

# Netflix in India: Too Good a Market to Give Up!

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**Abstract.** Netflix is the world's leading player in subscription based video on demand (VOD). The company was founded in the US in 1997 and grew at a rapid pace. By the end of 2015, it was operating in 60 countries but the slackening growth in the US and some other key regions compelled the management to look for new markets. In 2016, it decided to enter more than 130 countries simultaneously. One of their main focuses was India, due to its large population, fast growing internet user base, and younger population aspiring to western lifestyles and brands with rising disposable incomes. Netflix believed that the Indian market was perfect for tapping into and had huge expectations from it. But once the initial enthusiasm over its launch subsided, Netflix found itself struggling to grow its user base across India.

**Keywords:** market entry, global strategy, glocal strategy, digital boom and content.

On January 7, 2016, Netflix Inc. announced the launch of its operations in 130 countries across the globe in addition to the 60 countries in which it was already operating. This ambitious launch led to a hike in the value of its shares by 9.3 per cent.<sup>2</sup> This list included India, which Netflix considered an important market from

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1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Netflix Inc. or any of its employees.

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a long-term perspective. India was a lucrative market with a mobile subscriber base of over 1 billion and internet subscriber base close to 500 million, with 60% of these users accessing online content through their mobile phones.<sup>3</sup>

However, by mid-2018, as the buzz around the launch had subsided, Reed Hastings (President and Chief Executive Officer of Netflix) was faced with a major challenge. He had set an ambitious goal of reaching 100 million customers in India by 2020, but Netflix was nowhere close to achieving that number. In fact the company was facing numerous problems affecting its growth of user-base. He was wondering whether their excessive focus on global content was the right way forward. Not forgetting that the company had adopted a standard subscription based pricing model and had kept prices high. He was no longer sure whether these strategic choices were the right way to succeed in the Indian market. Netflix was facing stiff competition from major competitors such as Amazon Prime and Hotstar who seemed to be moving forward at a brisk pace with very different strategies.<sup>4</sup>

Netflix had so far used a standardised global strategy to enter the Indian market, relying on its global content at premium prices. This seemed to have back-fired as it completely ignored the local requirements and consumer tastes of this market. Hastings realized that he had to put Netflix on a strong path of growth in a complex but a very attractive yet competitive market. Given his limited experience in dealing with India, he was unsure of how exactly was he going to achieve this.

## 1. Netflix India

In early 2016, Netflix began its operation in Mumbai, with the aim of gaining a strong user base. The entry decision was influenced by the sheer size of the Indian market (refer to Exhibit-1 & 2), favorable government policies, and the upcoming opportunities in the digital sector especially in streaming video on demand (SVOD). Additionally, the US market was stagnating and Netflix was not yet operating in China. The Chinese government continued to control the Internet - they did not allow free competition or entry into the media space.<sup>5</sup> A study by NASSCOM projected the number of internet users in India would reach around 730 million by 2020 (double the US population).<sup>6</sup> India's mobile subscriber base

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2. Trey Williams, "Netflix claims global presence after launching in 130 new countries", MarketWatch, January 6, 2016, accessed August 15, 2019, <https://www.marketwatch.com/story/netflix-claims-global-presence-after-launching-in-130-new-countries-2016-01-06>
  3. Saritha Rai, "India Just Crossed 1 Billion Mobile Subscribers Milestone and the Excitement's Just Beginning", Forbes, January 6, 2016, accessed on August 15, 2019.
  4. Harish Jonnalagadda, "Netflix is getting crushed in India, and it's all because of Amazon and Hotstar", February 2, 2018, accessed on August 15, 2019, <https://www.androidcentral.com/netflix-getting-crushed-india-and-its-because-amazon-and-hotstar>
  5. Ibid.