Predicting Netflix's Future Success by Using SWOT Analysis

Haochong Luo[1,a,*]

[1]*Nanjing No. 1 Middle School, 301 Zhongshan S Rd, Bai Xia Qu, Nanjing, Jiangsu, China, 210004*
a. aimer_lhc9999@163.com
*corresponding author

Abstract: Netflix is a leader in media and entertainment in today's world, and this paper takes a comprehensive look at Netflix. This paper provides an in-depth study of Netflix's historical evolution, foundational underpinnings, and key business areas. The research in this paper utilizes a SWOT analysis to thoroughly assess and analyze Netflix's inherent strengths, weaknesses, emerging prospects, and looming challenges. The investigation scrutinizes the cornerstones of Netflix's success, including content innovation, savvy data utilization, efficient distribution network, and cutting-edge technology integration, which have ensured Netflix's success. By extrapolating and analyzing the extensive research and discussions, this paper offers sensible recommendations that offer possibilities for the future of Netflix and chart the trajectory of Netflix's growth. Based on the aforementioned insightful research and discourse, current projections suggest that Netflix is expected to prosper for a decade or more. This assessment emphasizes Netflix's enduring influence and potential for continued prosperity in the ever-changing media and entertainment landscape.

Keywords: Entertainment industry, Netflix, SWOT analysis, Streaming media platform

1.   Introduction

In the ever-evolving media and entertainment industry, there are currently unprecedented opportunities and challenges. Especially, In light of the 2019 novel coronavirus (COVID-19) pandemic, various facets of daily life underwent substantial changes, including widespread occurrences of professional sports leagues, educational institutions, public worship, and workplace closures. Consequently, internet users escalated their online engagement as a means of maintaining connections and filling their time [1]. As audiences are leaning towards online media and streaming entertainment, traditional models have had to reevaluate their strategies, while emerging companies are making their mark in this wave of change. In this industry landscape filled with uncertainty, identifying enterprises that will succeed in the future becomes particularly crucial. In the current academic world, there is relatively little research on SWOT analysis for Netflix, with current studies such as David F. Larcker and Brian Tayan discussing communication and handling attitudes within the Netflix board of directors in their article [2], or Maddodi and Srivatsa on Netflix's big data analysis [3], so in this paper will use SWOT analysis to analyze Netflix.

The purpose of this paper is to explore how Netflix, as a leader in the media and entertainment industry, has stood out from the crowd and reaped huge business benefits in a rapidly changing environment [4]. And it continues to maintain its dominant position years later. By analyzing Netflix's competitive advantages, innovative strategies, and ability to adapt to changing consumer

trends, we can gain a deeper understanding of how the company continues to thrive in an environment of both challenges and opportunities and offer some suggestions for it. Below I will describe the companies that I will mainly discuss in this article. Netflix (NASDAQ: NFLX) Netflix, Inc. is a membership subscription-based streaming media broadcasting platform headquartered in Los Gatos, California, United States. Founded in 1997, it used to be an online DVD and Blu-ray rental provider that allowed users to rent and return physical discs of a large number of movies from Netflix's inventory via free delivery envelopes. Netflix Inc.'s corporate mission is defined as "To entertain the world." This mission statement is grounded in the company's role of offering on-demand movie streaming services. Netflix Inc.'s corporate vision is "To continue being one of the leading firms of the internet entertainment era." Aligned with the corporate mission statement, this vision statement highlights the company's strategic objective of being at the top of the competition [5]. As they claimed in their vision, Netflix has become the world's largest streaming platform, with more than 125 million global subscribers.

2. SWOT Analysis of Netflix

2.1. Introduction to SWOT Analysis

"SWOT analysis is one of the oldest and most widely adopted strategy tools worldwide" [6]. SWOT analysis is a common strategic management tool used to assess the Strengths, Weaknesses, Opportunities, and Threats of an organization, project, product, or individual. It can help people to understand the environment of the object being evaluated, so as to formulate a more targeted and effective development strategy.

2.2. Strengths

Since 2020, Netflix has strongly emphasized diversity and representation in its broad and diverse creative team and content library [7]. For example, "Netflix has outpaced the industry in hiring women and women of color to direct Netflix movies and in hiring female creators to bring series to life. Netflix has achieved gender parity in key roles in movies and series"[8]. Meanwhile, when it comes to content, Netflix's library includes a wide range of genres including movies, TV shows, documentaries, and reality shows. From comedy to drama, sci-fi to horror, this diversity allows Netflix to appeal to audiences with different content preferences, catering to a variety of interests and tastes.

Moreover, Netflix, a globally recognized subscription video-on-demand platform, has expanded its services to almost all countries and regions around the world.[9] This globalization framework has enabled Netflix to accumulate a large subscriber base around the world. This expansion has not only increased its market share but also its global reach. Its appeal has been enhanced by providing content and experiences tailored to users in different countries and regions, such as the highly popular series "The Squid Game," produced exclusively for South Korean viewers, premiered on Netflix in September 2021 and has become a global sensation, becoming Netflix's most-watched series in 94 countries, attracting more than 142 million member households and 16.5 billion minutes of viewing in its first four weeks, surpassing "Bridgetown.[10] Extending the length of time users stay on the platform and increasing user satisfaction, Netflix has expanded its industry more effectively in this trend, ultimately evolving into a cross-cultural entertainment platform.

Netflix's original content has also been crucial in this process; Netflix has invested heavily in original content, producing many popular and exclusive series and movies. For example, the 2013 hit series House of Cards quickly became a sensation in 2023, while Stranger Things attracted a large audience with its gripping storylines, '80s nostalgia, and great characterizations. Additionally, the movie Roma was critically acclaimed for its insightful storytelling and excellent cinematography and

won prestigious awards such as an Oscar [11]. These original productions provide viewers with a unique viewing experience and have established a strong brand image for Netflix. Because they are typically only available on the Netflix platform, they provide added value and uniqueness to subscribers, greatly increasing retention. By consistently delivering compelling original content, Netflix has succeeded in solidifying its position as a leader in the entertainment industry and building a deep emotional connection with its audience. Netflix is far ahead of the curve when it comes to original content, with 39% of its content being original content, far exceeding Disney+'s 5% [12], and the popularity of Netflix's original content is also far higher than that of its competitors, such as Stranger Things and Wednesday, which are TV series that have exploded in popularity globally. By proliferating a large amount of great original content, Netflix can easily attract and retain a large number of viewers by producing a large amount of excellent original content.

2.3. Weakness

The cost of producing original content and purchasing rights is a major challenge for the streaming industry. While original content can engage viewers, solidify brand image and provide platforms with unique content, it requires significant investment. For example, Netflix committed $100 million for two seasons of House of Cards totaling 26 episodes [3] and $30 million for a single episode of Stranger Things season 4[13]. The high production costs may put pressure on Netflix's finances, especially on some high-budget projects. In addition, competing with other competitors for rights could lead to increased competition, making it more expensive to purchase content. This may cause the platform to be more careful in selecting content to ensure that the content it invests in generates adequate returns. In addition, Netflix may not be able to offer the same content in all regions due to legal, cultural, and copyright issues in different regions. This may result in users in some regions feeling unfair when accessing content in other regions. This may affect subscriber satisfaction and may result in subscribers choosing to cancel their subscriptions if they are unable to get the full content experience, Netflix has not been able to successfully operate in some countries due to restrictions imposed by the governments of those regions, inhibiting Netflix from further globalizing its business.

3. Opportunity

3.1. International Expansion

Netflix's international expansion is an important strategy because it already offers its services globally, but there is still a lot of emerging market potential to be tapped, such as the Asian market, which is one of the world's most populous continents with a huge potential subscriber base. Netflix has already been successful in a number of Asian countries and territories but there is still room for growth in other Asian countries, especially in markets such as India, Indonesia, and China. Netflix can adopt a localization strategy that includes providing content in local languages, co-producing original Asian content, and taking into account the needs of local cultures. This could help Netflix further penetrate the Asian market.

3.2. Technological Improvements

Netflix's personalized recommendation system has been a major factor in its success, with Netflix using big data analytics to enhance the user experience, move to a more customer-centric approach, and ultimately expand its user base [3]. But it can be improved even further, which can be achieved through more advanced machine learning algorithms and data analytics. Providing more accurate recommendations will encourage users to discover new content and increase user retention.

4.   Threats

4.1.   Competition

The streaming market is highly competitive, and with more and more companies (e.g., Disney+, and Amazon Prime Video) entering the market, Netflix is facing competition from several directions. For example, Disney+ is considered a major competitor to Netflix, with 130 million subscribers worldwide. In an effort to increase subscribers, the company has introduced affordable, ad-supported packages and expanded its lineup of staple shows to include Star Wars and Marvel, aiming to attract new viewers. This could lead to subscribers being faced with more choices and diversification of options. The task of acquiring new subscribers is becoming increasingly challenging, especially in the mature U.S. market [13]. This could have an impact on Netflix's market share and subscription revenues as subscribers may be fragmented across different platforms, which could lead to Netflix needing to invest more to attract and retain subscribers

4.2.   Privacy and Illegal Distribution

"Online piracy is generally considered a threat to profits of producers of information goods, such as software, music, books, and movies, which, in the long run, may reduce incentives to invest in the production of such products." [14]. This can be done through illegal websites, seed downloads, P2P sharing, and cracking account passwords. Illegal distribution "refers to the unauthorized distribution, dissemination, sale, or reproduction of copyrighted works (e.g., books, music, movies, etc.) in a manner that infringes on the rights of the copyright owner or rights holder without the authorization of the copyright owner or rights holder. This includes making, selling, or distributing pirated works or unauthorized copies." Piracy and illegal distribution undoubtedly pose a significant threat to Netflix, as they could lead to the following issues: content protection issues, whereby Netflix's content is subject to unauthorized and widespread distribution, thereby reducing its subscription revenue. In addition, piracy and illegal distribution could damage Netflix's reputation for content protection and digital rights management, making it more difficult to track and stop illegal activity.

5.   Suggestions for the future of Netflix

5.1.   Diversity Content

Netflix can continually explore new content types and formats to meet diverse viewer preferences. This includes investing in productions across genres, themes, and cultures to ensure that it appeals to viewers of different backgrounds and interests. For example, Netflix could consider expanding its animated content, sci-fi series, documentaries, and live-action shows to appeal to a broader audience. In addition, exploring partnerships with international film studios to deliver multilingual content globally is a promising direction.

5.2.   Localized Content

Netflix's global expansion is an important strategy, but further localization is key. I think Netflix should tailor its content to specific cultural nuances in each untapped market to increase global appeal. This includes producing original content that reflects distinctive local cultures and values, offering more content in local languages, and releasing regional film, theater, and television series targeting regional audiences [15]. In addition, partnering with local production companies can help Netflix better understand and meet the needs of local audiences. This localization will not only increase the subscriber base but also strengthen the brand's global recognition.

5.3. Financial Strategy

Netflix needs to come up with a balanced content investment strategy to manage debt while maintaining content quality. This includes prudently assessing which projects have the potential for high returns and ensuring that funds are allocated to the most strategic projects. For example, revising its production agreements to minimize risk and prioritizing programs with the highest potential returns rather than focusing only on broad impact [12]. Additionally, Netflix may consider exploring diverse financing options, such as debt financing, equity financing, or partnerships, to mitigate financial risk. Managing its finances will help Netflix maintain sustainable growth over the long term instead of falling into a financial crisis.

5.4. Use of new tehnologies

Netflix can partner with technology companies to enhance the user experience. This includes strengthening partnerships with smart TV manufacturers, content recommendation technology providers, and virtual and augmented reality companies. By integrating new technologies and platforms, Netflix can provide richer, more interactive entertainment experiences that attract more subscribers and increase subscriber loyalty. For example, partnering with game developers to integrate gaming content with streaming content can provide subscribers with more diverse and interactive entertainment experiences.

6. Conclusions

Netflix, a leader in the media and entertainment industry, maintains its preeminent position in the ever-changing environment with its unique competitive advantages. Through a comprehensive study and SWOT analysis of Netflix, this thesis provides insights into its leadership position in the media and entertainment sector and predictions for its continued success in the future.

Firstly, Netflix excels in content innovation. Its diverse and original content has attracted a wide range of viewers across the globe, establishing a strong brand image for the company. This diversity not only provides users with more choices but also extends their stay on the platform and increases user satisfaction. In addition, Netflix's globalization strategy has made it a cross-cultural entertainment platform, further enhancing its appeal. Secondly, Netflix continuously utilizes advanced technology integration, such as a personalized recommendation system, to enhance user experience. The application of such technology helps users discover new content and improves user retention. In addition, Netflix is expected to partner with technology companies to provide a richer and more interactive entertainment experience to attract more subscribers.

However, Netflix also faces some challenges such as high cost of content production and purchasing rights, fierce competition, regional restrictions and copyright infringement issues. However, I believe that through diversified content, localization strategy, financial strategy and the use of new technology, Netflix can effectively deal with these challenges and maintain its competitiveness.

Taken together, Netflix's dominant position in the media and entertainment industry is built on its unique content strategy, global expansion and technological innovation. Despite competition and challenges, Netflix has demonstrated its ability to sustain success. Based on these factors, it is reasonable to predict that Netflix is expected to maintain its trajectory of prosperity for the next decade or more. The prospects for this success will depend on Netflix's continued innovation, globalization strategy and financial acumen, as well as its ability to leverage new technologies. In short, Netflix has secured the high ground in the media and entertainment industry and its future is full of promise.

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