A Case Study of Netflix's Marketing Strategy

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Abstract. With the global epidemic, home entertainment is particularly important. Netflix streaming company offers a vast inventory of movies and TV on demand. Netflix has grown substantially since the 2020 epidemic, adding 16 million subscribers. As a leading company in the streaming industry, the reasons for Netflix's success are worth analysing. This paper analyses Netflix's promotional strategy, success stories and experiences and identifies problematic areas for advice. The study finds that Netflix's promotional strategy is related to social media, which is used to increase interaction with viewers, such as the case of Netflix's successful entry into the Spanish market using Twitter. The disruption of the business model and the creation of a recommendation system enhance the user experience. The development of original content attracts new subscribers through innovation, as in the case of Black Mirror, which created a new interactive model. At the same time, a number of problems have been identified, such as the limitations of Netflix's international development, the dependence of revenues on subscriptions and the high cost of producing original content.

Keywords: Netflix; marketing strategy; social media.

1. Introduction

The closure of cinemas and numerous entertainment facilities during the pandemic shutdown made streaming services popular [1]. Netflix still has a market when streaming entertainment facilities during the pandemic, with the average person spending one hour and 11 minutes per day on the streaming platform during the shutdown, according to research [2]. Netflix is an American video subscription on-demand streaming platform. To date, Netflix has 208 million paying subscribers worldwide, 74 million of which are in the United platforms are blossoming. Therefore for a study of the streaming industry, Netflix is a good choice for a success story. The main feature of Netflix is that it allows users to watch content over the internet whenever and wherever they want, which allows them to watch videos without restrictions. According to research, 361,000 subscribers are known to have posted and watched the second season of The Odd Couple in one sitting [3]. This binge-watching social situation has become even worse in the wake of the new coronavirus pandemic.

Netflix was the preferred streaming platform for US households during the pandemic, accounting for 34% of US households' choice of streaming media according to the survey [4]. 46% of UK adults surveyed cited Netflix as their streaming platform of choice [5]. The popularity of Netflix is evident. The success of Netflix in the streaming industry is worthy of study and reflection. In terms of business strategy, Netflix's success is linked to the innovation of its business model, which was originally a traditional DVD rental sales model and then shifted to a streaming service. Netflix established a profitable model regarding paid subscriptions and in 2007 Netflix delivered one billion DVDs on the digital network and after starting video on demand, Netflix completely changed its business model [6]. This was an important turning point in Netflix's history. Netflix's promotional strategy is up to date, making extensive use of social media, posting extensive promotional messages, gaining a waiting audience prior to airing and building an interactive relationship with viewers, for example using social media such as Twitter and Facebook. Netflix has launched viral social media campaigns through social networking platforms, which have been instrumental in increasing audience engagement and played a big role in building strong connections with viewers. Netflix successfully used its influence on Twitter to promote success stories such as Women in Prison in the US [7].

In terms of content, Netflix is extremely innovative, from its initial purchase of rights to developing original episodes that capture the attention of viewers and create a model for interacting with them.

However, Netflix has its own problems. In an era of globalisation of streaming, Netflix's global development is limited by the cultural, historical, political and social conditions of different countries, which sometimes results in Netflix's content not being accepted, such as the monitoring of content in the Chinese market, which prevents Netflix from entering the Chinese market. There are also some issues with maintaining subscriptions, relying on revenue from subscriptions, and the high cost of producing original work. Netflix is the global leader in the streaming industry and has had an influence on not only the streaming industry as an industry leader but even the creation of future movies, TV series and short videos. Various industries can look at Netflix's path and examine the reasons for its success and its limitations. Especially in terms of international development, Netflix lacks the development of the Chinese market, and some Chinese streaming companies could learn from Netflix's development journey. This paper uses both a documentary survey and a case study approach to research. The subject of this article is the study of the reasons for Netflix's success, analysing Netflix's promotion strategies, development changes, and also globalisation development aspects.

2. Netflix's Background

Founded in 1997 by Reed Hastings and Marc Randolph in California, Netflix now has 222 million subscribers worldwide. Initially, Netflix was not the on-demand model it is today. Netflix started out in 1997 as a traditional pay-per-view DVD rental service with a mail-in service, and in 1999 the company switched from a rental DVD model to a subscription model where customers pay a monthly fee for unlimited DVD rentals, turning the traditional model on its head and taking a distant second place to the then most famous BLOCKBUSTER video rental chain. But the most innovative and embryonic move of the current company model came in 2007 when Netflix launched a subscription-based streaming and video-on-demand service. Netflix was the first innovator to launch such a service [8]. In the beginning, there were only 1,000 movies available on the Internet for video-on-demand and 70,000 DVDs until the mid-2000s, when increased data speeds and lower broadband prices allowed Netflix to offer movies online. Netflix redefined the industry's value proposition, from DVD rentals to offering wireless access services, and subsequently began to offer original content offerings [8]. Netflix developed the film and television industry production in 2013 with the launch of its first series House of Cards adapted from the BBC's award-winning TV series House of Cards [9]. The original series Women in Prison aired on Netflix and became the highest-rated original series. Netflix's popularity has even seen a trend of 'binge-watching', defined as the desire to quickly watch multiple episodes on DVD or digital. Netflix has taken the act of releasing entire seasons in order to try to retain viewers, but it is also one of the things that trigger binge-watching. The launch of Netflix's unlimited viewing service gave consumers room to 'binge-watch videos', as evidenced by data showing that 361,000 Netflix subscribers watched all nine episodes of Stranger Things in one sitting 24 hours after its release Abrams, According to the Netflix Financial Operations Report, Netflix revenue grew from $5.504 billion in 2014 to $24.996 billion in 2020, an increase of 354.1% [10]. Since 2020, the reliance on Netflix has become apparent from the start of the pandemic, adding 16 million subscribers since the 2020 epidemic [10].

3. Business Models

Netflix has built a profitable model regarding paid subscriptions since 2007. They allow paid subscription customers to watch unlimited amounts. This change has disrupted traditional business models, but more is needed to build ongoing customer subscriptions. Netflix has built a recommendation system for different audiences, pushing users based on their viewing history, and the recommendation algorithm allows Netflix to leverage its vast database of user consumption patterns and users' tags, comments, viewing history, etc. [8]. If users are unable to find films on the platform that appeals to their interests, they will quickly lose the desire to subscribe. Therefore, it is

crucial that users find their favorite films quickly. Netflix encourages users to rate films and express their opinions on how much they like them. According to the study, Netflix has collected more than 190 million ratings so far, from 11.7 million subscribers. As a result, Netflix can use an algorithmic system that calculates multiple regression correlations to provide subscribers with personalised recommendations on a daily basis. In fact, Netflix's database is one of the company's most valuable assets. It has the user data of hundreds of millions of Netflix subscribers. Even if other streaming companies also use algorithmic recommendations, they cannot be as accurate and effective as Netflix because they cannot replicate Netflix's vast database [8].

4. Netflix Marketing Analytics

4.1 Promotion Strategy

The use of social media plays an important part in Netflix's marketing strategy. Social media platforms such as Twitter disseminate a large amount of content that influences audience consumption. Netflix has successfully used Twitter to promote "Women in prison" and other episodes. The strategy of Netflix's entry into the Spanish market can be well demonstrated in terms of the use of digital media. In 2015, Netflix began offering video on demand in Spain and a year later, Netflix has become the second most-watched subscription platform in the streaming market. Netflix extracts data from online and social media and user click logs to tailor the user groups with a catalogue of their needs. Unlike traditional models, which focus the attention of the target audience on advertisers rather than directly connecting with Netflix, Netflix's goal is no longer to negotiate benefits with advertisers but to directly engage viewers and keep them loyal. As an example of concrete action, Netflix showcased an article in its online media centre, 'The Power of Images', specifically exploring how the platform uses visuals to generate interest in its programming [11]. Netflix makes a huge impact through the use of popular elements, and major social events, whether absurd or with overtones of revenge. This ability makes it stand out [11]. Netflix's creative managers argue that if a member's attention is not captured within 90 seconds. The member is likely to shift their interest to other activities and images and the perfect title will be the most effective way to capture attention in such a short period of time [12]. Netflix believes that traditional ways of promoting TV series are not suitable for streaming video promotion. The most important thing is to connect with the audience through social media, posting the advertised video on the platform of this category to make it viral in order to reach millions of potential viewers.

4.2 Content Innovation

Before Netflix focused on original content, it had been centered on buying rights, such as the Hunger Games, Transformers and other famous films. But between 2015 and 2016, the number of films and TV shows online dropped significantly. The shrinking number of films and TV shows may be partly due to competition for rights with companies in the same genre. So after this, Netflix focused more on developing original works, from buying high priced rights to producing its own original content. It is Netflix The strategic choice to retain subscribers. Star Kevin Spacey, a cast member of the Netflix original series House of Cards, defines the streaming service platform Netflix as a highly reputable and engaging source of entertainment, and this comment is consistent with the reputation of British television and international art house cinema [13]. Netflix's recommendation system has become a core competency that has enabled the company to grow, which has allowed Netflix to have a very good understanding of the success factors and consumer preferences in film and television. So the company has leveraged this ability to drive further business development, most notably by developing original content [8]. Netflix's original content is content that is exclusively produced, co-produced or distributed by Netflix. Unlike other companies, Netflix provides funding upfront when signing up for projects. This is one of the reasons for Netflix's current predicament. Netflix's content innovation strategy first came to fruition in 2011, after investing $100 million in the production of House of Cards, which premiered to great fanfare in February 2013. The success of this move directly

led Netflix to accelerate its expansion into overseas markets, and it continued to ramp up its self-produced content afterward. The amount of funding for self-produced content has also increased significantly, from 5.1 percent of investment in self-produced content in 2015 to 45.8 percent by 2020. At the same time, films such as "Roma" and "The Irishman" have successfully enabled Netflix to harvest numerous awards such as Emmys and Oscars. It occupies an important position in the heavyweight awards for film and television. And in terms of innovation, Netflix has made many efforts. The launch of "Black Mirror" has brought a new viewing experience to its users. It is an interactive TV series, which has no progress bar and consists of countless clips, with the viewer deciding where the plot goes and options appearing at the bottom of the video whenever a choice needs to be made. It is a new interactive experience where the viewer becomes the player directly, increasing user engagement. Black Mirror is an iconic example of Netflix's innovation to drama, disruptive, both innovative and controversial.

4.3 International Development

Netflix's international growth is also noteworthy. Netflix, which originated in the United States in 2010, began an aggressive global expansion that began in 2016 with a global presence, in addition to China, Crimea, North Korea, and Syria. And as of now 2019, Netflix had over 167 million subscribers worldwide and annual revenues of $20.156 billion, up 27.62% year-on-year [14]. Netflix's international expansion is linked to its content innovation, and the company's management believes that they invest in local content for the sake of local members, complementing Netflix's services with locally featured content when appropriate. Whereas Netflix has made many efforts at globalisation, such as the diversity of video sources and languages, which can help Netflix's penetration grow in international markets, Netflix has announced the expansion of non-English original programming, such as the Netflix co-produced Spanish-language production La casa de papel, which in its third season became Netflix's most watched non-English countries, with 44 million households watching in the first four weeks alone. 44 million households watched, making Netflix the most famous digital on-demand platform in the world.

5. Issues

Firstly, in terms of distribution, Netflix has a staggering number of productions such as films, TV series, specials or miniseries, and documentaries. Netflix has already distributed 100 seasons of TV series in local languages in 17 countries around the world and also plans to expand its investment in original productions in local languages. Netflix's international expansion has been congratulated by audiovisual professionals from different countries who believe that Netflix can make good productions widely known around the world and expose viewers to a wider range of productions [15]. Although Netflix has become a giant in the streaming video industry, there are still many aspects that are problematic. Among the transnational issues, Netflix is subject to varying degrees of restriction in countries, such as social, historical, cultural, or political aspects.   Legal or technological changes that facilitate transnational cultural trade can give rise to the cultural heritage of people in local markets and products to be feared. According to a study by the European Taster Observer, it was found that 26 of the 27 countries served by Netflix had a share of over 55% of whichever films on Netflix, but a low share of national films, with the UK having the highest share of 9% and 19 countries not having any national films in their interface. In an analysis of data from Italy, it was found that Netflix Italy catalogue has 52% from the US, only 5% from Italian productions, and 32% are Netflix originals. The EU has therefore intervened with a new directive on audiovisual media services in 2018, which obliges streaming video services to include at least 30% European sources [16]. Also Netflix's progress in creating a market in China has been hampered in various ways, after the release of House of Cards, which was distributed on the Chinese Sohu platform and was well received by Chinese audiences and even Communist Party leaders, followed by attempts to enter the Chinese market with Marco Polo, both of which ultimately ended in failure. In May 2015, Netflix announced

a partnership with Huadu Media, but it had to be approved by Chinese streamers, as only Chinese companies can hold a license to stream videos in China, and as of February 2018, the sub-partnership has still not materialised in any part.

Netflix's development of original content has allowed it to attract a large number of subscription customers while helping it to tap into other countries around the world. but the financial investment in the development of original content cannot be underestimated, with shows such as new black, daredevil and house of cards costing even between four and five million dollars per episode to produce. The King's Officials even had a record production budget of £100 million for its first season, at around $12.5 million per episode. In 2018 Netflix spent $12.04 billion on original content, a 35% increase from $8.9 billion in 2017[17]. With a large amount of investment in original content, Netflix's profit income is a cause for concern.

6. Conclusion

In summary, Netflix has become a leading player in the streaming industry. Its growth strategy is worth exploring, starting with the conversion of its business model from DVD rental to a paid subscription streaming service, using its large database of users to reference its recommendation algorithms, consolidate users and improve the user experience. As a promotional strategy, the widespread use of social media, posting heavily and interacting closely with viewers, has allowed Netflix to successfully use social media platforms to promote itself. In terms of content, Netflix has created a slate of original content that has powered the globalisation of Netflix and attracted a large audience. However, the issue of restrictions on Netflix's international development and the high cost of investing in original content still require ongoing attention. The purpose of this research paper is to analyse the current situation of Netflix, the leading company in the streaming services industry. It provides ideas for the future development of other companies in the streaming industry and analyses the current state of the global streaming industry. The downside is the lack of specific data on Netfilx, which may be supported by more evidence in the future when Netflix makes more data public. This paper does not present an in-depth solution to the specific problems encountered by Netflix. Future research directions could continue to develop in this area.

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