

# ***Marketing Challenges and Countermeasures of Streaming Media in the Post-Epidemic Era: Taking Netflix as an Example***

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**Abstract:** Since 2019, the outbreak of the epidemic has brought huge customer subscriptions to Netflix, and the stock price has also risen as a result. However, according to its Q1 2022 earnings report, Netflix experienced its first single-quarter loss of subscribers in a decade, with high numbers. Using the case analysis method, this paper takes the sharp decline in subscribers of Netflix in the latest quarter as the starting point, thinks about how to retain users, analyzes the three reasons for the decline in the number of Netflix users, gives solutions with Product and Promotion as the core, and finally plans new marketing ideas for the streaming media in the post-epidemic era. It provides a marketing model that can be promoted for the industry to retain users, return to peak performance, and develop sustainably under the normal epidemic situation.

**Keywords:** the post-epidemic era, Netflix, streaming media, marketing strategy, business model

## **1. Introduction**

With the development of the Internet era, people's leisure viewing mode has gradually transitioned from traditional media mode to network streaming media mode. Under the streaming media, TV programs are no longer people's primary choice, and people prefer to watch movies and teleplays on multiple platforms on computers and mobile phones, and entertainment films have more freedom and interaction. Under this opportunity, Netflix continued the sales model of renting DVDs, at the same time launched streaming services, through the Internet to introduce on-demand, which became the beginning of its success. Since 2013, Netflix, with its unique business model, classic original works, and successful marketing strategy, has rocketed to the top of the streaming media platform in the United States, with its share price rising more than 16 times at one point. After 2020, the arrival of the pandemic brought great dividends to Netflix. Its quarterly net new subscribers jumped from an estimated increase of 7 million to an increase of 15.766 million. As of the end of 2021, Netflix had 221.84 million subscribers worldwide and 73 million in the U.S [1]. However, according to its Q1 2022 earnings report, Netflix experienced its first single-quarter loss of subscribers in a decade and lost 200,000 subscribers. At present, Netflix has come to a major turning point. It is worth thinking about how to overcome the backlash brought by the dividend of the pandemic, how to re-

sist the pressure brought by competitors, and how to update its business model and return to peak performance.

At present, the research on Netflix is mainly divided into three categories: one is the exploration of the way to Netflix's success, the second is the development strategy of Netflix in a certain country, and the third is the comparison of business models between Netflix and its competitors. In terms of studying business model development strategies, Liu Meilin analyzed how Netflix became the benchmark of media groups under the influence of big data from three perspectives [2]. In terms of global expansion, Du Yanyan and Wang Fen believed that Netflix's technological innovation and transnational practice have an international demonstration effect on the media industry in improving its technological and content advantages [3]. In a recent study, Kazi Turin Rahman and Md. Zahir Uddin Arif examined the various binge-watching habits of Netflix users during the COVID-19 pandemic, it also examined the motivational factors, amount of media consumption, and negative attributes of binge-watching on Netflix during the COVID-19 pandemic [4]. Li Wanting and Miao Xinping took Netflix as an example to discuss the development of film and television "cloud" communication in the post-epidemic era [5]. Most studies on Netflix are analyses of its success, so it is necessary to study its existing problems. In the process of literature collection, it is found that based on the analysis of subscribers of Netflix in the latest quarter, the internal and external problems faced by Netflix and the solutions are investigated, to find out the specific measures for these problems. For example, the introduction of offline theme parks will also be studied in this paper, which provides support and possibility for this research.

This study will complement its positive response in the context of the epidemic, the problems exposed after the epidemic, and the future direction of development, and analyze the success and future of Netflix on a deeper level. According to the financial statements of Netflix 2022, it is found that the number of subscribers decreased significantly in the first and second quarters of 2022. This paper uses the case analysis method to find out the reasons for the decline of subscriptions by the PEST model, competitor analysis, and internal analysis and then analyzes the solution based on 2P in 4P, and finally draws inspiration for the industry and development direction. Netflix is the leader in streaming video and audio media. Analyze the development and future of Netflix after the epidemic and excavate the new marketing model of Netflix, which has a positive command and reference role for streaming media platforms of the same type. It can also help the post-pandemic streaming media industry break the decline in subscriber numbers, win back loyal customers and expand the number of new users.

## **2. Difficulties in the Development of Streaming Media in the Post-Epidemic Era: A Case Study Based on Netflix**

With the development of the Internet era, the network streaming media mode is gradually growing. With this background, Netflix has been able to grow rapidly. Netflix subscriptions have increased dramatically since the pandemic and its stock has soared. In the first quarter of 2022, Netflix lost 200,000 subscribers in a single quarter for the first time in a decade. It shows that Netflix still has the practical problem of improper marketing strategy in the post-epidemic era, which needs to be solved urgently. The loss of Netflix users comes from many sources, including internal marketing strategies and the external environment. In the following, I will use the PEST model and competitor analysis to conduct an in-depth internal and external analysis.

## 2.1. PEST Analysis

### War between Russia and Ukraine

Netflix reported revenue of \$7.87 billion in the first quarter, up 9.8% from a year earlier; Net income was \$1.6 billion, down 5.9% from a year earlier; Earnings per share were \$3.53, down 5.9% from a year earlier [6]. Compared with the fourth quarter of last year, it lost 200,000 net subscribers. Netflix pulled out of Russia in early March after the war with Ukraine broke out earlier this year. The company lost 700,000 subscribers when it suspended service in Russia.

### Inflation

Netflix's biggest bleeding spot in the second quarter of 2022 was in North America, where it lost 1.3 million subscribers. A big reason is that high inflation in the U.S. has made consumers more sensitive to the price of non-essential items, and Netflix's strategy of raising prices no longer works.

### The backwash of the epidemic

Since the COVID-19 pandemic, people's activities have been restricted and their living habits have gradually changed from offline to home-based study and work. Netflix is experiencing a phenomenon of "binge-watching" -- a surge in subscriber subscriptions -- as people turn to online websites to enjoy entertainment after work or study. For Netflix, subscriptions are an important measure of the company's bottom line, and as a result, its revenue and stock price rose sharply in 2021. However, with the gradual normalization of the epidemic, people have returned to normal life, outdoor activities have gradually increased, Europe and the United States and other countries have returned to normal social order, and the life mode of binge-watching during the epidemic is no longer, and the "epidemic dividend" of online entertainment is rapidly diminishing, and the subscription of users has dropped significantly, which can be described as the "backtracking" after the epidemic.

## 2.2. Analysis of Competitors

In today's high-tech social environment, the streaming media industry each leading attempts to share the largest share in different ways. Netflix's competitors are making even greater efforts, putting tremendous pressure on the company. Disney has a solid consumer base and an aggressive restructuring of the Disney Corporation in 2022 to integrate streaming services, its six brands, Disney, Pixar, Marvel, Star Wars, National Geographic, and Star, together provide the platform with rich and high-quality content. Knowing that it can't compete with the volume of platforms run by other media giants, Apple TV+ has opted for a "small but beautiful" boutique, with a subscription price of \$4.99 a month. In addition, Apple TV+ 's strategy has been to sign deals with certain movie stars and companies to handpick textured productions.

HBO Max, which is dominated by Warner Media, integrates movies and albums produced or copyrighted by its CNN, Cartoon Network, New Line Cinema, Warner Bros., and DC Entertainment, and, more specifically, HBO Max offers ads and no ads, allowing consumers to choose whether to watch ads in exchange for a discount.

Amazon, the world's largest e-commerce service, is buying Hollywood studio Metro-Goldwyn-Mayer for \$8.45 billion. It also means that all of MGM's classic TV shows, including the popular James Bond series and the Epix cable channel, will be available on Amazon's streaming service [7].

## 2.3. Internal Causes

### Business model Drawbacks

For a company valued at \$230bn, Netflix's business model is remarkably simple -- produce premium content and get consumers to pay for it. Arguably, Netflix's revenue growth is all about subscriber growth. The flip side of that statement is that Netflix's business model will be in jeopardy if it can't keep growing paying subscribers.

### **Lack of Quality Original Works**

Netflix's new user-driven growth strategy directly determines its "weight over quality" content thinking. In the past, with the help of algorithm recommendation and data feedback, Netflix tried to cater to all kinds of user groups as much as possible. However, with the expansion of the content library and the increasingly lax quality control, there is still a lack of classic IP that can stand on its own. Back in 2021, when Squid Game went global, Netflix's success was attributed to "mining customer data to determine what kind of programming customers prefer." However, relying too much on data means Netflix lacks judgment and faith in content and even less patience for the long-term. Even slight fluctuations in user data can affect the fate of content, and the result is that Netflix's content library is full of half-assed content. That's why Netflix doesn't have its IP matrix to compete with HBO and Disney. In the face of Disney's own IP "permutation and combination game", Netflix can only watch the erosion of subscribers [8].

## **3. Netflix's Marketing Path to Prevent Churn**

Specifically, Netflix's solution revolves around Product and Promotion.

### **3.1. Product**

#### **Make Interactive Products and Experiences**

From a consumer perspective, Netflix's model is more or less a one-shot deal. After a user watches an episode, he or she is no longer associated with the show. Netflix's "Stranger Things" and "House of Cards" has legions of die-hard fans, but a single subscription model doesn't fully capture the value of those ips. In this regard, Disney is a positive example. It is keen to launch a series and create a "universe" for consumers, which has improved user engagement, retained many diehard Disney fans, and attracted new traffic.

#### **Make more original works**

After the dividend of the pandemic, owning the copyright of high-quality original and classic works is the key to success in the streaming video industry. In May 2021, ten seasons of Friends returned to Warner from Netflix with exclusive streaming rights on HBO Max, which was a significant loss for Netflix. In the same year, the Squid Game launched by Netflix set off a global craze, and "sugar picker" even became a business opportunity to make money, bringing great influence and attraction to Netflix. Netflix needs a steady stream of high-quality original content to remain the streaming media leader.

### **3.2. Promotion: Use Omni-channel Marketing**

Netflix has various online marketing methods, mainly in the form of Email and SEO. For example, Netflix sends out emails promoting their new show The Punisher, and as soon as consumers open the email, it starts playing GIFs, and the Punisher logo flashes across the screen, using subliminal advertising to encourage people to watch the show [9]. Another example is their House of Cards email, which contains the show's name, release date, and the phrase "coming soon." Netflix has been putting a lot of effort into online marketing channels, but offline marketing is also very important in the post-pandemic era as people get back on track.

#### **Establish a Theme Park**

The appearance of Stranger Things, which is owned by Netflix, at Universal Studios is the first time Netflix content has entered a theme park. The partnership is likely to boost Netflix's content licensing success further, given that Stranger Things isn't the only hit show on Netflix. Meanwhile, Target and Netflix announced an exclusive partnership to create exclusive products related to the popular Netflix original show "Stranger Things," including a retro-inspired Blu-ray DVD box set

for the first season of "Stranger Things," clothing, accessories, and more [10]. There is a positive analysis that content licensing will bring Netflix a significant amount of additional revenue shortly, which is more than \$1 billion. It shows how important offline marketing channels are to Netflix's advertising revenue, so in the post-pandemic environment, Netflix needs to re-focus on it.

#### **Join Forces with Offline Cinemas**

Netflix can cooperate with offline theaters to bring its excellent original works into theaters, and movies with Netflix's brand will attract a large number of loyal movie fans. In the post-epidemic era, offline marketing in theaters can not only play a great role in publicity but also reap a large profit [11].

### **4. New Marketing Strategies of Streaming Media in the Post-Epidemic Era**

The epidemic has brought huge "dividends" to streaming media platforms, and user subscriptions have soared. However, the backlash brought by the epidemic cannot be underestimated. Netflix tells us from its own experience that uncontrollable factors will bring business opportunities to streaming media platforms, but are so accompanied by crises. Based on the case review and analysis of Netflix, people can find the marketing focus of streaming media in the post-epidemic era, and enterprises need to make timely adjustments according to market conditions, industry models, and user demands. More important is to keep the original, and market reasonably, to foothold in the industry invincible. However, for the development of the industry, there is still a certain space for development. This part will take the marketing mode of Netflix as a reference, and provide a marketable marketing mode for the industry to retain users.

#### **4.1. Produce Good Original Works**

The core business philosophy of streaming media platforms has always been that content is king and the audience is Paramount. Therefore, high-quality original content is a magic weapon to increase user engagement. Enterprises should improve the content quality of self-made resources, express the sincerity and innovative spirit of enterprises through self-made drama, improve brand awareness, tap more potential users and maintain original loyal customers, and strengthen the brand competitiveness of enterprises.

#### **4.2. Conduct Omni-Channel Marketing**

Streaming platforms should seek to connect with people through omnichannel marketing and ultimately provide a customer-centric, personalized user experience that people won't forget. Other brands can also be through a variety of media, and equipment, and establish contact with the customer contact point so that customers can enjoy a full range of unique and convenient services, this way not only can make your brand works play to the largest, but also will be in touch with customers to establish a deeper, let more people see your brand, and improve the user's feeling, In this way, the enterprise can achieve sustainable development and maximize revenue.

#### **4.3. Use a Unique Core Business Model**

Streaming platforms need to find a business model that suits their companies. Many media are now trying to emulate Netflix's success, but they often fail, failing to achieve even half of what Netflix did. Netflix has made changes at each node that suit its enterprise and conform to the background of The Times. From the earliest DVD rental model to the streaming media model that conforms to the development of the environment, and to the use of advanced algorithms to provide unique membership services according to the viewing history and preferred types of consumers. At every point in

time, Netflix has found the business model that is most in line with its development, which has deepened users' trust in the company and thus built stronger customer relationships. Other enterprises should also depict the user portrait, find the target customer group, establish a unique core business model, and provide a solid pillar for the subsequent development of enterprises.

## 5. Conclusion

This paper analyzes the reasons behind the sharp decline in Netflix users' subscriptions after the epidemic from three aspects of PEST, competitors, and the internal environment, to find solutions from the directions of Product and Promotion, and take Netflix as an example to seek new marketing strategies for streaming media in the post-epidemic era: First, the production of excellent original works, with good works to win the hearts of customers; Second, multi-channel marketing, using online and offline marketing to maximize the company's development; Third, the use of a unique core business model, for the future development of the enterprise to establish the cornerstone. Generally speaking, this paper caters to the latest situation of Netflix, but there are still some shortcomings: 1. the reasons for the decline of Netflix subscribers are complex and diverse, so there is still a gap in my analysis, and more thorough research needs to be conducted in enterprises. 2. There are limitations in the solutions sought, and more perfect solutions need to be sought from many aspects. At present, there are still some shortcomings and loopholes in my theoretical research. More in-depth research will study this topic more deeply in the future study, and combine entity investigation with theory to form a practical paper.

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