches. In addition, Netflix has become a strong franchise which creates quality video content. This production of content costs a lot.

### Key Partners

Key partners of Netflix are reflected in channel section of this business model. Their key partners are Smartphones /Smart TVs/ TV box Manufactures, Internet Providers, Mobile Network companies, Application stores, and government.

# Netflix Business Model Canvas

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
| **Key Partners** | |  | **Key Activities** | |  | **Value Proposition** | | | |  | **Customer Relationship** | |  | **Customer Segments** | |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  | **Brands**  Product installation and placement partner |  |  | **Marketing** |  |  | **Popular content** | | |  |  | **Subscription** |  |  | **Quality content** |  |
|  |  | | |  | **viewers** |
| **Streaming content** | **No time constraint** | | | Data and content limit in |  |
|  |  | | | registration process | Customer who only |
|  |  |  |  | **Producing content** |  |  | Watch whenever you | | |  |  |  |  |  | wants high quality |  |
|  | **Device Manufactures**  Smartphones  Smart TVs  TV box |  |  |  |  |  | want | | |  |  | **Promotions** |  |  | audio and visual |  |
| **Maintaining content** |  | | |  | content |
|  | **Watch later** | | | **One month free** |  |
| **Acquiring content** |  | | | **subscription** | **Content** |
| **licenses** | Download content to | | |  | **categorization** |
|  |  |  |  |  |  |  | Watch offline | | |  |  | Great marketing strategy |  |  |  |  |
|  | **Internet Providers**  Broadband  Mobile Network companies |  |  |  |  |  |  | | |  |  | to attract a new customer |  |  | Content is categories |  |
| **No advertisement** | | |  | into different genres |
|  | | | **Recommendation** | as per customer |
| **Children channel** | | |  | likings |
|  | | | Suggest and recommend | this makes it Netflix |
|  |  |  |  |  |  |  | **Easy Excess** | | |  |  | shows according to |  |  | easy to excess |  |
|  | **Application stores**  Google play  App store (apple) |  |  |  |  |  |  | | |  |  | customer’s history of |  |  |  |  |
| Watch wherever you | | | streaming | **Safe and secure** |
| are on anything with a | | |  | content for parents |
| display and an internet | | |  | with young children |
|  |  |  |  |  |  |  | connection | | |  |  |  |  |  |  |  |
|  | **Government**  Privacy  Underage restriction  Child protection |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
| **Key Resources** | |  | | | **Channels** | |  |
|  |  |  | | |  |  |  |
|  | **Distribution** |  | | |  | **Advertisement** |  |
|  | **platforms** |  | | |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  | Aggressive Online |  |  |  |  |
|  |  |  |  | This includes apps and |  |  |  | | |  |  | advertising for targeted/ |  |  |  |  |
|  |  |  |  | other resources like |  |  |  | | |  |  | potential customers |  |  |  |  |
|  |  |  |  | Chrome, Firefox, |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | Internet Explorer, and |  |  |  | | |  |  | **Streaming** |  |  |  |  |
|  |  |  |  | Safari |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  | **Gift cards/ coupons** |  |  |  |  |
|  |  |  |  | **Content** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  | **Help center** |  |  |  |  |
|  |  |  |  | Own produced content |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | and third-party content |  |  |  | | |  |  | Call center |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  | Live Chat |  |  |  |  |
|  |  |  |  | **Relationship with** |  |  |  | | |  |  | FAQs |  |  |  |  |
|  |  |  |  | **license holder** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  | **Website** |  |  |  |  |
|  |  |  |  | This includes legal |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | relations |  |  |  | | |  |  | **Affiliate partners** |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | **Awards** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | **Brands** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | **Data consumption and bandwidth** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | **Algorithm** |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | Algorithm to suggest |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  | content |  |  |  | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |
|  |  | | | | | | |  | | | | | | | |  |
| **Cost Structure** | | | | |  |  |  | **Revenue Streams** | | | | | | |  |  |
|  |  | | | |  |  |  |  |  | | | | | |  |  |
|  | **Marketing Cost** | | | |  |  |  |  | **Subscription** | | | | | |  |  |
|  |  | | | |  |  |  |  |  | | | | | |  |  |
|  | Includes all expenses related to marketing | | | |  |  |  |  | There are a different level of subscriptions, and | | | | | |  |  |
|  |  | | | |  |  |  |  | the fee also varies accordingly | | | | | |  |  |
|  | **Production Cost** | | | |  |  |  |  |  | | | | | |  |  |
|  |  | | | |  |  |  |  | **Exclusive content** | | | | | |  |  |
|  | Cost of producing Netflix’s original content | | | |  |  |  |  |  | | | | | |  |  |
|  |  | | | |  |  |  |  | **Gift cards** | | | | | |  |  |
|  | **License fees** | | | |  |  |  |  |  | | | | | |  |  |
|  |  | | | |  |  |  |  | **Netflix series** | | | | | |  |  |
|  | **Operational Cost** | | | |  |  |  |  |  | | | | | |  |  |
|  |  | | | |  |  |  |  |  | | | | | |  |  |
|  | Includes the cost of developing and maintaining Digital stream and analytics platforms | | | |  |  |  |  |  | | | | | |  |  |
|  |  | | | |  |  |  |  |  | | | | | |  |  |

# Conclusion

We have collected data/ information from various sources and designed a Business Model Canvas for Netflix. Netflix’s business model is very strong and they provide quality services to the customer at attractive prices. This business model covers every basic category of BMC and these categories can easily be linked with others. Basically, anyone who has a smartphone or laptop with access to the internet becomes a potential customer of Netflix. They reach such customers through various means and provide them with high-quality services. Netflix platform and it's business model is very basic with no due date and complex registration. A customer can unsubscribe at any time. By studying its business model, it can be observed how this company is progressing and generating high revenue.

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