

Analysis of User Behaviour and Business Strategy Optimization of Netflix Video Platform in the Post-Covid-19 Era

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Abstract. With the global outbreak of Covid-19, people's lives are influenced greatly. Due to home quarantine, many industry forms and consumer behavior have changed drastically. One of the world's most extensive streaming platforms, Netflix has seen its commercial business obtain big dividends in the beginning to mid-term of the Covid-19 epidemic. But as the epidemic gradually eased, Netflix's epidemic dividends were almost gone. Netflix desperately needs to optimise its current commercial strategy to cope with the rapidly changing world by analysing consumer behavior changes. This research focused on the consumer behavior and business model of Netflix. The authors analyzed the contemporary user behaviors on streaming media platforms and utilized 4Ps to analyze the business strategies and business models of Netflix based on its strengths and drawbacks. According to the analysis, the authors provide some suggestions or point out some new opportunities for Netflix to optimize its business strategies.

Keywords: Streaming media platform, the entertainment industry, Netflix, consumer behavior, Business model analysis

1. Introduction

1.1 Research Background

Since the global outbreak of the Covid-19 epidemic in 2020, all aspects of people's lives have been affected. The epidemic has kept them stuck at home and spending much of their time on the Internet. The spurt of Internet users has affected many entertainment industries. Netflix, a representative of streaming media, has also been greatly affected, and its consumer behaviours have changed a lot with the epidemic. Netflix has also seized this opportunity to provide targeted services. The service offers the customers an integrated and rich source of movies, documentaries, television shows, and series that can be watched on all devices that can access the Internet. Netflix boasts a massive reach with over 214 million paid memberships across 190 countries, most of which have subscribed to the online entertainment service during and after the coronavirus pandemic [1].

Understanding consumer behaviour is one of the significant ways of developing a good marketing strategy—a company's plan for selling its product. Because of the nature of the market, business companies should constantly monitor consumer behaviour to develop an equally dynamic business strategy to increase customer satisfaction. Understanding user behaviour includes tracking the customer's conditions, factors, and reasons for behaviour to enable organisations to select and secure the products, services, and experiences, tailored to meet the consumer's needs.

For instance, Netflix's recent success is more about its flexibility and capacity to offer a wide variety of entertainment content to cater to multiple users' needs. The company has made considerable progress in attempting to appeal to more people and cultures. A practical example of Netflix's consumer-oriented business approach is its emphasis on giving unlimited and uninterrupted content to its users. It allows them to choose when and how to log in to the platform, contrasting with the typically scheduled television shows that dictate how much and when users would access their preferred film. Meanwhile, Netflix has the typical characteristics of streaming media. It conducted

many strategies based on the platform economy model and built the cost structure according to the zero marginal cost models [2-3]. The strategy has contributed to the steady increase of Netflix subscribers in the recent past.

Therefore, this research focused on consumer behaviour changes on Netflix during Covid-19. The authors combined the analysis of Netflix's marketing mix and the consumer behaviours of Netflix to obtain some discoveries for optimization of marketing and business strategy. Therefore, this work examines Netflix's various business optimization strategies based on user behaviours, particularly after the global pandemic.

1.2 Literature Review

1.2.1 Significance of an Effective Business Strategy

Netflix's recent success in the streaming business has attracted several scholars that seek to decipher the company's unique business model and aggressive market expansion strategies that have enabled it to become the biggest online streaming platform. Lobato and Lotz (2020) proved that Netflix had caused an overhaul of some countries' entertainment landscape as the streaming service dominated their culture. A shift in the source of information and entertainment translates into changes in the existing political, social, economic, cultural, and economic structures [4]. Another review by Aguiar and Waldfogel (2017) emphasized Netflix's significant influence on its cultural setting, spearheading the globalization of media. Similarly, Osur (2016) showed that the considerable size of Netflix had led to a shift in the television industry when it advanced the idea of Internet Television. Perhaps, a unique feature that makes the streaming platform different from the others is its algorithmic recommendation system [5]. Its ability to recommend content based on consumer preferences has significant business value to the company.

The marketing mix collaborates various marketing choices and variables employed by a business entity or organization to popularize their product and goods to the consumer [6]. Therefore, it is the optimal application of different marketing factors such as packaging, advertising, service, or product quality, that the business organization can regulate according to the needs of their target consumer. A carefully analysed and compelling marketing mix ensures that companies attain their sales objectives, thus increasing their market share. Kent (1986) described the marketing mix concept as the holy grail in marketing but has since been examined by several scholars to explore its significance further.

1.2.2 The 4Ps

The 4Ps are the marketing mix of a company --- the product, price, place, and promotion, forming the foundational components in marketing. Strategically addressing these four aspects results in a marketing mix that is often unique to each case depending on the market demands. Significant scholarly publications reveal a strong connection between the 4Ps and consumer behaviour [7]. The four marketing components directly influence consumer satisfaction and loyalty to a brand or product [8]. Therefore, customer feedback and response determine the ideal marketing mix for a particular product in a specific market environment. Business enterprises opt to restructure and meld the 4Ps to suit their consumer demands.

A study by Gilaninia et al. (2013) emphasized that the four marketing aspects are related to consumer behaviour as they directly meet their target needs and demands [9]. For instance, promotion enables companies to popularize their product quality and range, influencing consumer purchases. Another research showed that the 4Ps correlated with consumers' perception of quality, satisfaction, and loyalty to the brand or product [10]. It also emphasizes how high-quality service or products, famous brands, and efficient service delivery increases customer loyalty and satisfaction.

However, these studies focus on Netflix's influence on its consumers and their respective cultural setups and how the company's business approach affects its users. Few studies analyse how the giant online streaming company tailors its marketing approach to achieve significant growth, hence a gap in the research on how Netflix optimizes its business strategy based on user demands.

1.3 Research framework

This work draws from the strengths and weaknesses of these studies to assess the company's marketing mix and business model that have led to its exponential increase in market share, particularly after the outbreak of Covid-19. The report analyses the contemporary user behaviour towards online entertainment streaming and, consequently, assesses Netflix's optimal business strategies to maximize the users' experiences.

2. Methods

This chapter explains the various methods applicable in gathering the necessary data and preparing them for relevant analysis. This study draws from different analytical data from previous researchers focusing on similar topics. According to Ingelby (2012), there are two approaches when collecting and analyzing data; quantitative and qualitative. Therefore, this study employs the two approaches to collect and analyze the necessary data. Firstly, the research uses the quantitative method to collect numerical or statistical data that will be useful in comparative analysis of the number of Netflix subscribers or company income before and after the Covid-19 pandemic. On the other hand, the study uses the qualitative approach to collect the users' views about their consumer experience and suggestions about Netflix's impact on their social, cultural, or political lives, especially during the pandemic. These two methods are vital to the research and complement each other since some data and information, such as individual assessments, can not be quantified into numerical values.

The study analyses secondary data obtained from statistical reports from various researchers and Netflix's database to highlight its market trends before and after Covid-19. Similarly, this work draws consumer opinions from online reviews and opinion segments on the company's website and social media. The data obtained from various sources were processed and analysed for discussion. The outcome of the comparative analysis revealed whether Netflix's variation of business strategies resonated with a positive gain in the competitive streaming market.

3. Results

A closer review of literature and statistics shows a steady increase in Netflix's business operations. The company started as a DVD mail delivery service in 1997 without the substantial technological advancements of today's world that allow for efficient communication. Netflix, therefore, launched its popular online streaming service in 2007, a decision that proved to be the company's turning point. A comparative analysis of the company's statistics before and after 2019 is essential to understand the effect of the covid-19 pandemic on the company's business strategy, market position, and consumer behaviour and characteristics. The data also enables this study to identify the various strategy optimizations that the company employs to mitigate the adverse economic effects of the coronavirus.

3.1 Netflix Users

Netflix pioneered today's lucrative video-on-demand streaming model and has seen its revenue grow from 1.36 billion dollars to approximately 25 billion dollars in under twelve years. This growth is due to a substantial increase in paying subscribers, from below 22 million in 2011 to 214 million subscribers in 2021 [12]. According to Figure 1, there has been a relatively steady increase in the signups into the online streaming platform since 2001—including a notable drastic increase of 100.97 million new subscribers between 2018 and 2020 [10]. The majority of these subscribers joined the forum between 2019 and 2020 after a slight drop from 2018 in Figure 2.

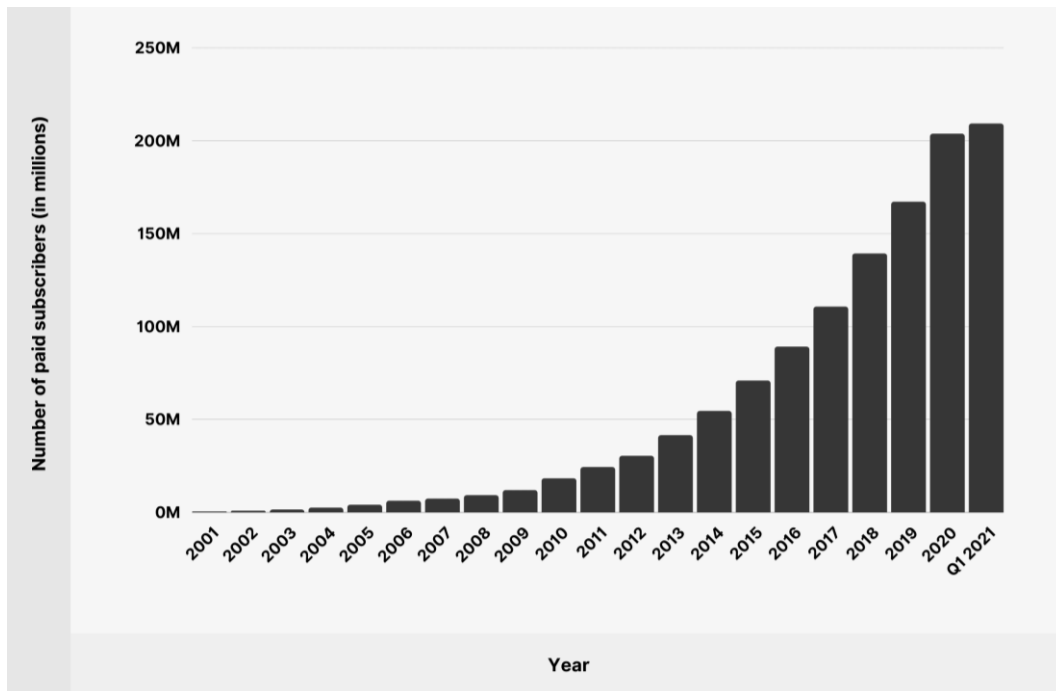


Figure 1. Number of paid Netflix subscribers [12]

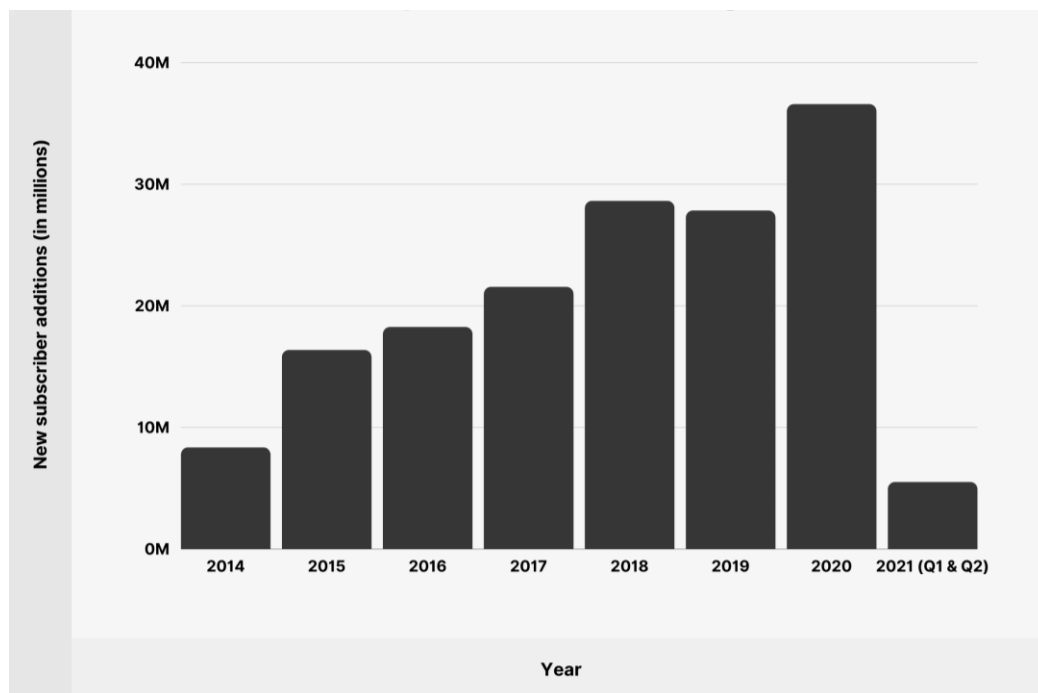


Figure 2. Netflix's paid subscriber growth [12]

According to statistics, the United States and Canada are the company's most lucrative markets, with a population of 73.95 million accounting for about 35.3% of subscribers. The company recorded a significant surge in membership of 14.12 million from this region between 2019 and 2020 but has slowed down significantly, as shown in Table 1. Similarly, European, the Middle East, and Asia account for 32.84 %, with 68.6 million paying subscribers [12]. Although the region accounts for a relatively smaller percentage, the company's record of 28.89 million new subscribers makes it the fastest developing area between 2018 and 2020. Additionally, there was a considerable increase in the number of new subscribers—about 24 million members—between 2018 and 2019 relative to other years, as shown in Table 2. These statistics emphasize Netflix's rapid growth in popularity across the Middle Eastern, African and European nations.

Table 1. Netflix paid member growth in the US and Canada since 2018 [13]

Year	Paid Subscribers
2018	64.76 million
2019	67.66 million
2020	73.93 million
2021 (First and second quarter)	73.95 million

Table 2. Netflix paid member growth in Europe, the Middle East, and Africa since 2018 [12]

Year	Paid Subscribers
2018	37.82 million
2019	51.78 million
2020	66.7 million
2021 (First and second quarter)	68.7 million

Netflix's growth extends globally as the company has 38.65 million paid subscribers from Latin America, accounting for 18.48 % of worldwide users. Between 2018 and 2020, Netflix attained a record high additional 11.46 million subscribers, a 24.56 % more than its lucrative Canada and US members within the same period, as illustrated in Table 3. Finally, the Asian market makes up 13.32 % of Netflix subscribers, translating to 27.87 million paying online streaming members. As with other regions, Netflix membership increased significantly between 2019 and 2020, as shown in Table 4. Since 2019, the company has recorded up to 14.93 million subscribers making up 53.57 % of all paying Netflix subscribers.

Table 3. Netflix's paying audience in Latin America since 2018 [12]

Year	Paid Subscribers
2018	26.08 million
2019	31.42 million
2020	37.54 million
2021 (First and second quarter)	38.66 million

Table 4. Netflix subscriber growth in the Asia-Pacific region since 2018 [12]

Year	Paid Subscribers
2018	10.61 million
2019	16.23 million
2020	25.49 million
2021 (First and second quarter)	27.87 million

Another significant indicator of the growth of Netflix is the steady increase in average monthly revenue per paying member, which currently stands at 10.86 dollars, increasing by 26.13 % from 2016. However, these subscription charges differ from one region to another. For instance, a Netflix subscriber in the USA and Canada paid 14.40 dollars per month to access the service, a value that is 93.28 % higher than in Latin America [1].

3.2 Video Content

In 2020 alone, Netflix increased the overall spending on original video production to 17.3 billion dollars, an 18.41 % bump from its 2019 budget. The company is further estimated to spend 17 billion dollars in 2021 [12]. Since the video-on-demand streaming platform launch, Netflix has persistently increased its total spending on video content at a growth rate of 28.93 per annum, as shown in Figure 3.

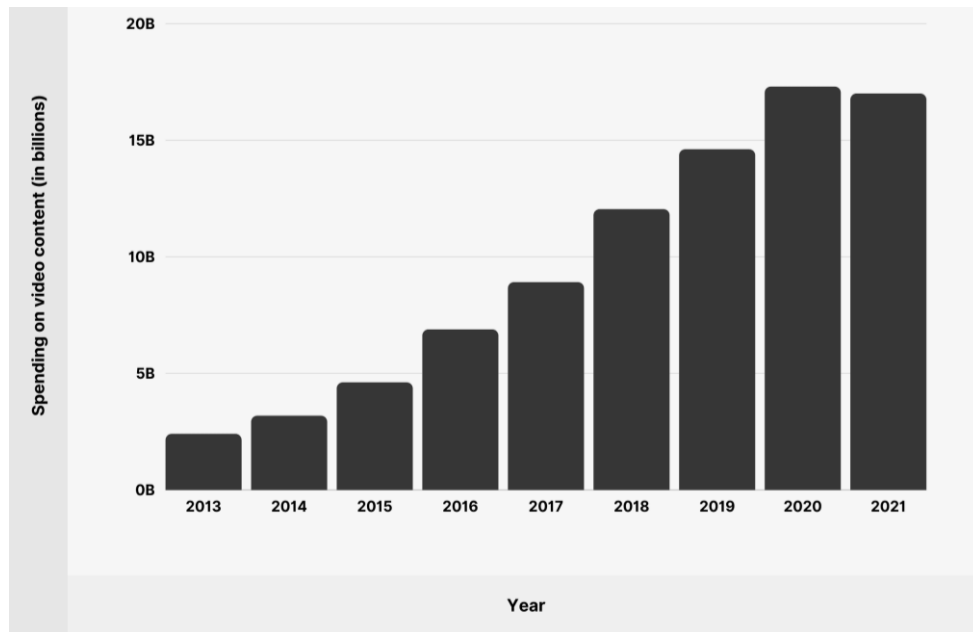


Figure 3. Netflix’s spending on video content [12]

3.3 Annual Revenue

Perhaps the most significant objective and measure of success in any business entity is its revenue. Netflix registered the highest ever annual revenue of 24.996 billion in 2020, increasing by 24 % in 2019. By the second quarter of 2021, the company had reported revenue of over 14.5 billion in Figure 4. Since the turn of the millennium, Netflix has accumulated a compound annual revenue growth rate of 35.68 %, emphasizing the achievements of the streaming company and its persistent increasing popularity.

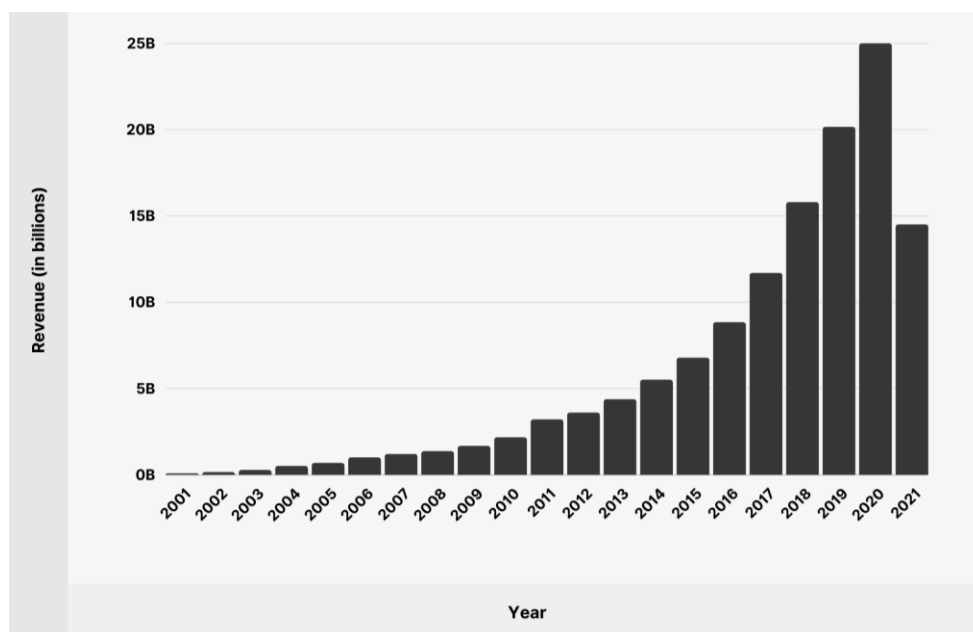


Figure 4. Netflix’s annual revenue per year [12]

3.4 Investment in Original Content and User Screen Time

In 2019, Netflix increased its participation and investment in the film industry and spearheaded the production of several original movies and television shows. The company’s efforts between 2018 and 2019 saw it produce double the original content published from 2012 to 2017 [12]. By 2020,

Netflix had developed over 2000 original shows and movies, emphasizing the company’s direction into the future.

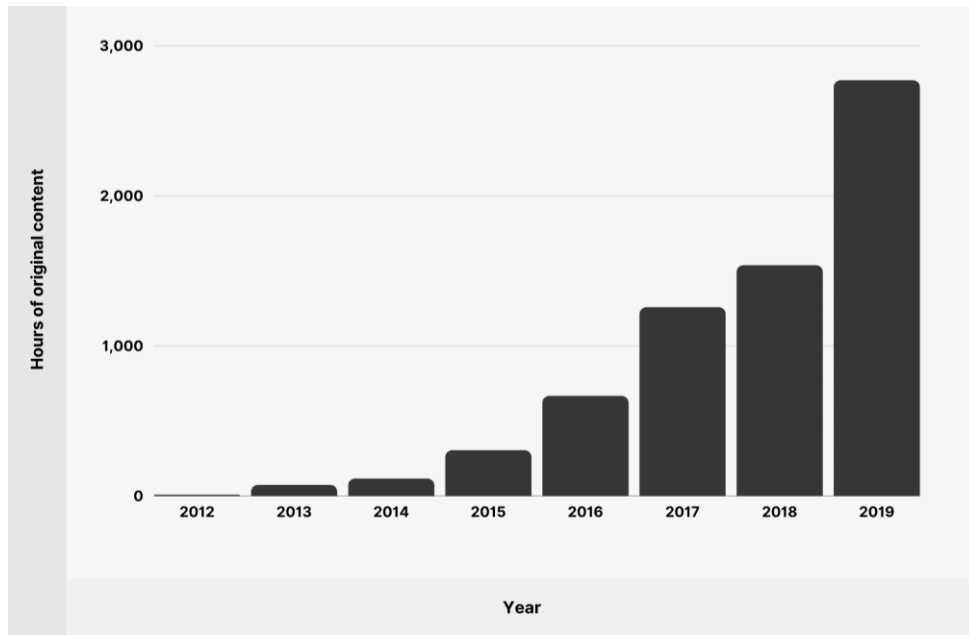


Figure 5. Original content on Netflix [12]

Online statistics provided by eMarketer approximate that an average American adult uses at least 30 minutes watching shows on Netflix, translating to 25.7% of the daily digital video or screen time among US adults. Moreover, statistics show that the average screen time spent on Netflix by an average US adult has grown by 57.89% since 2017.

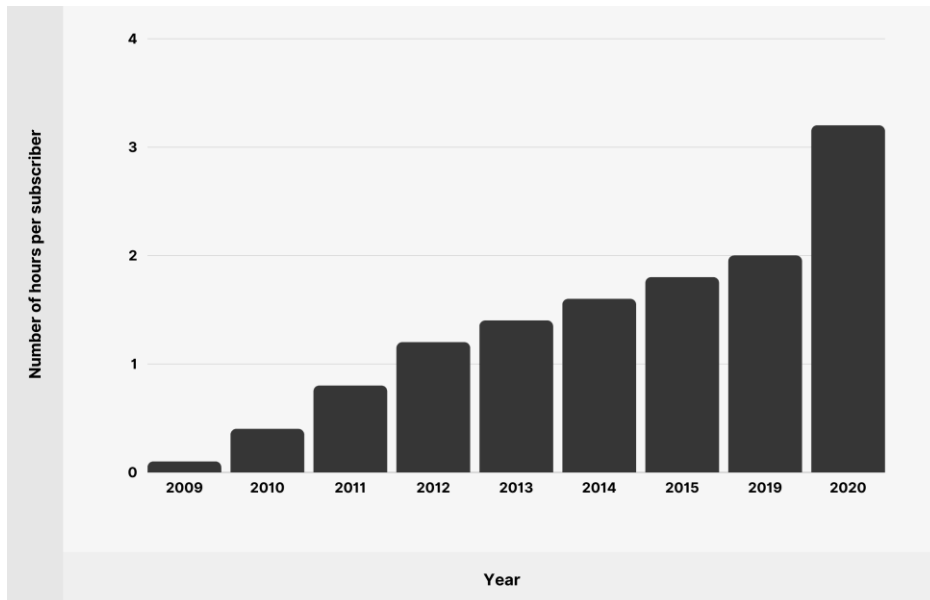


Figure 6. Time spent watching Netflix

3.5 Customer Reviews

According to a review of Netflix and its products on Amazon, most users, 82 percent of 393,927 participants, rate the streaming service as a five-star out of five, while 9 percent give it a four-star rating [13]. The respondents offer their views alongside their ratings with personal suggestions for improvement. A spot check on various reviews presents a notable trend. Most critical studies were published soon after the platform launched its streaming services, while the positive reviews are

relatively recent. For instance, the top critical thinking is dated 2 May 2014 by the user Javier Chuck who laments the site's inaccessibility due to technical issues. In contrast, the top-ranked positive review by Dayron Miguel is dated 28 April 2022 and describes the service as "excellent." However, several modern critical reviews or users complain of issues ranging from inadequate or boring content and increased subscription costs. Of 61,434 global reviews, 48,812 are positive compared to 21,622 critical observations [13].

4. Discussion: Strategic Business Strategy based on User Behavior

Since its inception, Netflix has been at the forefront of innovative ideas and effective marketing strategies that have guided its rise to the most comprehensive video-on-demand online streaming site. It began as a DVD-rental service founded by Reed Hastings and Marc Randolph in 1977 and featured a website where users would order their preferred DVDs, and the company would deliver them via post [1]. Improvements in technology opened a new chapter for the film industry and undeniable business success for online streaming pioneers like Netflix. However, its recent success and popularity are due to innovative and bold business strategies, keeping the company ahead of its competitors, particularly during the Covid-19 pandemic.

The Covid-19 pandemic negatively influenced the global economy significantly since governments restricted several aspects of the economy, including the suspension of film production. In contrast, from the results, Netflix was one of the companies that benefitted from the government lockdowns. Experts conflict on the durability of Netflix's newfound popularity and business success. Some argue that it is a temporary bubble fueled by the pandemic. At the same time, some remain optimistic that the company will reap from the sudden surge as users will opt to keep their subscriptions after restrictions are lifted.

Netflix has always considered cultural, racial, or ethnic differences among its global audiences. After launching its online video-on-demand streaming, Netflix was cautious about introducing its service beyond borders. It started with Canada due to its close cultural proximity to the US [13]. Therefore, from the results, the two countries take up the most significant percentage of paying users since the service was introduced early in Canada and the US. The numerous feedback and consumer reviews from this novel market required Netflix to modify its service to match the relatively foreign culture and the confidence to expand its operations worldwide. Netflix learned the significance of tailoring a region's content depending on the social, cultural, economic, and political environment rather than developing a uniform product for all audiences.

Additionally, the company is experiencing an increase in membership from non-English speaking countries because of its adaptive business strategy that embraces the various market variations. Netflix responded to low subscription rates in non-English countries by customizing its product range to accommodate multiple languages, religious and political orientations, and cultural backgrounds. Preliminary data showed a slow subscription rate due to the language barrier. Therefore, the company modified its online interface to support multiple language options and began adding subtitles to movies and shows in local languages, thus translating to an increased number of subscribers from non-English speaking countries, particularly in Asia.

Aside from tailoring its services to suit diverse cultures, Netflix uses user-generated data to customize the content and improve the technical features of its website. The company conducts a market analysis on the video quality reaching its audience. As a global service provider, the company considers the variations in internet speeds depending on the region by developing a playback option that eliminates buffering.

Compared to other online streaming services, Netflix is more advantageous in addressing consumer needs. The company's optimization strategy of releasing all episodes in a season at once gives the streaming platform a competitive edge over other service providers [13]. When the government-imposed lockdowns required film studios to suspend their operations, Netflix had a complete portfolio comprising several significant projects, unaffected by the government directives.

Moreover, from the results, the company increased its investment in original content between 2019 and 2020, allowing the streaming platform to release new content regularly amid the market challenges that had crippled its competitors.

Additionally, the closure opened new opportunities for the video-on-demand streaming platforms as numerous producers opted to avail their content on Netflix. For instance, the production company, Paramount suspended its theatre release of *The Lovebirds* and signed a contract with Netflix licensing it to show the film on its streaming platform [13]. The enormous size of Netflix's audience gives it a competitive edge over its competitors, hence receiving popular contract offers. Therefore, the giant strides made during the lockdown significantly improved Netflix's market position.

5. Conclusion

Netflix's success in streaming media reflects its good service of providing its users with quality and comprehensive content. As the pioneer of streaming services, Netflix has successfully structured its business model based on user behavior, especially during and after the Covid-19 pandemic. Numerous studies focus on how business models shape consumer behavior, leaving a gap in understanding how business enterprises can optimize their marketing strategies based on consumer behavior. This research indicates the advantageous position that Netflix found itself in despite the economic challenges due to a global pandemic. The company's innovative business strategies resulted in increased consumer satisfaction, evident from various consumer reviews and the sudden surge in new subscriptions.

This research is vital in promoting and developing the online streaming and film business. The consumer-oriented business strategies adopted by Netflix emphasize the importance of structuring business and marketing decisions based on consumer demand. Moreover, the research proves the significance of transitioning the film industry from theatres into the online space because of its flexibility and global reach. However, the study is limited as it draws its findings from secondary data. Future research should employ surveys and interviews, especially when researching consumer opinions and feedback.

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