**Read the following case carefully and answer the questions below:**

Netflix Inc. is an American subscription-based video streaming platform. The platform is used internationally to stream movies and TV shows from numerous different countries and genres. Other than operating as a streaming service, Netflix is also a production company producing movies and television series under the Netflix Originals brand name.Netflix is available in 190 countries, in 30 different languages, and oftentimes the movies and shows available to stream will differ based on your location. The  cost of a subscription to the platform also varies depending on the customer's location and the amount they wish to use the service. The company's mission is to 'entertain the world'. Netflix originally started as a DVD rental company that, over the years, through technological advances, turned into the streaming platform it is today. Let's examine how Netflix has managed to become one of the most widely used movie and video streaming platforms through its innovative strategy. The Netflix innovation strategy focuses on maximizing its competitive advantage through its product and process innovations. The innovations are aimed at making the Netflix streaming service high quality and accessible for the majority of consumers. Netflix aims to achieve this by always looking for ways to make operations more cost-effective so that the majority of consumers are able to afford the subscription price. In order to understand Netflix's innovation strategy and process, we need to understand the strategic direct ion that the company followed to achieve its innovations. In 1997, the founders of Netflix had an idea to rent DVDs by mail and tested out whether the idea would physically work. They sent a DVD in the mail and once it arrived intact, the company was born. A year later they launched the netflix.com website where customers could rent DVDs which would then be mailed to their house. This is an example of **disruptive innovation**that the company undertook, as the company developed a completely new service that added significant value to customers. The customer could start watching a movie and if they didn't like it change to another movie instantly, rather than waiting for a different DVD to arrive.

In the following year, the company developed a subscription service whereby customers could rent an unlimited number of DVDs per month. Shortly after, the company introduced an algorithm that assessed customers' previous ratings of movies they have watched to predict which movies they would choose to watch and rate highly in the future. These two steps in Netflix's development represent a form of **product innovation**, as they introduced two new options that added value to customers and increased the quality of the user experience.

In 2003, the company announced that there are over 1 million Netflix subscribers. To protect its innovation and intellectual property, the company issued a **patent**for its subscription rental services. In 2007, the company introduced streaming which allowed its customers to watch movies and series instantly (rather than waiting for the rental DVD to arrive). This was one of the most significant **innovations from both the product and the process point of view, as well as another example of disruptive innovation.**Moving the rental platform online allowed customer experience with the company to increase as it completely eliminated the waiting time to watch a movie or show. It also allowed the customer to stream wherever they wanted (within their region) and allowed for more freedom of choice in entertainment.

**Questions:**

1. What steps Netflix took to maintain the brand and continue to build customer recognition of it; and how can you use these steps to develop a unique selling proposition. (20 marks)
2. Explain how Netflix succeeded in developing constant “product innovation” strategy? (10 marks)
3. Describe how Netflix used devotion to quality for a competitive advantage. (10 marks)