

**Lights, Camera, Subscription: The Rise of Netflix and Its Disruptive Business Model**

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## Summary

Netflix is a classic case study in how innovative business models and effective adoption of data can transform an entire industry and result in major paradigm shifts in society. So disruptive has its impact been on the entertainment industry and how it has revolutionized the way we consume media that its very brand name has become a household term. This term paper explores the case study of Netflix's business model and its runaway success in the streaming era. It delves into the rise of Netflix from its humble beginnings as a DVD-by-mail service to its present day status as a global powerhouse in the streaming industry. This includes an examination of the key components of Netflix's business model, including its unique value proposition, customer segments, customer relationships, channels, revenue streams, key partnerships, and more. Through this analysis, this paper highlights the innovative strategies employed by Netflix to disrupt the traditional entertainment landscape and win over millions of subscribers worldwide. It also looks at how the company leverages data and intelligent algorithms for personalization, and to provide a seamless user experience that attracts and retains customers. The paper also investigates the competitive landscape in which Netflix operates, how their competition has evolved and how the company has constantly developed innovative strategies to differentiate itself from rivals. By studying Netflix's journey, this paper offers valuable insights into the business models in the digital age and the strategies that can drive disruptive innovation. As the media landscape continues to evolve, and as entertainment consumption habits change, understanding Netflix's journey and the impact it has had over the years is essential for entrepreneurs, industry professionals, and anyone interested in the development of digital business models.

## **Introduction**

Netflix, a leading brand name in the entertainment industry today, has reshaped the way we consume media, effectively conceiving and subsequently mainstreaming the streaming revolution. With its innovative business model and early adoption of data-driven practices, Netflix has disrupted traditional television and experienced exponential growth on its path to becoming a global powerhouse. This introduction is an exploration of Netflix's company profile and remarkable growth trajectory.

## **Company Profile**

Founded in 1997 by Reed Hastings and Marc Randolph, Netflix started as a DVD-by-mail rental service, offering customers the convenience of renting movies without the hassle of late fees. The anecdotal story behind the initial idea is that the two founders had to pay for a late fee when they rented a DVD from Blockbuster, which at the time was the largest film rental service.

When they launched Netflix in April 1998 as one of the world's first online DVD rental companies, they had a small collection of under 1,000 titles. Their proposition was that they could send physical copies of films, shows, video games, and other media through mail, in a pay-for-use model. It would soon change to a subscription model, where customers would pay a flat monthly fee for unlimited access to movies.

However, the company soon began to envision a future that extended beyond physical discs. It rightly recognized the disruptive potential of digital streaming in the early 2000s and made the key strategic decision in 2007 to launch its online streaming platform. This important

move was the start of a new era for the company and would eventually be the key for its meteoric rise.

With the increase in the selection of content on the platform and the rapid advancements in user experience, Netflix quickly captivated audiences. Leveraging advancements in technology and data-driven insights, the company implemented a personalized recommendation system that became the cornerstone of its business model. This emphasis on understanding customer preferences and delivering tailored content propelled Netflix to the forefront of the streaming industry.

## **Growth**

As Netflix expanded its market share in the United States, venturing into new markets became the next big goal and the key driver behind its growth strategy. By investing in localization efforts, content acquisition, and partnerships with local providers, Netflix successfully entered new territories and amassed a global subscriber base (Brennan, 2018). Today, Netflix operates in over 190 countries<sup>1</sup>, serving more than 230 million subscribers worldwide<sup>2</sup>.

In addition to the adoption of the subscription model and the embrace of data-driven recommendation systems, the commitment to original content has also been a significant factor in Netflix's growth. Recognizing the value and power of storytelling and audiences' desire for

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<sup>1</sup> Liang, A. (2023, February 24). Netflix cuts prices for subscribers in more than 30 countries. BBC. Retrieved May 30, 2023, from <https://www.bbc.com/news/business-64753499>

<sup>2</sup> Stoll, J. (2023, April 20). Netflix: number of subscribers worldwide 2023. Statista. Retrieved May 30, 2023, from <https://www.statista.com/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide>

novel, engaging narratives, the company ventured into original content in 2013, starting with the episodic drama series *House of Cards*<sup>3</sup>. This strategic move was instrumental in differentiating Netflix from its competitors and also allowed the company to capture and nurture a loyal fan base. Netflix would continue this push, reaching more than 2,400 original titles by the end of 2021, with shows such as "Stranger Things," "The Crown," and "Bird Box," even garnered critical acclaim along with massive viewership.

Netflix's financial performance also followed a similar trajectory as its subscriber base. The company's revenue has seen a near-exponential growth since the early 2000s, reaching approximately 31.6 billion U.S. dollars<sup>4</sup>. This was driven by a combination of subscription fees, licensing agreements, and international expansion. Moreover, Netflix's market capitalization has reached great heights, solidifying its position as one of the most valuable and influential media companies in the world.

### **Netflix's Business Model Canvas**

Netflix's Business Model Canvas has evolved significantly since its early stages of growth, reflecting the company's innovative approach and ability to adapt to changing market dynamics (Voigt et al., 2016). In the early years for instance, Netflix's business model primarily focused on its DVD rental service by email, with a strong focus on customer convenience and getting rid of late fees. However, as technology advanced and streaming became commonplace, Netflix expanded its value proposition to include unlimited on-demand streaming of content,

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<sup>3</sup> Hosch, W. L., & Hibler, J. (n.d.). Netflix | Founders, History, Shows, & Facts. Britannica. Retrieved May 30, 2023, from <https://www.britannica.com/topic/Netflix-Inc>

<sup>4</sup> Stoll, J. (2023, February 14). Netflix: annual revenue 2022. Statista. Retrieved May 30, 2023, from <https://www.statista.com/statistics/272545/annual-revenue-of-netflix/>

including TV shows and movies, anytime and anywhere. This shift helped Netflix race to the forefront of the streaming industry, attracting a larger customer base. The customer base too has changed over time, with the initial target being movie enthusiasts and avid DVD renters, and subsequently expanding to include a broader demographic, including millennials and Gen Z, who wanted the convenience and flexibility of streaming services. Similarly, their revenue streams were initially composed of DVD rental subscriptions but this changed to subscription fees as the company transitioned into streaming, and later through other monetization strategies, including that of partnerships, licensing deals, merchandising, and original content.

As such, the business model canvas of Netflix has also changed over time. At the time of writing in May 2023, Netflix's business model can be summarized into the following key components:

### **Value Proposition**

Netflix's value proposition centers around convenience for customers above most things, whereby they can access entertainment of their choice – from a wide range of TV shows, movies, documentaries and others on demand, 24/7, anywhere and using any device. It provides a range of benefits that differentiate it from traditional media consumption methods. Here are the key elements of Netflix's value proposition:

**Convenience:** Netflix's on-demand streaming platform allows customers to enjoy their favorite movies, TV shows, and documentaries at any time, 24/7, and on any device. Subscribers

can access content from the comfort of their homes or while on the go, offering unparalleled convenience and flexibility.

**Free 30-Day Trial and Cancel Anytime:** Netflix offers a risk-free 30-day trial to new subscribers, allowing them to experience the platform's features and content without any upfront commitment. Additionally, customers have the freedom to cancel their subscriptions at any time, providing them with flexibility and control over their viewing choices.

**Wide Range of Selection:** Netflix boasts an extensive library of movies, TV shows, and documentaries, offering customers a wide range of selection across various genres. From popular and classic titles to exclusive content, subscribers can discover and enjoy a diverse collection of entertainment options.

**Affordability:** Netflix's subscription plans are priced at a cost that is often comparable to a single movie ticket. This affordability factor makes Netflix an attractive option for customers looking for a cost-effective entertainment solution that offers a vast catalog of content.

**Personalized and Localized Recommendations:** Through data analytics and algorithms, Netflix provides personalized recommendations to each subscriber based on their viewing history and preferences. This customization ensures that customers are presented with content that aligns with their interests, enhancing the overall viewing experience. Additionally, Netflix tailors its content library to cater to specific regional preferences, offering localized recommendations and content options.

**Ad-Free Viewing Experience:** As of 2022, Netflix offers an ad-free viewing experience, allowing customers to enjoy uninterrupted content without any commercial interruptions. This ad-free model provides a more immersive and enjoyable viewing experience for subscribers. This may change however, as there are discussions abound within the company, which involve consideration of introducing ads to their service<sup>5</sup>.

**Original Content:** Netflix is renowned for its original content, which often includes exclusive series, films, and documentaries not available on other platforms. This original content allows Netflix to offer unique and compelling entertainment options, attracting subscribers who are interested in fresh and innovative storytelling.

**Binge-Watching Possibility:** Netflix's release model for original series, known as "binge-watching," enables customers to watch entire seasons at their own pace, rather than waiting for weekly episodes. This binge-watching feature gives subscribers the freedom to immerse themselves in a series and enjoy a continuous and immersive viewing experience. For example, when Netflix released the TV show "Stranger Things", it was reported that more than 361,000 viewers had binge-watched all of the episodes in a single day<sup>6</sup>.

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<sup>5</sup> McCluskey, M. (2022, June 23). Netflix Is Adding Ads. What That Means for You. TIME. Retrieved May 30, 2023, from <https://time.com/6175837/netflix-ads-coming/>

<sup>6</sup> Abrams, A. (2017, November 2). 361000 People Binge-Watched All of 'Stranger Things' in a Day. TIME. Retrieved May 30, 2023, from <https://time.com/5008471/stranger-things-2-neilsen-ratings-binge/>



## Customer Segments

Netflix caters to a diverse range of customer segments, ensuring that there is something for everyone. Here are the key customer segments that Netflix targets:

**Everyone:** Netflix aims to appeal to a wide range of customers, offering a vast library of TV shows, movies, and documentaries across various genres. By providing a comprehensive collection of content, Netflix aims to attract customers with diverse tastes and preferences, ensuring there is something for everyone.

**Movie Enthusiasts and Binge-Watchers:** Netflix appeals to movie enthusiasts and binge-watchers who have a strong passion for films and TV shows. These customers appreciate the extensive selection of content available on the platform, allowing them to explore different genres, discover hidden gems, and indulge in binge-watching sessions. Netflix's vast content library and continuous stream of new releases make it an attractive platform for these avid viewers.

**Families, Individuals, and Kids:** Netflix recognizes the importance of catering to families, individuals, and children. The platform offers a wide range of family-friendly content suitable for all age groups, including animated series, educational programs, and films suitable for family viewing. By providing a safe and entertaining environment for families, Netflix becomes a go-to source of entertainment for households worldwide.

**Genre Fans:** Netflix caters to customers with specific genre preferences, such as classics, horror, thriller, action, and comedy. The platform's diverse collection of content allows genre enthusiasts to find and enjoy their favorite types of entertainment. By curating and expanding its library across different genres, Netflix captures the interest of specific customer segments and delivers content tailored to their tastes.

**Personalization through Data Analytics:** Netflix leverages data analytics and algorithms to personalize the customer experience. By analyzing user behavior, viewing patterns, and preferences, Netflix recommends tailored content to individual subscribers. This personalization enhances customer satisfaction by providing relevant recommendations that align with their interests. The ability to deliver personalized content strengthens Netflix's relationship with its customers and encourages long-term engagement.

### **Customer Relationships**

Netflix prioritizes customer relationships by focusing on simplicity, personalization, and engagement. Here are the key aspects of its customer relationship strategy:

**Simple, Self-Service Experience:** Netflix offers a simple and self-service model, allowing customers to sign up, manage their subscriptions, and access content through its website or dedicated mobile applications. The user-friendly interface enables subscribers to browse and discover content effortlessly, providing a seamless and hassle-free experience. By empowering customers to have control over their viewing choices, Netflix fosters a sense of convenience and independence.

**Personalized Customer Experiences:** Netflix utilizes sophisticated algorithms and data analytics to personalize the customer experience. Through the analysis of user behavior, viewing preferences, and feedback, Netflix suggests tailored recommendations to individual subscribers. This personalization enhances the customer experience by delivering content that aligns with their interests and increasing user satisfaction. By continuously refining its recommendation engine, Netflix aims to provide relevant and engaging content that keeps subscribers engaged.

**Social Media Engagement:** Netflix maintains an active presence on social media platforms as a means to connect with its customers and gather feedback. The company engages with their audience on platforms like Facebook, Twitter, and Instagram, through content updates, behind-the-scenes footage, and interactive posts (Yuan, 2023). Social media allows Netflix to interact directly with its customers, respond to inquiries, and gain insights into their preferences and opinions. By fostering this two-way communication, Netflix builds a stronger relationship with its customers and demonstrates its commitment to their satisfaction.

**Customer Support:** Netflix places emphasis on providing reliable and responsive customer support. The company offers various support channels, including email and live chat, to address customer queries and concerns promptly. Additionally, Netflix maintains an extensive help center with FAQs and troubleshooting guides, empowering customers to find solutions to common issues independently. Through this efficient customer support, Netflix ensures that subscribers have a positive experience and can resolve any issues they encounter.

## Channels

While Netflix's DVD rental service primarily relied on direct-to-consumer channels, the introduction of streaming brought about a shift in channel strategy. Here are the key channels through which Netflix operates:

**Online Streaming and Video-on-Demand Services:** Netflix's core channel is its online streaming platform, where subscribers can access a vast library of TV shows, movies, and documentaries. Users can stream content directly from Netflix's website or through dedicated apps on various devices, including smartphones, tablets, smart TVs, and gaming consoles. This online streaming channel allows Netflix to deliver its content seamlessly and provide a convenient and personalized viewing experience.

**Mobile Apps, Smart TVs, and Gaming Consoles:** Netflix has developed user-friendly mobile applications for iOS and Android devices, enabling subscribers to stream content on the go. Additionally, Netflix partners with smart TV manufacturers to integrate its app into their devices, making it easily accessible for users to stream directly on their televisions. The company also collaborates with gaming console manufacturers, such as PlayStation, Xbox, and Nintendo Wii, to provide a seamless streaming experience for gamers.

**Partnership with Cable Providers:** In certain markets, Netflix has formed partnerships with cable providers to expand its market share. These partnerships allow cable subscribers to access Netflix's streaming service through their cable set-top boxes or bundled packages. By

leveraging these partnerships, Netflix increases its reach and gains exposure to a broader audience, including traditional cable TV viewers.

### **Revenue Streams**

Initially, Netflix generated revenue primarily from DVD rental subscriptions. However, as the company transitioned into streaming, subscription fees became the dominant revenue stream.

**Subscription Fees:** Netflix primarily generates revenue through subscription fees paid by its users. The company offers different subscription plans, including Basic, Standard, and Premium, with varying features and pricing. Subscribers gain access to a vast library of TV shows, movies, and documentaries, as well as exclusive original content. The subscription model provides a recurring revenue stream for Netflix, as subscribers are billed on a monthly basis.

**Original Content:** Netflix invests heavily in producing high-quality original content, which serves as a significant revenue stream. The company's original series, films, and documentaries attract a broad audience and contribute to subscriber growth. Additionally, Netflix strategically distributes some of its original content in theaters, providing an additional revenue stream through box office ticket sales. This dual distribution model allows Netflix to capture revenue from both streaming subscriptions and theatrical releases.

**Licensing and Distribution Deals:** Netflix also generates revenue through licensing and distribution deals with content creators, studios, and distributors. By acquiring rights to third-party content, Netflix expands its library and offers a wide range of entertainment options

to its subscribers. These licensing agreements often involve payments made by Netflix to secure the distribution rights, providing a revenue stream for content owners.

**Partnerships and Branding Opportunities:** Netflix engages in strategic partnerships and branding opportunities to generate additional revenue. The company collaborates with brands for product placements and sponsorships within its original content, creating brand integrations that generate revenue through advertising and promotional activities. These partnerships allow Netflix to monetize its platform and leverage its large subscriber base for advertising purposes.

**DVD Rentals (Legacy Revenue Stream):** Although a diminishing revenue stream, Netflix initially gained popularity as a DVD rental service. While the focus has shifted to streaming, the company still offers DVD rentals to a limited extent. This legacy revenue stream provides a small but ongoing source of revenue for Netflix.

### **Key Partners**

As Netflix expanded globally and ventured into original content production, its key partnerships diversified.

**Content Creators, Studios, and Distributors:** Netflix forms partnerships with content creators, production studios, and distributors to acquire licenses for a wide range of TV shows, movies, and documentaries. These partnerships allow Netflix to expand its content library and offer a diverse selection of entertainment options to its subscribers. Collaborating with renowned

content providers helps Netflix secure popular and exclusive titles, attracting a larger audience and enhancing its competitive advantage.

**Smart TV and Mobile Device Manufacturers:** Netflix partners with smart TV and mobile device manufacturers to pre-install its app on their devices. This strategic partnership ensures that Netflix is easily accessible to users, providing a seamless streaming experience. By embedding the Netflix app on various devices, the company expands its reach and user base, making it convenient for subscribers to access their favorite content on their preferred devices.

**Consumer Electronic Producers:** Netflix collaborates with consumer electronic producers such as Wii, Xbox, and PlayStation to bundle its streaming service with their gaming consoles. This partnership allows users to access Netflix directly through their gaming devices, enhancing convenience and broadening the platform's accessibility. By integrating Netflix with popular gaming consoles, the company taps into a vast user base and creates new opportunities for content consumption.

**Amazon Web Services (AWS):** Netflix relies on Amazon Web Services as its primary cloud infrastructure provider<sup>7</sup>. The entire Netflix platform is hosted on AWS, benefiting from its scalable and reliable cloud services. This partnership with AWS enables Netflix to seamlessly handle the massive data requirements of streaming, ensuring a smooth viewing experience for its subscribers. The scalability and flexibility of AWS infrastructure align well with Netflix's need for a robust and scalable streaming platform.

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<sup>7</sup> AWS Innovator: Netflix | Fallstudien, Videos und Kundengeschichten. (n.d.). Amazon AWS. Retrieved May 30, 2023, from <https://aws.amazon.com/de/solutions/case-studies/innovators/netflix/>

**Internet Service Providers (ISPs):** Netflix works closely with internet service providers to ensure a seamless and high-quality streaming experience for its users. By partnering with ISPs, Netflix can optimize network connections, reduce buffering, and enhance streaming performance. Collaborations with ISPs also involve agreements to reduce data usage for Netflix streaming, making it more affordable and accessible for users with limited data plans.

**Payment Gateway Providers:** To ensure a smooth and secure payment process, Netflix partners with payment gateway providers. These partnerships enable subscribers to easily sign up for Netflix and manage their subscription payments. By working with reliable payment gateway providers, Netflix streamlines the payment process, enhancing user experience and facilitating seamless transactions.

### **Key Activities**

Netflix's key activities transformed significantly with the introduction of streaming and original content production.

**Maintaining and Developing Technology:** Netflix invests heavily in technology to enhance the user experience and ensure seamless streaming across devices. The company continuously improves its streaming technology, encoding algorithms, and adaptive bitrate streaming to deliver high-quality video content with minimal buffering. It also focuses on developing user-friendly interfaces and intuitive features that make it easy for subscribers to discover and enjoy content.



**Data Analytics for Content Recommendations:** Netflix leverages data analytics and machine learning algorithms to analyze user behavior, viewing patterns, and feedback. This enables the platform to provide personalized content recommendations to its subscribers, enhancing engagement and satisfaction. The company constantly refines its recommendation system to ensure accurate and relevant suggestions, ultimately leading to increased user retention.

**Growth and Retention of Customer Base:** Netflix places a strong emphasis on growing and retaining its customer base. The company implements various strategies to attract new subscribers, including targeted marketing campaigns, free trial offers, and partnerships with telecom operators and device manufacturers. Additionally, Netflix focuses on customer retention through initiatives like personalized recommendations, content variety, and an intuitive user interface that keeps users engaged and satisfied.

**Marketing and Branding:** Netflix invests in marketing and branding activities to establish itself as a household name and maintain a competitive edge in the market. The company employs various marketing strategies, including digital advertising, social media campaigns, and collaborations with influencers and celebrities. By building a strong brand presence and increasing brand awareness, Netflix aims to attract new subscribers and reinforce its position as a leader in the streaming industry.

**Content Licensing and Acquisition:** Securing a diverse and appealing content library is crucial for Netflix's success. The company engages in negotiations with studios, content

producers, and production houses to acquire the rights to popular TV shows, movies, and documentaries. These content licensing agreements allow Netflix to offer a wide range of content options to its subscribers, catering to different tastes and preferences.

**Original Content Production:** Netflix has made a significant investment in producing original content, including TV series, films, and documentaries. The company collaborates with renowned directors, producers, and actors to create compelling and exclusive content that sets it apart from competitors. By producing original content, Netflix not only diversifies its library but also strengthens its brand identity and fosters customer loyalty.

**Pricing Strategy and New Revenue Streams:** Netflix employs a strategic pricing model that offers different subscription plans based on factors like video quality and the number of simultaneous streams. The company continuously assesses its pricing strategy to ensure it remains competitive and aligned with market demands. Moreover, Netflix explores new revenue streams through initiatives like merchandising, partnerships, and innovative content distribution models.

**Working with Regulators:** As Netflix expands globally, it engages with regulators regarding censorship laws, content ratings, and local regulations. The company collaborates with regulatory authorities to ensure compliance with regional requirements while striving to maintain its commitment to artistic freedom and content diversity<sup>8</sup>.

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<sup>8</sup> Netflix and Disney+ among streamers facing tighter regulation in UK. (2022, April 28). BBC. Retrieved May 30, 2023, from <https://www.bbc.com/news/entertainment-arts-61249056>

## Key Resources

Netflix relies on a few different types of resources to ensure the success of their business model. Firstly, the company's website and cross-platform app serve as vital digital assets, providing users with a seamless and intuitive streaming experience across various devices. These platforms serve as the primary touchpoints for customer interaction, content discovery, and subscription management.

Secondly, Netflix relies on a massive cloud-based infrastructure to support its streaming services. With millions of users streaming content simultaneously, a robust and scalable infrastructure is crucial for delivering high-quality video content without interruptions. By leveraging cloud computing technologies, Netflix can dynamically scale its resources based on demand, ensuring a smooth streaming experience for its global user base.

Furthermore, algorithms and data for personalization are key resources for Netflix. The company heavily invests in data analysis and machine learning algorithms to understand user preferences, recommend personalized content, and improve the overall user experience (Chong, 2020)<sup>9</sup>.

Netflix's talent pool, including data scientists and software developers, serves as a valuable resource in driving innovation and maintaining technological advancements. These professionals play a crucial role in developing and refining the recommendation algorithms, improving streaming technologies, and enhancing the overall performance of the platform.

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<sup>9</sup> (How Netflix's Recommendations System Works, n.d.)

Additionally, Netflix's work culture and focus on employee welfare contribute to its success as a key resource (Taylor, 2018). The company emphasizes a culture of innovation, fostering creativity, and attracting top talent. By nurturing a positive work environment and offering competitive compensation packages, Netflix can attract and retain skilled professionals who contribute to the continuous improvement of its products and services.

Lastly, Netflix's substantial financial resources enable it to invest in original content production and acquisition. The company allocates a significant portion of its budget to develop high-quality original series and movies, securing partnerships with renowned directors, producers, and actors.

### **Cost Structure**

Netflix's Cost Structure is influenced by several key factors that are essential to its operations and growth. Firstly, the company incurs significant costs related to its tech infrastructure and cloud-based storage. Maintaining a robust and scalable infrastructure requires substantial investments in servers, data centers, networking equipment, and cloud services. These costs are crucial for delivering high-quality streaming experiences and ensuring smooth playback across devices and regions.

Secondly, Netflix allocates substantial resources to marketing, customer service, and talent acquisition. As a leading streaming platform, marketing plays a vital role in attracting and retaining subscribers. The company invests in advertising campaigns, partnerships, and promotional activities to increase brand awareness and drive customer acquisition. Additionally,

maintaining a dedicated customer service team to address user inquiries, technical issues, and provide personalized support adds to the overall cost structure. Furthermore, Netflix's focus on hiring top talent, including data scientists, software developers, and creative professionals, involves recruitment expenses and competitive compensation packages.

Another significant component of Netflix's cost structure is content acquisition and production. The company invests heavily in licensing popular TV shows, movies, and documentaries from production studios and content creators. This includes securing rights to existing content libraries as well as commissioning exclusive deals for original content. The costs associated with content acquisition can be substantial, especially for highly sought-after titles and popular franchises. Moreover, Netflix's commitment to producing its own original content involves significant production costs, including script development, casting, filming, post-production, and marketing campaigns to promote new releases.

General administrative costs are also a part of Netflix's overall cost structure. These include overhead expenses such as office rent, utilities, insurance, legal fees, and administrative staff salaries. As Netflix has expanded globally, administrative costs related to managing operations across multiple regions and complying with regulatory requirements have also increased.

**Netflix Business Model Canvas - Suraj Karakulath****Discussion**

The emergence of Netflix has brought about significant disruption and transformation in the media and entertainment industry. The company's shift to a subscription-based model has fundamentally changed the way people consume content. By offering unlimited streaming for a monthly fee, Netflix disrupted the traditional pay-per-view or cable TV model, providing consumers with greater control over their viewing choices and eliminating the need for expensive cable subscriptions. This shift empowered viewers to access a vast library of content at any time, on any device, without the limitations of scheduled programming.

One of the key factors that contributed to Netflix's competitive edge was its innovative recommendation algorithm. Leveraging advanced data analytics and machine learning, Netflix personalized the content discovery process for each user. The algorithm analyzed individual viewing patterns, preferences, and ratings to suggest tailored recommendations, increasing user engagement and satisfaction. This personalized approach differentiated Netflix from traditional broadcasters and cable networks, who offered a more generalized viewing experience. By providing highly relevant content suggestions, Netflix kept viewers hooked and fostered a loyal customer base.

The impact of Netflix's disruption was evident not only in the market landscape but also in societal behavior and norms. The success of Netflix popularized binge-watching as a mainstream consumption behavior. The ability to stream entire seasons of TV shows in one sitting challenged the traditional episodic viewing format and changed audience expectations. The "Netflix and Chill" phenomenon became a cultural phenomenon, symbolizing relaxed, at-home entertainment and further cementing Netflix's influence in popular culture.

Moreover, the disruption caused by Netflix prompted a wave of new entrants into the streaming market. Traditional studios and broadcasters recognized the shift in consumer behavior and launched their own streaming platforms to remain competitive. This intensified competition led to a fragmented streaming landscape, with numerous players vying for subscribers and content licensing deals. The entrance of tech giants and media conglomerates further intensified

the competition, with companies like Amazon Prime Video, Disney+, and HBO Max emerging as major players in the streaming space<sup>10</sup>.

In addition to transforming the market, Netflix's disruption challenged the traditional studio system. The company's investment in original content production disrupted the dominance of established studios, offering a platform for independent creators and diverse storytelling. This empowered creators to take risks and explore unconventional narratives, challenging the formulaic approach of traditional studios. The success of Netflix's original content, including award-winning series and critically acclaimed films, demonstrated the viability of non-traditional distribution models and further disrupted the industry's status quo.

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<sup>10</sup> Abbott, A. (n.d.). Top 15 Netflix Competitors & Alternatives. Business Strategy Hub. Retrieved May 30, 2023, from <https://bstrategyhub.com/top-netflix-competitors-alternatives/>



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