Research on the Technology-Driven Path to Streaming Giant based on the Case Analysis of Netflix

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Abstract. This paper examines Netflix's business model and the influence of consumer behaviors on its operations, particularly in the context of the COVID-19 pandemic. By analyzing new media companies like Netflix, the paper provides insight into the pandemic's impact on the global market. As a leading new media company, Netflix has shown remarkable resilience but faces intense competition worldwide. The paper uses SWOT analysis to evaluate Netflix's strengths, weaknesses, opportunities, and threats, revealing that even industry giants faced significant challenges during the pandemic. The analysis highlights how Netflix's struggles reflect broader issues within the new media industry and Western society. For instance, consumer behaviors such as sharing account passwords illustrate the evolving consumption patterns in Western countries. These behaviors impact Netflix's business model and underscore the importance of adapting to changing consumer expectations. Furthermore, the paper discusses the challenges Netflix will face in the future, offering strategic recommendations to enhance its competitiveness. These suggestions, while tailored to Netflix, also apply to other new media companies navigating the post-pandemic landscape. By understanding the dynamics of consumer behavior and market forces, the paper sheds light on the critical strategies needed for new media companies to thrive in a rapidly changing environment.

Keywords: Technology-Driven Path; Streaming Giant; Netflix.

1. Introduction

Netflix, which is based in California, started as an online DVD rental company and gradually transformed itself into a streaming giant. Until now, Netflix has become the biggest paid video website in the World [1]. The platform offers a large amount of high-quality content, such as movies and TV dramas, for users to watch. Through technological innovation and personalized recommendation algorithms, it has made significant breakthroughs in the field of streaming media. In recent years, Netflix has made a big push into original content, such as documentaries and TV series, solidifying its market leadership. However, as market competition intensifies, Netflix faces challenges such as rising content costs and price competition since it is the biggest paid video media in the World. This year, the World market has faced a great change because of COVID-19. Netflix should make some changes to solve these challenges if it wants to continue its place in the media market. In the future, Netflix will need to continue to optimize its services and expand into international markets to maintain its position as an industry leader. Whereas, at this period of time, which used to solve these problems, Netflix has the capacity to be a great object to do some analysis as a significant example and brings some transformation cases to other media websites in the World. This is the significance of Netflix's analysis. So, here's an analysis of how Netflix's business model has evolved, how changes in technology and consumer behavior are impacting its future, and how broad trends are likely to drive its future success.

2. Analysis on the Problem

2.1. SWOT Analysis of Netflix

In this analysis, this topic will analyze Netflix by using a tool in business management, which is named SWOT analysis. This analysis is split into four parts: strengths, weaknesses, opportunities, and threats.

2.1.1. Strengths

1. Popularity. Netflix is the most popular online streaming service in the US and all over the World [2]. In 2022, Netflix's popularity in share respondents was 62%. In 2023, this data has become 65%. This means Netflix has incremental popularity [3].

2. Brand reputation. In 2023, Netflix's awareness was 96% in January 2020. The 2020 list of the World's 500 most valuable brands was released, and Netflix ranked 73rd.

3. High quality and original output. Take House of Cards and Stranger Things as two examples. These two excellent TV series have the capacity to reveal Netflix's high-quality output [4].

4. Foremost technology. Netflix set an award to collect the best algorithm in the film recommendation field. In 2009, a team of seven got it and split a million dollars. Netflix's annual income is over 1.4 billion dollars. Nonetheless, Netflix spends 90 million dollars a year on research and development projects. This strength can represent the foremost technique in the film and television industry.

5. Partnership with Telecom Companies. In European and Asian countries, Netflix is looking to expand its services to these countries. Up to now. Netflix has already formed strategic partnerships with Deutsche Telekom Group, SK Telecom and SK Broadband

6. Adaptability. Netflix adapted to various technologies instantly by providing streaming on all internet-connected devices, such as personal computers, iPads, mobile devices, and televisions.

2.1.2. Weakness

1. Limited copyrights. For Netflix, only 47% of the rights to all the shows that stream on Netflix belong to Netflix. The expiration of these Copyrights will be a big challenge for Netflix since these teleplays are a big part of Netflix.

2. Income constraint. Streaming revenue is Netflix's main business, accounting for about 99% of total revenue [5]. It means that Netflix can only rely on membership fees as its income. There is no doubt that Netflix relies heavily on streaming revenue, which is a big problem, especially in such a competitive situation. Thus, Netflix's immediate priority is diversifying strategies to reduce its dependence on streaming revenue.

3. Over-reliance on the North American market. In fiscal year 2023, Netflix reported revenue from North America of $14.87 billion, about 44 percent of its total revenue ($33.62 billion). From my perspective, Netflix ought to expand its market because of the saturation of the North American market. In the North American market, Netflix has a higher probability of meeting tougher competition since there are many different competitors. That's an obvious weakness, as the North American market is nearly saturated, and the company faces stiff competition from the likes of Amazon Prime and Disney Plus, meaning there's little room for growth, as shown in Table 1.

Table 1. Netflix Revenue.

Region	Revenue/$billion	%	Average paying membership/million	Average monthly revenue per paying membership/$
United States and Canada	14.8	44.4%	76.8	16.3
Europe, Middle East, and Africa	10.6	31.4%	82.5	10.9
Latin America	4.5	13.3%	43.4	8.7
Asia-Pacific	3.7	10.9%	41.9	7.6
Total	33.6	100%	244.6	43.5

(Source: Statista)

4. High price of subscription. Netflix's subscription price is particularly high. However, Netflix's subscription system is also a weakness. In 2018, it raised prices for basic and premium subscription plans. Basic plan subscribers pay $11.99 per month with a $2 monthly increase, and premium plan

subscribers now pay $22.99 per month with a $3 monthly increase. By comparison, its competitor Peacock offers prices of $6 and $12, Disney $8 and $18, and Amazon Prime $9 and $12 [6].

5. How to retain customers. For most customers, whenever Netflix releases new content or fresh content, users usually pay for a month and quickly binge-watch their favorite shows. Netflix lost a lot of revenue. Hence, retaining these customers is a pivotal problem.

6. Operating costs are rising. In 2024, spending on new content is expected to increase from $13 billion to $17 billion.

2.1.3. Opportunity

1. Lower subscription price. The global video streaming market will be worth $106.83 billion in 2023 and is expected to grow at a CAGR of 21.5% between 2024 and 2030. The expected growth presents a huge opportunity for Netflix to attract and retain subscribers in international markets by offering lower-priced options.

2. Password sharing. The data shows that 11% of users would like to pay higher subscription fees to share accounts, as shown in Figure 1 [7].

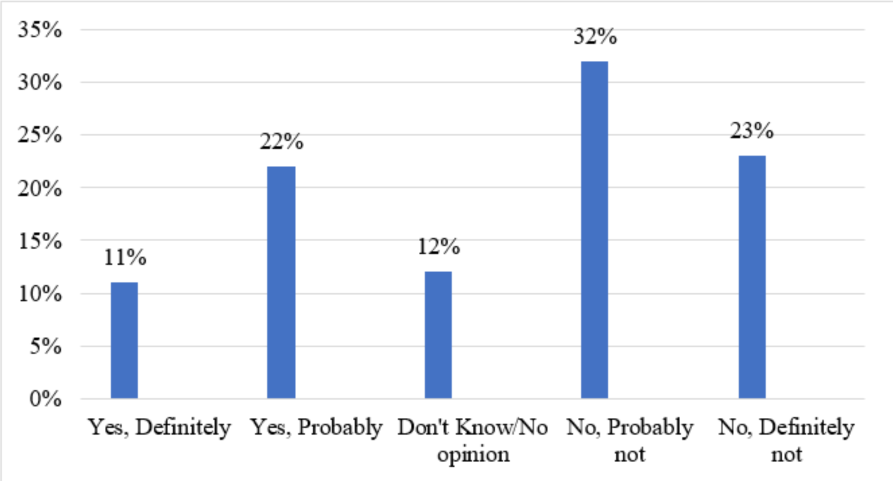

Fig 1. 1 in 3 Streaming Subscribers would pay to Share Account (Source: Statista).

3. AD. AD spending in the digital AD market is expected to hit an all-time high of $740.3 billion by 2024, and it is a good chance for Netflix to expand its income.

4. Add content. Netflix does not own most of its content, but it licenses 47 percent of it. On the one hand, Netflix could consider licensing movies and shows on a large scale. On the other hand, Netflix could expand its content licensing by adding contracts with various movie distributors. In addition, Netflix should update its content library as it is now producing its original content [8].

5. Game. Until now, the global games market has grown to $218.7 billion. Netflix could consider diversifying beyond content streaming by getting into the multibillion-dollar gaming industry. For example, in addition to its core movies and series, Netflix can also develop and offer mobile games, as Netflix owns many well-known TV series [9].

2.1.4. Threats

1. Pressure of competition. Netflix's competitors are growing every year. For instance, Disney+, Apple TV, HBO, Amazon, Hulu, and YouTube constantly compete with Netflix by providing their subscribers with repeated access to new and original content [10].

2. Market saturation. In the UK, the company registered a growth of 4% last year, down from a 20% growth rate in previous years. It was the smallest growth rate since the streaming service launched in the country in 2012. Due to market saturation, Netflix will find it harder to add new subscribers over the next few years.

3. Different policy. In many countries, regulations regarding service providers, such as Netflix, are strict, especially in China, because of the restrictions on foreign content. So, Netflix is unlikely to expand into China.

2.1.5. SWOT Advice

1. Cooperation. Netflix should try to connect with IMDB, Rotten Tomatoes, and other Internet services to provide its users with various ratings and other information.
2. Game. Netflix can develop and provide mobile games to expand revenue categories and revenue.
3. More quality content. Netflix should make more high-quality original or exclusive content to face the growing competition.

2.2. Business Model

Netflix's business model revolves around subscription fees, content procurement and production, and advertising revenue.

2.2.1. Subscription fees

Netflix uses a membership subscription system, where users pay a certain monthly or annual fee to enjoy all content on the platform. This kind of charging allows Netflix to attract users and keep them engaged by constantly offering premium content.

2.2.2. Content procurement and production

Netflix actively cooperates with producers and copyright owners to purchase many films and television copyright content to meet the viewing needs of different users. At the same time, Netflix has also increased its investment in self-made content and launched many excellent original series and movies, such as "House of Cards" and "Stranger Things", further enhancing the competitiveness of the platform.

2.2.3. Advertising revenue

While Netflix currently relies primarily on subscription fees, it has also experimented with introducing advertising on the platform in recent years. By inserting ads at the beginning, end, or during the credits, Netflix was able to increase its revenue stream while giving users more content to watch for free.

2.3. The Development Process

Netflix's story has come through several important stages.

2.3.1. Start-up stage

When Netflix was founded, it was mainly engaged in the DVD rental business. The DVD disc is sent to the user by mail, and the user watches the disc and sends it back. This phase accumulated a lot of subscribers and brand awareness for Netflix.

2.3.2. Transition phase

With the rapid development of Internet technology, Netflix was keen to capture the potential of the streaming media market. In 2007, Netflix launched an online streaming service that allows users to watch movies and TV shows directly over the Internet. This transformation has led to Netflix's rapid rise and becoming a leader in the streaming industry.

2.3.3. Original content stage

In order to further enhance the competitiveness of the platform, Netflix began to increase investment in homemade content. By launching a number of excellent original series and movies, Netflix has managed to attract a large number of users and solidify its position in the industry.

2.3.4. Globalization stage

In order to expand the global market, Netflix actively seeks cooperation with international producers and copyright owners, purchasing a large number of international film and television copyright content. At the same time, Netflix also launched a multi-language version for different regions to meet the needs of local users. At present, Netflix has more than 200 million paying subscribers in more than 190 countries and regions.

2.4. Success Factors

Netflix has been able to achieve success and become an industry leader due to several factors:

2.4.1. Innovative ideas

Netflix always adheres to innovative ideas and constantly explores new business models and service models. Whether it is launching an online streaming service or increasing investment in homemade content, it reflects Netflix's keen insight into the market and deep understanding of users.

2.4.2. Market positioning

Netflix accurately grasps the pulse of the market and user needs, positioning the target users as middle-class families and individual users who pursue high-quality content. By offering premium content and a convenient viewing experience, Netflix has managed to attract a large number of loyal users.

2.4.3. Competitive Advantage

Netflix has a strong competitive advantage in content sourcing, production, and distribution. Through close partnerships with producers, rights holders, and others, Netflix has access to a vast amount of quality content. At the same time, through the self-developed intelligent recommendation system and other technical means, Netflix can provide users with a personalized movie-watching experience.

3. Challenges and Countermeasures

3.1. Multiple Challenges of Netflix

3.1.1. Competitive pressure

As the streaming media market continues to expand, more and more companies are pouring into this space, such as Amazon Prime Video, Disney +, and others. These competitors have strong financial strength and rich resource reserves, which poses a huge competitive pressure on Netflix. To meet this challenge, Netflix needs to continue to invest heavily in improving content quality and user experience. At the same time, it is also necessary to actively explore new business models and service models to maintain competitive advantages.

3.1.2. Changes in policies and regulations

With the changes in the global political and economic environment, governments' supervision of the Internet industry is also constantly strengthening. This could create some uncertainty about Netflix's global expansion and operations. In order to cope with this challenge, Netflix needs to pay close attention to the changes in policies and regulations in various countries and adjust its business strategy in time. At the same time, it is also necessary to strengthen communication and cooperation with governments and regulatory agencies in various countries to win more support and understanding.

3.2. Future Measurements

Looking ahead, Netflix will continue to maintain its leading position in the streaming industry, showing several trends:

3.2.1. Global expansion

With the proliferation of global Internet access and the continuous expansion of the streaming media market, Netflix is poised to intensify its global expansion efforts, aiming to penetrate more countries and regions. This expansion strategy is pivotal for Netflix to bolster its market presence and ensure sustainable growth. As a cornerstone of its strategy, Netflix plans to offer a wider array of content and services tailored to the preferences and cultural nuances of local audiences. By doing so, Netflix can enhance user engagement and loyalty, thereby solidifying its position as a dominant player in the global market.

The company recognizes that global expansion is not just about increasing its subscriber base but also about deepening its understanding of diverse markets. This involves not only translating existing content into multiple languages but also creating original content that resonates with local cultures and traditions. By collaborating with regional filmmakers and talent, Netflix can produce culturally relevant shows and movies that appeal to local audiences. This approach not only diversifies its content library but also fosters a sense of inclusivity and representation, making Netflix a truly global entertainment platform.

3.2.2. Diversified content

To meet the varied needs and interests of its diverse user base, Netflix is committed to investing heavily in the production of original content, launching a wide array of self-made series and movies across different genres. This strategic focus on content diversification allows Netflix to cater to the unique tastes of different demographic segments, from young adults to families and niche audiences. By continuously expanding its catalog of original programming, Netflix aims to differentiate itself from competitors and attract subscribers seeking fresh and exclusive content.

In addition to its own productions, Netflix is actively pursuing partnerships with international producers and copyright holders to acquire a broader range of international film and television content. This strategy not only enriches Netflix's content library but also ensures it offers something for everyone, regardless of geographic location or cultural background. By featuring content from various countries and in multiple languages, Netflix positions itself as a platform where users can explore and enjoy global storytelling.

Furthermore, Netflix's focus on diverse content extends to its commitment to inclusivity and representation on screen. The company is dedicated to amplifying underrepresented voices and stories, ensuring that its content reflects the diverse world people live in. This commitment to diversity and inclusion not only enhances the viewing experience for users but also strengthens Netflix's brand reputation as a socially responsible and culturally sensitive company.

3.2.3. Technological innovation

In the realm of technological innovation, Netflix is determined to maintain its competitive edge by investing in cutting-edge technologies such as artificial intelligence and big data analytics. These investments are crucial for optimizing the user experience and enhancing operational efficiency. By leveraging AI, Netflix can refine its intelligent recommendation algorithms, providing users with personalized content suggestions that align with their viewing preferences and habits. This personalization not only improves user satisfaction but also increases the likelihood of retaining subscribers.

Additionally, Netflix is committed to improving the technical aspects of its platform, such as video loading speeds and streaming quality. By investing in infrastructure and technology, Netflix aims to ensure a seamless and enjoyable viewing experience for its users, even in regions with limited Internet bandwidth. Enhancements in streaming technology not only contribute to user satisfaction but also reduce churn rates, as subscribers are less likely to abandon a service that consistently delivers high-quality experiences.

Moreover, Netflix is focused on optimizing its supply chain management to reduce operational costs and improve efficiency. By utilizing big data and analytics, Netflix can streamline its content production and distribution processes, ensuring that resources are allocated effectively and that content reaches the right audiences at the right time. This strategic use of technology enables Netflix to operate more efficiently, ultimately allowing the company to reinvest savings into further content development and innovation.

In conclusion, Netflix's strategies for global expansion, content diversification, and technological innovation are designed to secure its leadership position in the streaming industry. By embracing these strategies, Netflix not only enhances its competitive advantage but also positions itself for long-term success in an increasingly dynamic and competitive market. As the company continues to evolve, its commitment to delivering high-quality, diverse content and cutting-edge technology will ensure it remains a top choice for entertainment consumers worldwide.

4. Conclusion

As a leader in the streaming media industry, Netflix has successfully attracted the favor of hundreds of millions of users around the World with its unique business model, precise market positioning, and continuous innovation. From the transformation of the DVD rental business to the online streaming service to the increased investment in homemade content and global expansion, Netflix's journey has been full of challenges and opportunities.

In the future, Netflix will continue to face a variety of challenges as technology continues to advance and the market continues to change. However, with its strong brand influence and vast reserves of resources, Netflix is well-positioned to meet these challenges and continue to maintain its leading position in the streaming industry. At the same time, this paper looking forward to Netflix's continued innovation in providing more quality film and television content to meet the diverse needs of users around the World.

In summing up the whole article, it can't help but marvel at what Netflix has accomplished. As one of the pioneers in the streaming media industry, Netflix has led the development direction of the entire industry with its unique business model and innovative business philosophy. As technology continues to advance and the market continues to mature, it is reasonable to believe that Netflix will continue to play an important role in the streaming industry, bringing more exciting film and television content to users around the World.

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