An Investigation on the Streaming Industry: with the Case of Netflix

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Abstract. Streaming is growing rapidly in the world, and streaming is gradually replacing television, radio and cinema. The American streaming company Netflix is one of them. In this paper, The author will explore exactly how the success of Netflix, a company that started out as a small DVD rental company, became the most successful streaming company in the world. Currently, Netflix is one of the most successful streaming companies. After Netflix, the film and television industry will not be the same. So it is important to study the company’s success and understand the technology and rules of broadcasting and Netflix business. By exploring Netflix’s success, the development of the film and television industry can be predicted in the next 10 years.

1 Introduction

The content of new media based on mobile terminals is continuously enriched thanks to the widespread use of mobile network technology and smartphones. Short videos, live streaming videos, and other new media content evolved quickly. The new way of communication has the traits of interaction and sociality, which distinguishes it from the conventional method of content distribution. Real-time interaction between the audience and the creator is possible. The gap between the creative and the audience may close as a result. Live video streaming in real-time has emerged as one of the most popular types of Internet content (also referred to as live video streaming) [1].

Given the wide spread of these forms of media, it is of particular interest to explore the streaming industry. The industry is expanding since cloud-based solutions are being adopted by more people, as opposed to traditional cable services. North America and Europe are where this trend is most prevalently seen. An increasing number of users have high standards for content quality, performance, and security, and it is anticipated that ongoing innovations and technical improvements will satisfy those standards. During the April 2019 NAB Show, Akamai Technologies highlighted its digital experience advancements (U.S.). Upgrades to live and on-demand media services, cloud wrappers, and cloud interconnects were shown.

As digital media becomes more accepted across businesses, more people use streaming services. Apple introduced TV+ in November 2019, entering internet video delivery. Wowza Media Systems, LLC will launch professional services for video-solution vendors in June 2019. Video can increase teaching and learning in webinars and academic courses. Visuals improve student retention. Universities, colleges, and other educational institutions produce multimedia content in video form. Access to instructional video content, mobile device demand, and Internet connectivity have revolutionized live video services for education.

In order to study the streaming industry in more depth, we select the Netflix company as a case for research. Its business models and strategies will be analyzed, and its potential prospects will be detailed. The structure of the research is presented as follows. We will first take a look at the streaming industry as a whole. Then, Netflix is introduced as a case, with further analysis of other companies in this field. The summary and limitations of this research will be elaborated too in the conclusion part.

2 The landscape of the streaming industry

The streaming industry has been traditionally dominated by players who provide high-quality, studio-production-style content. However, short-form videos are gaining momentum in the past several years. TikTok, the leading platform for such videos is on its way to becoming the most popular platform, which puts a threat to well-established firms such as Meta Inc. We will discuss these two sub-areas separately.

2.1 Traditional streaming

COVID-19 affects almost 20% of the world's population. Streaming video providers saw a 10% watching increase during the lockout. Global viewership climbed for Netflix, Amazon Prime Video, YouTube, and Disney+. Netflix mobile app installations rose 50% in Italy and 30% in Spain in March 2020[2]. Netflix (70% of respondents use or pay for Netflix), Amazon Prime Video (59%), Hulu (41%), and Disney+ (36%) were evenly split between...
AVOD and SVOD [3]. The increasing viewership on AVOD suggests that even among traditional streaming services, consumers are willing to try out new options, which also foreshadows the potential competitiveness of the new form of videos in the future. Live video is also a way to socialize, and with the popularity of video, it is also known as the "peace of our time". With the popularity of the Internet and mobile devices, live video streaming has become a new way to socialize. In 2004, BlogTV emerged as a pioneer of live video streaming. Thereafter, the live web video streaming platform meerkat was successful. This also made the media industry aware of the trend: from text to picture to live video. Subsequently, Facebook, Twitter and YouTube joined the live video streaming industry and have launched live Internet video streaming services. These companies are commanding the live video streaming industry [4].

![Figure 1. Respondents’ perspective of Pandemic’s effect on streaming services][3]

### 2.2 Short-form videos

The short video is a term for things in the emerging cultural industry, not a legal term with fixed connotations and pointing to specific objects in laws and regulations such as civil law and intellectual property law. As for the definition of the short video, we can see the author's definition in some articles, and we can also see the relevant definition on the Internet and in the Industry Report on the Development of Short Video. Up to now, although we have not formed a definite and clear concept of the short video, we can find that in the existing definitions, the author mainly focuses on the communication mode, content, and expression form of short video when describing its meaning with his own understanding and language expression, which can also explain the characteristics of short video. After reading a large number of scholars' literature and books, the author has a shallow cognition and understanding of short videos. Short videos are short in length and involve a wide range of contents. They are recorded and shared by participants according to their own subjective preferences, and are mostly displayed through digital video terminals such as mobile phones. With low expense and easy operation on portable devices, TikTok has been developing rapidly since 2016 and even has the potential of outperforming traditional popular social media, such as Snapchat, Pinterest, and Twitter[5].

![Figure 2. The rise of TikTok since 2016][5]

### 3 Competition Analysis

The most prominent debuts in recent years have been Apple TV +, Disney +, HBO, and Amazon Prime, which are now part of the "streaming battle" and are seen as Netflix's main rivals (English fame, "Streaming wars"). A new age of rivalry between video-streaming providers, including Netflix, Amazon Prime Video, Hulu, HBO Max, Disney +, and Apple TV +, has given rise to the term "streaming war." In 2019, you can see that 2020 will be a critical year for streaming. At the time when Disney and Apple TV + were just coming out, new platforms HBO Max, Peacock and Quibi were preparing for their debuts, and Hulu streaming. Amazon Prime Video and overall Netflix would face the biggest competition.
3.1 HBO Max

WarnerMedia launched HBO Max on May 27, 2020. HBO Max combines HBO with a new slate of licensed content from third parties, new original high-value series from WarnerMedia, and a wide variety of fan favorites from Warner Bros., New Line, DC, CNN, TNT, TBS, truTV, Turner Classic Movies, Cartoon Network, Crunch, Cock Teeth, Ruby Tone, and other brands. For many years, the Home Box Office (HBO) has been regarded as the height of achievement in the media and entertainment industries. "We're not giving it our all; getting more is not better; only getting better is better," reads the company's slogan. Netflix, Amazon, and Disney, streaming businesses that have invested significant amounts of money and content into the media market, are currently competing with HBO. HBO, however, chose the route of Amazon Originals. As a result, Netflix is ce. In this section, we will appreciate. Without leaving the playscreen, users can access images, biographies, movie productions, soundtrack details, and trivia[9].

4 A Deep-Dive of Netflix

Netflix received 54 primetime Emmy nominations for the 2016 awards. This achievement is second only to FX (Fox's FX TV network) and HBO. In 2017, it kept on gaining momentum, winning 91 nominations and directly catching up with HBO. In 2018, Netflix directly surpassed HBO's 108 nominations with 112 nominations, topping the latter's nomination position in the past 17 years.

Given the severe rivalry from other firms, Netflix is the streaming industry's public face. In this section, we will examine this form's great success.

4.1 International Expansion Strategy

The three-stage growth method of entering new markets and the manner in which it collaborates with these markets are two strategic efforts that Netflix has undertaken that have contributed to its success.

Netflix did not try to break into every market at once. Instead, it carefully chooses the markets that are close to the major markets in terms of their geographic position, psychological distance, or perceived distinctions between the markets. For instance, Netflix began its first worldwide growth in 2010, starting in Canada. Geographically, Canada and the US are close neighbors with many shared characteristics. As a result, Netflix is able to expand its global capacities in nations with less severe "foreign" issues. By doing this, the business acquired knowledge on how to develop and enhance its core competency outside of the home market[10].

Its globalization process' initial phase is thus congruent with the conventional expansion paradigm. The second stage of the process has seen Netflix create the capacity to quickly expand to a variety of markets based on the expertise and knowledge gathered during the first.

A quicker and more extensive worldwide expansion is what the second stage implies. Using the lessons it has learned from the first phase, Netflix expands its business to over 50 different countries in order to function in a bigger market. These markets are chosen for similarities, affluent customers, and broadband Internet. Netflix can work with local stakeholders and learn internationalization in the second step. This stage requires expansion into more distant markets, thus it is supported by big data and analysis expenditures in technology as well as content investments that cater to these regional inclinations.

Netflix sped up its third move into 190 countries by using what it learnt in the first two. Netflix has mastered content-based marketing. Netflix is actively concentrating on adding additional languages (including subtitles), refining its library algorithm, and launching new languages.

Six months after entering Poland and Turkey in 2016, Netflix added local language interfaces, subtitles, and
dubbing. The company created a service for early adopters before adding features to entice more customers.

Figure 3. Netflix’s market all over the world[10]

4.2 Continuous Customer User Experience Optimization

Netflix has been upgrading mobile login, authentication, user interface, and cellular network streaming. Netflix has acknowledged that in emerging and developing nations, mobile devices are the dominant Internet access option. The company has formed collaborations with equipment manufacturers, mobile and TV operators, and ISPs. It has partnered with cable companies and mobile carriers to offer its shows as video-on-demand. Vodafone's Irish TV service has a Netflix option on the remote. Netflix announced deals with KDDI in Japan and Telefonica in Spain and Latin America.

4.3 Cultural Diversification and Content Creation

Even while the firm thinks that “fascinating storytelling can transcend national boundaries,” according to Ted Sarandos, chief content officer of Netflix, the company has adapted to its customers' taste for local content by currently generating original material in 17 different markets. Netflix holds the important view that such content production is both localized and global. In other words, it serves to draw a wider audience in addition to local ones. Thus, Netflix may benefit from global local content.

Netflix has demonstrated that success in the local market depends on respect for the culture of a certain nation. This kind of expertise should cover a wide range of topics, including politics, systems, supervision, technology, culture, clients, and rivals. Netflix may recognize and address their disparities in a sensitive manner by having a thorough understanding of the local culture. Its reputation and stakeholder relations have improved.
5 Summary

In conclusion, Netflix’s growth plan is a novel approach. The growth plan has the characteristics that the expansion cycle has been meticulously planned, and it is reaching more and more clients and countries at an increasing rate. The plan’s focus on expansion in phases ensures a continuous new market entry while keeping the financial burden manageable. It’s also worth noting that Netflix has been the leader in content creation and personalized recommendation in the industry for a long time. Such a combined growth strategy enabled the business to grow far more quickly than its rivals. Looking ahead, Netflix will experience increased levels of rivalry from newcomers, regional or local businesses, as well as from other global firms like Amazon Prime. It has to keep integrating more of its local and international content in this regard.

Exponential globalization was not possible until recently, due to market and technological constraints including low Internet adoption and Netflix has proved that this method is viable thanks to mobile phones, tablets, and smart TVs. It must be sensitive, responsive, knowledgeable, and local. Businesses operating in these areas will need a global approach like Netflix as the idea of winners capturing all markets gains popularity.

This is by no means to say Netflix has no challenges ahead. As a matter of fact, Netflix recently launched its first-ever ad-support pricing tier, which aims to regain the momentum in subscriber growth after it saw a decline in subscribers in 2022. The more difficult macroeconomic situation, decades-high inflation and the Fed’s drastic move to raise interest rate and ever-increasing competition from other players in the industry put a lot of uncertainties on Netflix’s road ahead.

References


