

Research on Netflix's Expansion and Competitive Strategies in the Global Markets

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Abstract. This study examines Netflix's global expansion and competitive strategies, emphasizing their importance in the rapidly evolving entertainment industry. Netflix's transformation from a DVD rental service to a leading global streaming platform highlights the significance of localized content, technological innovation, and original content production. The analysis identifies three major challenges for Netflix: navigating diverse regulatory environments, sustaining long-term subscriber growth, and managing content saturation and quality. Proposed solutions include partnering with local streaming services, enhancing recommendation algorithms, and focusing on producing high-quality content. The research offers valuable insights into effective global market entry strategies, underscoring Netflix's role in fostering cross-cultural exchange and contributing to a more interconnected global community. Although the study relies on secondary data, it underscores the need for future research incorporating primary data to deepen understanding of Netflix's strategies and their long-term sustainability. By addressing these challenges, Netflix can continue to thrive in the competitive global market and maintain its position as a pioneer in the entertainment industry.

Keywords: Netflix; Global Expansion; Competitive Strategies; Streaming Technology; Original Content.

1. Introduction

1.1. Research Background

The American television landscape of the post-network era (early 2000s-present) features a previously unprecedented amount of international content. Although international distribution has been a part of the United States television composition since the mid-1950s, access to international content was still heavily restricted by programming constraints [1]. The rise of subscription video on demand, which is known as SOVD, and the advancements in platform technologies have allowed the modern television sphere to become, for the first time, a truly globalized space [2].

Netflix is one prime example of a company that is embracing global potential in this era. Netflix, founded in 1997, is now one of the world's leading entertainment services, with 270 million paid memberships in over 190 countries, enjoying TV series, films, and games across a wide variety of genres and languages [3]. This vast global reach is a testament to Netflix's successful expansion and strategic maneuvers in the competitive streaming market. The significant growth of Netflix highlights the evolving nature of global media consumption. According to Grand View Research, the global video streaming market was valued at USD 160.83 billion in 2023 and is expected to grow at a compound annual growth rate (CAGR) of 21.5% from 2024 to 2030 [4]. This expansion is driven by increasing demand for on-demand content, the proliferation of smartphones and internet accessibility, and a shift in consumer viewing habits.

Understanding Netflix's expansion and competitive strategies is essential for several reasons. From a business perspective, analyzing Netflix's approach provides insights into effective strategies for entering and thriving in global markets. It also sheds light on how companies can leverage technology and content to cater to diverse audiences. From a societal perspective, Netflix's global presence has significant cultural implications. It facilitates cross-cultural exchange by making diverse content accessible worldwide, thereby fostering a more interconnected global community. Studying Netflix's global expansion and competitive strategies is crucial for comprehending the dynamics of

the modern entertainment industry. It provides valuable lessons for businesses and highlights the broader societal impacts of global media distribution.

1.2. Literature Review

In recent years, there has been a significant increase in research on the expansion and competitive strategies of streaming platforms. Halprin analyzed Netflix's global expansion strategies and highlighted the importance of localized content in driving international growth. The authors found that Netflix ignored significant cultural and linguistic differences when it first tried to expand into the global market, leaving it with significant challenges. Therefore, Netflix has since made the transition from expansion to globalization by fully catering to local film preferences and infrastructures, collaborating with local pay television providers, and adapting its strategy to local cultures and conditions [1]. Febriana, Rosanensi, and Rahmawati also proposed that Netflix's expansion strategies are also related to technology. The authors found that with the advent of the global Internet age and the proliferation of Internet users, Netflix as a platform can utilize technology to make many innovations, such as the use of advanced streaming technologies to ensure high-quality viewing experiences to expand its global market [5]. Moreover, there is an oft-studied competitive strategy for Netflix: original content. Lotz's article focuses on Netflix's ability to cater to tastes and sensibilities that are limited by national reach. The author emphasized that Netflix's strategy, which includes acquiring content from different countries as well as producing original content, undermines the traditional national perspective of the television trade. This approach allows Netflix to program for niche tastes and sensibilities, creating a competitive advantage [6]. This argument is also supported by Afilipoaie, whose research shows that Netflix is investing heavily in original content in Europe and is continuing to double and that this move is reshaping the entire market [7].

Most scholars and articles have primarily focused on Netflix's global expansion and competitive strategies, emphasizing the importance of localized content, technological advancements, and original content production. For instance, Halprin's analysis underscores the significance of tailoring content to local preferences and collaborating with local partners [1]. Febriana, Rosanensi, and Rahmawati have highlighted the role of advanced streaming technologies in enhancing user experience and expanding market reach [5]. Lotz and Afilipoaie emphasize Netflix's investment in original content and its impact on global market dynamics [6, 7].

In contrast, there is a noticeable scarcity of research exploring the long-term sustainability of Netflix's competitive strategies in the face of increasing global competition. Few studies have examined how Netflix adapts its business model in response to emerging competitors in different regions. Additionally, there is limited research on the impact of Netflix's global expansion on local content creators and media industries. Understanding these aspects is crucial for a comprehensive analysis of Netflix's position in the global market and its future trajectory.

1.3. Research Framework

This study aims to fill the research gap identified in the previous section by providing a comprehensive analysis of Netflix's expansion and competitive strategies in the global market.

Firstly, the paper will examine Netflix's global expansion strategies, focusing on localized content, technological advancements, and original content production through case studies from various regions. Secondly, the study will examine Netflix's current problems and explore the long-term sustainability of Netflix's competitive strategies, analyzing how Netflix adapts to emerging competitors and the evolving streaming landscape. Finally, the study will give some suggestions based on the problems that have been found. This framework aims to provide a comprehensive understanding of Netflix's strategies, offering insights for academic research and practical applications in the global media industry.

2. Case Description

Netflix, founded in 1997 by Reed Hastings and Marc Randolph, initially operated as a DVD rental service through the mail. The company's transformative journey began in 2007 when it introduced streaming media, allowing subscribers to watch TV shows and movies instantly over the internet. This pivot marked the beginning of Netflix's evolution into a global streaming giant.

By 2010, Netflix began its international expansion, first targeting the Canadian market. This move was followed by rapid expansion into Latin America and the Caribbean in 2011 [1]. The company's strategy to enter these new markets involved extensive market research and adaptation to local preferences, laying the groundwork for its global presence.

In 2013, Netflix made a significant leap by producing original content, starting with the critically acclaimed series "House of Cards." This strategic move not only differentiated Netflix from its competitors but also established its reputation as a producer of high-quality, exclusive content. The success of "House of Cards" and subsequent original series and films underscored the importance of unique content in attracting and retaining subscribers.

As of 2024, Netflix boasts 269.2 million paid memberships in more than 190 countries, offering content in a wide variety of genres and languages [8]. This vast global reach is a testament to Netflix's ability to adapt its content and strategies to different cultural contexts. The company's approach includes producing and acquiring localized content, partnering with local creators and production companies, and ensuring that its platform is accessible across various devices and internet conditions.

Netflix's competitive strategies also involve leveraging advanced technology to enhance user experience. The company employs sophisticated algorithms to recommend content based on viewers' preferences, ensuring personalized viewing experiences [9]. Additionally, Netflix invests in cutting-edge streaming technology to provide high-quality video and audio, regardless of the user's location or device.

Netflix's impact extends beyond its subscribers to influence the global entertainment industry. By investing in original content and collaborating with local creators, Netflix has contributed to the growth and international visibility of regional film and television industries [10]. This strategy not only enriches Netflix's content library but also supports diverse storytelling and cultural exchange.

In summary, Netflix's journey from a DVD rental service to a global streaming leader is marked by strategic innovations in content production, technology, and market adaptation. Understanding Netflix's expansion and competitive strategies provides valuable insights into the dynamics of the modern entertainment industry and highlights the company's role in shaping global media consumption trends.

3. Analysis on the Problem

In this section, the study will analyze the key influences and problems associated with Netflix's expansion and competitive strategies in the global market. This analysis will provide the foundation for the subsequent section, where the author will suggest strategies for improvement.

3.1. Influence Identified of Netflix

3.1.1. Influence on local content market

As the study showed previously in the literature review, one of the main strategies Netflix uses is adapting to the local environment and culture. The specific strategy it used included acquiring and producing localized content, which has significantly influenced the local content market. Taking Thailand as an example, Netflix has markedly affected the industries' value chain and caused major Thai broadcasters to migrate online and diversify as content providers to regional markets. Meanwhile, because of Netflix, the country's regulator has looked for ways to adopt a reward-based scheme while promoting the local content industry with capacity-building and promotional measures [11]. This influence has led to both positive and negative outcomes. On one hand, it has provided local creators

with new opportunities and platforms to showcase their work globally. On the other hand, it has raised concerns about the homogenization of local cultures and the displacement of traditional media outlets.

3.1.2. Influence on streaming technology

Netflix has been a pioneer in advancing streaming technology, significantly influencing the global media landscape. The company has invested heavily in developing algorithms for personalized content recommendations, which enhance user experience and engagement [12]. Additionally, Netflix has pushed the boundaries of streaming quality by adopting technologies like adaptive bitrate streaming and 4K Ultra HD. These technological advancements not only set high industry standards but also drive competitors to innovate, leading to overall improvements in the streaming ecosystem. For example, Netflix's use of adaptive bitrate streaming ensures that users receive the best possible video quality based on their current internet connection speed. This technology allows for seamless streaming even in regions with less reliable internet infrastructure, thereby expanding Netflix's potential market. The company's development of the AV1 codec, a high-efficiency video coding format, further illustrates its commitment to improving streaming quality and reducing data usage, benefiting both users and the broader industry [12].

3.1.3. Influence on original content

As the study mentioned above in the case description, Netflix's emphasis on original content production has transformed the streaming industry and impacted traditional media companies. This strategy has also allowed Netflix to build a unique brand identity and differentiate itself from competitors. One notable example is the success of "House of Cards," which marked Netflix's entry into original programming in 2013. This series not only garnered critical acclaim but also demonstrated the potential of streaming platforms to produce high-quality, award-winning content [13]. The success of "House of Cards" paved the way for other original series like "Stranger Things," "The Crown," and "The Witcher," which have all contributed to Netflix's growing subscriber base and global influence. Moreover, Netflix's investment in diverse and international content has broadened its appeal. Shows like "Money Heist" from Spain, "Squid Game" from Korea, and "Lupin" from France have attracted audiences worldwide, showcasing Netflix's ability to cater to varied tastes and preferences. This strategy not only enhances viewer engagement but also stimulates global entertainment and media companies to produce their own original content.

While Netflix's expansion strategies have significantly influenced the global media landscape, they have also introduced several challenges. These problems stem from navigating complex regulatory environments, sustaining subscriber growth, and managing content quality and saturation. Addressing these issues is crucial for Netflix to maintain its competitive edge and continue its global success. In the following sections, the author will delve into these specific problems, providing a detailed analysis to understand better the obstacles Netflix faces in its ongoing expansion efforts.

3.2. Problem identified Analysis

3.2.1. Navigating diverse regulatory environments

One significant problem Netflix faces is navigating the diverse regulatory environments of different countries. Each market comes with its own set of rules regarding content censorship, data privacy, and taxation. For instance, Netflix has encountered challenges in markets like China, where strict content regulations limit its control over its content and reduce its ability to offer the same user experience as it does in other markets. Additionally, China's data privacy laws require companies to store user data locally, which poses logistical and security challenges for Netflix [14]. Similarly, in Europe, the General Data Protection Regulation (GDPR) imposes stringent data privacy requirements that Netflix must adhere to. This regulation requires significant changes in how Netflix handles user data, including obtaining explicit consent for data collection and ensuring data portability. Failure to comply with GDPR can result in hefty fines, adding a layer of financial risk to Netflix's operations in Europe [15]. Adapting to these varying regulations requires significant resources and can slow down expansion efforts.

3.2.2. Sustaining long-term subscriber growth

Another challenge for Netflix is sustaining long-term subscriber growth, especially in saturated markets. As Netflix continues to expand globally, it must constantly innovate to retain existing subscribers while attracting new ones. For example, in markets such as the United States and Canada, Netflix has already reached a high penetration rate. According to Statista, as of 2021, over 60% of households in the United States were subscribed to Netflix [16]. With such high market penetration, acquiring new subscribers in these regions becomes increasingly challenging. Additionally, the streaming market has become highly competitive, with numerous players entering the field. Competitors like Amazon Prime Video, Disney+, and Apple TV+ offer diverse content libraries and often have the advantage of integrating with their other services. For example, Disney+ quickly gained traction by leveraging its extensive catalog of Disney, Pixar, Marvel, and Star Wars content. Within just a year of its launch, Disney+ had amassed over 73 million subscribers globally, posing a significant challenge to Netflix's market share [17]

3.2.3. Addressing content saturation and quality

With the rapid increase in original content production, Netflix faces the issue of content saturation. The platform's vast library can overwhelm subscribers, making it difficult for new and existing content to stand out. Additionally, maintaining high-quality standards across a diverse range of productions is a constant challenge. Ensuring that all content meets the expectations of a global audience requires robust quality control mechanisms and significant investment. The sheer volume of content available on Netflix can lead to content discovery issues and viewer fatigue. For instance, while Netflix releases hundreds of new titles each year, a significant portion of this content can go unnoticed. Shows like "The OA", despite having dedicated fan bases and positive critical reception, struggled to find a broad audience and were eventually canceled [18]. The overwhelming choice can lead to decision paralysis for viewers, making it challenging for any single show or movie to stand out. Another point to mention is the financial strain of high production costs. The financial investment required to produce high-quality original content is substantial. Netflix spent approximately \$17 billion on content in 2020 alone. High-budget productions like "The Irishman," directed by Martin Scorsese, reportedly cost around \$160 million to produce. While such investments can attract new subscribers and retain existing ones, they also pose financial risks. If high-budget productions do not perform well, the financial strain can impact Netflix's overall profitability.

4. Suggestions

4.1. Solutions for Navigating Diverse Regulatory Environments

To navigate the diverse regulatory environments of different countries, Netflix can develop a multifaceted approach, especially in markets like China, where stringent content regulations pose significant challenges. In China, strict government censorship and regulatory requirements prevent Netflix from operating its platform directly. Instead, Netflix has adopted a strategy of partnering with local streaming services to distribute its content. For instance, Netflix has licensed some of its original content to local Chinese platforms such as iQiyi, Youku, and Tencent Video. This approach allows Netflix to comply with local regulations while still reaching the Chinese audience. By collaborating with these platforms, Netflix can ensure its content adheres to China's strict censorship laws, which often require substantial edits or removals of certain scenes to meet local standards. Moreover, Netflix can also develop dedicated compliance teams that work closely with local government and regulatory bodies to stay updated on changes in laws and standards. This allows Netflix to avoid the financial risk caused by not complying with GDPR.

4.2. Solutions for Sustaining Long-term Subscriber Growth

To sustain long-term subscriber growth, especially in saturated markets, Netflix must continuously innovate and adapt. Experimenting with innovative content formats, such as interactive shows and

virtual reality experiences, can keep existing subscribers engaged and attract new ones. A notable example is the interactive film “Black Mirror: Bandersnatch,” which allowed viewers to make choices that influenced the storyline, creating a unique viewing experience that garnered significant attention. Additionally, forming strategic partnerships with telecom companies, internet service providers, and other businesses to bundle Netflix subscriptions with their services can help reach new audiences and provide added value to existing customers. For instance, Netflix has partnered with T-Mobile to offer free Netflix subscriptions to T-Mobile’s family plan customers, which has proven effective in attracting new subscribers. Implementing hyperlocal marketing strategies to target specific regions with tailored campaigns can also be beneficial. Utilizing local influencers and celebrities to promote Netflix content makes it more relatable to regional audiences, as seen with Netflix’s campaigns in Latin America that feature popular local actors and influencers.

4.3. Solutions for Addressing Content Saturation and Quality

To address content saturation and quality, Netflix should focus on enhancing its recommendation algorithms to help users discover new and relevant content more effectively. Personalization can reduce decision paralysis and improve user satisfaction by highlighting content that matches viewers’ preferences. According to a study by McKinsey, 75% of what users watch on Netflix is driven by recommendations, highlighting the importance of an effective recommendation system. Additionally, shifting the focus from sheer volume to the quality of content is essential. Investing in fewer, high-quality productions that have the potential to become global hits can reduce the financial risks associated with high-budget productions. For instance, Netflix invested approximately \$156 million in the first two seasons of “The Crown.” This investment has paid off significantly, as the series has garnered numerous awards, including three Golden Globes and ten Primetime Emmy Awards, and has attracted millions of viewers globally. Such successes demonstrate that strategic investments in high-quality content can yield substantial returns both in terms of audience engagement and brand prestige.

5. Conclusion

5.1. Key Findings

This study has provided an in-depth analysis of Netflix’s expansion and competitive strategies in the global market, identifying key influences and problems associated with its operations. The analysis revealed three major challenges: navigating diverse regulatory environments, sustaining long-term subscriber growth, and addressing content saturation and quality. Netflix faces significant regulatory hurdles in various countries, which require substantial resources to manage compliance. The challenge of maintaining subscriber growth is pronounced in saturated markets like the United States and Canada, necessitating constant innovation and adaptation. Additionally, the rapid increase in original content production has led to content saturation, making it difficult for new and existing content to stand out and posing financial risks due to high production costs.

Several strategies have been suggested to address these issues. To navigate regulatory environments, Netflix should partner with local streaming services and establish dedicated compliance teams. To sustain subscriber growth, Netflix should continue experimenting with innovative content formats, form strategic partnerships, and implement hyperlocal marketing strategies. Enhancing recommendation algorithms, focusing on high-quality content, and integrating viewer feedback are essential strategies to manage content saturation and quality.

5.2. Research Significance

This study holds significant business value by providing insights into effective strategies for global market entry and competition. Understanding Netflix’s approach offers valuable lessons for other companies aiming to expand internationally. By analyzing Netflix’s strategies, this research highlights the importance of localized content, technological innovation, and original content

production in achieving global success. The findings can guide companies in the entertainment industry to develop more effective expansion strategies and improve their competitive positioning. Additionally, this study underscores the broader societal impact of global media distribution, emphasizing how platforms like Netflix facilitate cross-cultural exchange and contribute to a more interconnected global community.

5.3. Limitations and Future Studies

While this study offers valuable insights, it has certain limitations primarily due to its reliance on secondary data. The lack of primary data, such as surveys or interviews with industry stakeholders, may limit the depth of understanding of Netflix's internal strategies and operational challenges. Future research could address this gap by incorporating primary data collection methods, such as surveys or interviews, to provide a more comprehensive analysis of Netflix's strategies. Additionally, further studies could explore the long-term sustainability of Netflix's competitive strategies in greater detail, particularly in response to emerging global competitors and evolving market conditions. By addressing these limitations, future research can build on the findings of this study to offer more nuanced and actionable insights into the dynamics of the global streaming industry.

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