

Leader in the Digital Entertainment Market: Netflix's Continued Success in a Fiercely Competitive Environment

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Abstract: As one of the world's largest digital entertainment providers, Netflix plays a crucial role in the entertainment and streaming industry. This article analyzes the main strategies for Netflix's success by using market research data, financial data, and user behavior data. Through analysis, it was found that high-quality original works are the key weapon for Netflix to win. With the help of big data and algorithm analysis, Netflix is deeply loved by consumers. In addition, Netflix's globalization strategy has gained market recognition and allowed it to maintain a competitive advantage in the global streaming media market. This article also reveals some key insights and elaborates on the challenges Netflix is currently facing from competitors and changes in user behavior patterns. Despite facing increasing competition, Netflix is still able to maintain its leading position as a streaming platform, relying on its unique strategy and continuous changes based on users and the market.

Keywords: Netflix, Streaming entertainment, Big Data and Algorithms, Exclusive Original Content, Globalization

1. Introduction

Netflix is the world's leading streaming entertainment provider, providing movies, TV shows, documentaries, and original content to 238 million subscribers in over 190 countries worldwide [1]. Netflix was founded by Reed Hastings and Marc Randolph in August 1997. Initially, they rented DVDs online through a website and provided users with a personalized movie recommendation system. In 2007, Netflix provided streaming services that allowed users to watch movies and TV shows online, and users could also watch them on TV set-top boxes and game consoles. With nearly 26 years of continuous development, Netflix has become one of the world's largest streaming platforms. However, Netflix still faces competition from other streaming platforms and short video platforms.

2. Analysis with the path to continued success of Netflix

When it comes to the key to Netflix's success, original content is an unavoidable topic. Unlike the traditional streaming industry, Netflix shoots and produces original content. Traditional streaming platforms typically purchase content from suppliers represented by television stations and production companies as platform resources for customers to watch. In this process, traditional streaming platforms need to spend a lot of time negotiating licensed content, time, and price with copyright

owners, which may also lead to legal and commercial issues. When the purchased copyright content expires, consumers attracted by copyright will leave and choose other platforms. In contrast, Netflix has an independent studio to produce content, which saves Netflix the cost of communication and negotiation with copyright owners, allowing Netflix more time to think about what kind of content should be produced for customers. Netflix's original political TV show *House of Cards* is the best practice to subvert industry logic. Netflix paid approximately \$5 million for each episode of *House of Cards*, and it directly invested in a total of 26 episode of content, which is undoubtedly a huge challenge and attempt for Netflix [2]. The results proved that this investment has brought tremendous success and influence on Netflix, and the *House of Cards* has received widespread attention and recognition from global audiences. At the same time, it has also attracted customers to Netflix, who are willing to pay for original content and look forward to watching original content that other streaming platforms cannot provide. This also allowed Netflix to change industry rules and start investing and producing exclusive original content. Through continuous experimentation and accumulation of experience in original content, original content has become one of Netflix's main strategies. It has gradually widened the gap between Netflix and the traditional streaming media industry.

The original content not only made Netflix popular and recognized by customers, but also provided a foundation for Netflix to deeply cultivate big data and algorithms. Traditional cable television and broadcasting provide customers with fixed channels, allowing them to choose different channels to watch. Each channel is determined by the television and broadcasting stations to broadcast what content. The arrival of streaming media platforms has brought about a significant change in this landscape, allowing customers to choose to watch movies and TV shows at any time and place, with hundreds or thousands of TV shows choices. While providing convenience to consumers, it undoubtedly also brings burden to them. Humans are not good at making choices among so many choices, let alone making choices in so many programs. Having too many choices can easily make people feel overwhelmed and give up or make bad choices [3]. How to make users watch their favorite movies and TV shows is a challenge that streaming media platforms have to face. If customers are faced with too many choices and they cannot find satisfactory content, the risk of giving up subscription services will increase. Netflix launched a personalized movie recommendation system as early as 2000, which analyzes members' ratings of movies in the past to make recommendations, but this is far from enough. Currently, Netflix has established an effective personalized content recommendation system through big data and algorithms. User data is undoubtedly the most valuable for Netflix. Netflix receives program ratings and ratings from billions of users every day, as well as user language and time preferences, which helps Netflix establish popularity rankings for each region. At the same time, the content added and searched by users on the list every day is also crucial data. Netflix can use this data to understand the popularity of programs, actors, and directors. In addition, Netflix can also observe user interaction data, such as the time, frequency, and location of user pause, replay, or fast-forward while watching programs, and which program users spend more time browsing profiles, watching trailers, and sharing on social media [4]. These big data and algorithms not only help Netflix better understand customers, but also strengthen its original content strategy in Netflix. Through these interactive data, Netflix can better understand user preferences, and improve and produce more original content. This poses a huge threat to traditional streaming media that purchase copyrights. Traditional streaming media cannot produce content that viewers prefer, and it is also difficult to create diverse programs.

With the two foundations of original content and personalized content recommendation systems, Netflix's global development is also taking advantage of the trend. Currently, Netflix provides services in over 190 countries worldwide and has achieved outstanding results. According to statistics, Netflix's revenue in North America in 2022 was 14 billion US dollars, while its global revenue outside

of North America was 17.38 US dollars [5]. This means that 55% of Netflix's annual revenue is provided by regions outside of North America. This is thanks to Netflix's globalization strategy, which expands the international market by combining globalization and localization strategies. Netflix innovates by utilizing Hollywood's story types and narrative methods in content, combined with local culture, rather than directly translating and listing content like traditional streaming platforms [6]. Traditional streaming platforms not only fail to consider the culture of different regions, but also fail to consider the content expected by audiences in different regions, making it difficult for traditional streaming platforms to compete with local streaming media. Netflix collaborates with local production teams through commissioned titles, which makes its content more in line with the expectations of local customers and creates a large number of job opportunities for the local community. In addition, Netflix has also expanded its diversity of content libraries and attracted customers from different cultures to subscribe. According to statistics, 40.8% of the content in Netflix's content library is produced in the United States, while the rest is produced in different countries and regions. Netflix's total hours commissioned is approximately 8000 hours, while other mainstream global streaming platforms do not exceed 2000 hours [7]. In 2021, Netflix's television program *Squid Game* received unanimous praise from global audiences, and it is one of the successful works of Netflix's globalization strategy. The *Squid Game* is an anti-capitalist work that criticizes the darkness of society by portraying the story of a group of people carrying debts that cannot be repaid, risking their lives to win huge bonuses. It not only combines the story content with Korean culture, but also brings global audiences into the story scene and resonates. After its broadcast, the TV show received strong attention worldwide, with a production cost of approximately 21.4 million dollars, but it brought the value of 900 million dollars to Netflix. The globalization strategy of Netflix has been confirmed time and time again, which is undoubtedly a favorable weapon for Netflix to defeat other streaming platforms.

3. Paper Title Competition from other streaming platforms

However, Netflix still cannot rest assured, as it still faces strong market competition and pressure, which threatens its future success. When Netflix launched online streaming, it created a new model for home entertainment, which not only brought disruptive changes to the entertainment industry, but also led many entertainment companies to launch their own streaming platforms. Competition from other streaming platforms is a threat that Netflix has to face. Due to the COVID-19 pandemic, the closure of cinemas has led to a continuous increase in consumer demand for home entertainment, a change in consumer lifestyles, and a faster growth rate in the streaming media industry. Taking this opportunity, streaming media platforms are striving to attract consumers, but they all realize that the best way to attract consumers is to expand their content library. They want to learn from Netflix's model and constantly strive to obtain more copyright and content. Disney+, as a new competitor to Netflix in recent years, has relied on Walt Disney's rich content library to leverage its advantages and meet the needs of family viewing. In order to enhance its competitiveness, Disney+ has also integrated Marvel, Star Wars, Pixar, and National Geographic into its content library. These classic Intelligent Properties undoubtedly attract loyal consumers, and the diverse content allows consumers to easily explore their favorite content. In addition, Walt Disney has also launched cinema films on Disney+, and even streamed movies screened in cinemas on a media platform [9]. These measures have enabled Disney+ to have a rich content library and attract and retain a group of consumers with original content. Faced with a streaming platform that also relies on original content competition, Netflix needs to consider how to engage in differentiated competition to gain an advantage.

4. Impact of Short Video Platforms

On the other hand, short video platforms have also brought impact and impact to Netflix. User attention is a scarce resource, and online content constantly consumes user attention. This leads to content providers are sparing no effort for scarce user attention, but user attention can only be spent once per minute. That is to say, if users spend time on short video platforms, they will not choose to watch streaming platforms [10]. Due to the fact that every user needs to spend time working, studying, and living every day, how to compete for the remaining time of users is the most important issue for every content provider. Netflix has gained an advantage in the competition of traditional television by not following a specific playback schedule, but choosing the content that users want to watch based on their own time. However, with the end of COVID-19 pandemic, people are returning to offline work and learning, which means that people's fragmented time is constantly increasing, and the opportunities to watch TV and movies for long periods of time are decreasing. This has brought more opportunities to short video platforms. Short videos typically only last for 15 seconds to 2 minutes, making good use of people's fragmented time and providing them with satisfaction and opportunities to watch more content in a short period of time. People can also quickly understand the current social hotspots and trends through short videos, which have gradually become the new social media. At the same time, short video platforms also have rich algorithms and recommendation systems, which can use users' preferences to recommend content that is more suitable for them, in an attempt to retain customers. Users who are accustomed to watching short videos also find it difficult to focus on long videos for a long time. This undoubtedly poses a threat to the long video platforms represented by Netflix and is also one of the issues worth Netflix's consideration.

5. Suggestions for the Future Development of Netflix

To ensure Netflix's future success, Netflix should consider the following suggestions. Firstly, facing strong competition is an essential thing for every industry. Sometimes, competition is not necessarily a bad thing, but it can also drive the progress of the entire industry and benefit consumers. Faced with the competition in the streaming media industry, what Netflix should do is how to differentiate and compete, so that users can consider Netflix more and continue to subscribe to services. The original content and big data advantages of Netflix undoubtedly provide great help in attracting and retaining customers, and this advantage will still play an important role in the future. Through big data, Netflix can analyze what users who choose Netflix expect and why these content cannot be met by other streaming platforms. For example, Disney+ focuses more on content suitable for families to watch, rather than movies and TV programs that only adults can watch. By continuously investing and producing content that users expect, users will continue to subscribe to Netflix. On the other hand, although short videos have brought impact to the industry, it is undeniable that there are still a large number of users looking forward to seeing high-quality long videos. The quality and reliability of short video platforms cannot be compared to Netflix. Netflix has invested heavily in producing high-quality original content, and the viewing experience of short videos cannot be compared to Netflix. Netflix has a 4K resolution viewing experience and also supports Dolby Vision and Dolby Atmos, which provides customers with an excellent viewing experience. However, Netflix should not overlook the competition of short video platforms. Netflix can also participate in social media to publish short videos, such as posting trailers and editing highlights of movies and TV programs, to attract users to watch on Netflix.

6. Conclusion

Netflix has transformed the entertainment and streaming industries and leveraged its unique advantages among competitors. By producing high-quality original content and big data algorithms,

it has successfully attracted and retained customers. Its globalization strategy has enabled it to achieve success and maintain a leading position in multiple global markets, and has also helped spread culture across different regions. However, Netflix still faces fierce competition from different streaming media platforms and the ongoing impact brought by short video platforms. How to compete for user attention is the problem Netflix is currently facing. In the future, if Netflix continues to maintain a differentiated competitive advantage and focuses on the development of social media, Netflix can still become a leader in the entertainment and streaming industry.

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