

Netflix's Digital Transformation Strategy: A Systematic Review of Challenges

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ABSTRACT

Digital transformation requires organizations to quickly adapt and keep up with technological changes and developments to remain competitive. Implementing transformation helps improve performance, efficiency, revenue, and organizational culture. However, the process is complex, difficult, and high-risk. Failure in digital transformation can be highly detrimental due to the significant investments required in terms of material and human resources. Not only do some organizations fail, but many are also able to overcome these challenges and succeed in transforming in the desired direction. One large and successful company in digital transformation is Netflix. This large streaming-based company is interesting to analyze for its achieved success. The aim of this research is to explore and analyze how digital transformation can help organizations remain competitive in an era of ever-evolving technology. This study employs the Systematic Literature Review (SLR) method. Information was gathered from journals and articles spanning the last 4-5 years. This search used tools such as Google Scholar, Semantic Scholar, and an application called Publish & Perish8, with keywords like "Digital Transformation," "Strategy digital," and "Netflix" in Indonesian, and "digital transformation," "digital strategy," and "Netflix" in English.

I. INTRODUCTION

The rapid development of technology has brought significant changes in strategies and operations across various sectors worldwide. The rapidly evolving concept of "digital transformation" has profoundly impacted the survival and expansion of modern companies. This necessitates adjustments or changes in business models because of accelerating innovation and technical breakthroughs, leading to shifts in societal and customer behavior. Digital technologies, such as cloud-based technology and the internet, play a crucial role in this change, often referred to as the process of "digitalization." This shift results from a blend of digital and human factors, frequently transforming current products and services into digital versions that offer advantages over their physical counterparts [1]. Netflix faced several challenges, including opposition to change inside the company, heightened competition in the digital entertainment space, the requirement to make significant investments in technical development, and the ongoing need to protect user data. Furthermore, making certain that the change is well-received by clients and keeps adding value.

OTT (Over-the-Top) platforms have become the most popular means of providing entertainment to users. Users can access movies, TV shows and other video content directly on their devices, such as computers, tablets, smartphones and smart televisions. This service streams content over the internet via conventional cable or satellite television providers. Convenience in accessing various content on demand anytime and anywhere with an internet connection, has greatly contributed to the popularity of OTT services. Among all OTT platforms, Netflix stands out as the most popular [2]. Netflix's success stems from its use of data analytics technology to examine consumer patterns and preferences. This allows the platform to use advanced algorithms to suggest content to users based on their preferences. Netflix gathers multiple data points to construct detailed profiles of its subscribers, far surpassing the personas created through conventional marketing. Additionally, Netflix is constantly improving its streaming infrastructure to guarantee a smooth and excellent viewing experience for all of its users. Netflix switched from HTTP to HTTPS encryption to protect the privacy of the people who use it.

As one of the pioneering businesses in the digital entertainment field, Netflix has revolutionized how people consume audiovisual material worldwide. As a result of creative digital transformation and its new strategies, Netflix has amassed millions of global users and transformed the entertainment sector, cementing its iconic status in the streaming era. Originally founded as a simple DVD rental company in 1997, Netflix has grown into a worldwide renowned streaming platform that offers a wide selection of popular and unique content to watch on demand. Netflix's success as a leader in the digital entertainment industry is reflected not only in its growing subscriber base but also in its worldwide influence and impact on how we watch and enjoy entertainment content. By continually innovating, adapting to market changes, and addressing customer needs, Netflix remains a prime example of successful digital transformation.

This research will explore the specific steps taken by Netflix, the key technologies adopted, and the organizational culture changes that resulted from this transformation. Digital transformation requires organizations to quickly adapt to technological changes to remain competitive, often involving complex, difficult, and high-risk processes. Netflix, as one of the major companies that successfully underwent digital transformation, offers an interesting case study. In addition, this research aims to supply other academics with valuable insights upon digital transformation by comprehending Netflix's effective techniques. This study confirms the importance of studying Netflix's digital progress. Understanding Netflix's success strategy can help this study provide valuable insights for other researchers who wish to or are currently conducting digital transformation research. Given that many conventional organizations are still having difficulty with their digital transition, this is especially pertinent. The inclusion of data from this study can enhance the research's introduction by offering specific instances of Netflix's journey toward digital transformation—from renting DVDs to becoming a cutting-edge, international streaming platform.

II. METHODOLOGY

A. Methodology Used in this Journal

In this study, the systematic literature review (SLR) research methodology was employed. SLR is a method for collecting, evaluating, and synthesizing all relevant evidence from research based on information gathered from related journals or articles. The steps taken by our group include formulating research questions and then gathering information from journals and articles. To collect these journals, we used tools such as Google Scholar, Semantic Scholar, and an application called Publish & Perish 8, using keywords like "digital transformation," "digital strategy," and "Netflix" in English. The reason we chose tools like Publish or Perish 8 is has connections or access to files through journal search engines such as Scopus and CrossRef by entering the keywords. Additionally, Publish or Perish 8 can find journal files in the bulk quantity (in this case, we search according to keywords for 1,000 journal files and it show at one tables), we also used the Semantic Scholar website because it uses artificial intelligence to search for related keywords. Additionally, Semantic Scholar can identify other journals that cite and reference the relevant journals, making it easier for us to find other journals that are within the context or keywords we have set.

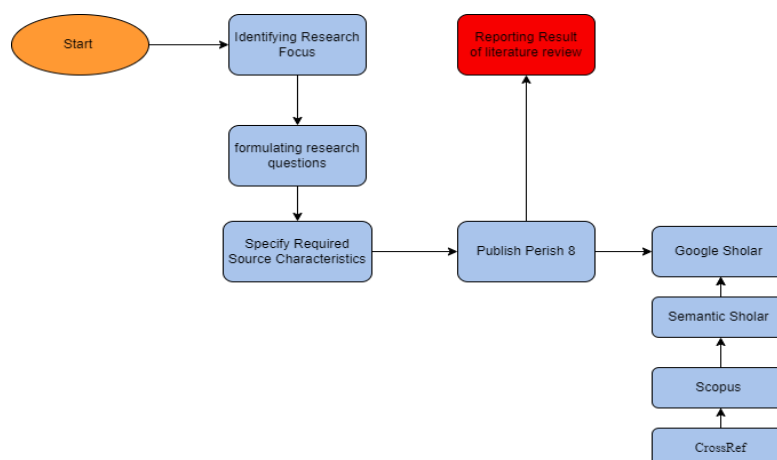


Figure 1. Literature Review Flowchart

The journals and articles we selected span the past 4-5 years. We specifically chose this time range to ensure the

relevance and applicability of the findings. Given the rapid pace of technological advancements and the constantly evolving nature of digital transformation, especially the company that run at entertainment company such as Netflix. research and data older than 5 years may not accurately reflect current trends and strategies. By focusing on the most recent literature, we aim to provide insights that are timely and aligned with the latest developments in the field This approach ensures that the information obtained is recent and relevant, aligning with current trends affecting the company we are studying, Netflix. The keywords we used were carefully selected to align with our research objectives. "Digital transformation," "digital strategy," "business model," and "competitive strategy" are essential concepts in understanding how Netflix navigates and thrives in the rapidly changing digital landscape. By including both Indonesian and English keywords, we ensured a comprehensive search that covers a wide range of relevant literature, capturing different perspectives and contexts. These keywords were chosen to ensure that all critical aspects of Netflix's strategies and operations are included in our literature review.

In analyzing the collected data, we will employ thematic analysis to synthesize information from various sources. Thematic analysis involves identifying patterns or themes within the data and interpreting these themes to gain insights into the research questions. The process will include coding and categorizing data based on recurring themes related to Netflix's digital transformation strategies, business models, and competitive strategies. The results of the analysis will be interpreted within the context of our research objectives, aiming to provide a nuanced understanding of how these factors influence Netflix's strategic decisions and performance in the digital era.

B. Previous Research

After conducting SLR (Systematic Literature Review), we have referenced several journals below for discussion purposes:

TABEL I.
LITERATURE REVIEW

| Journal Title | Writer | Conclusions |
|---|---|---|
| Class, pay TV access and Netflix in Latin America: Transformation within a digital divide [3] | D Straubhaar, Castro, Duarte, Spence | Netflix has the opportunity to leverage their cultural model to enjoy foreign cultures, economic capital to acquire innovative technology, and linguistic capital to aid in understanding and enjoying foreign cultures on television, mitigating the impact of cultural decline. |
| Analysis of Netflix's Strategic Issues, Challenges and Opportunities [4] | Yew Wah international education school of Yantai, Yantai, China | This paper provides a comprehensive analysis of the strategic landscape of Netflix, reviewing various issues faced by the company. Critical decisions must be made by Netflix presently due to high content production costs, difficulties in global expansion, and ongoing regulatory changes. These problems are not isolated incidents; rather, they are a part of an intricately linked ecosystem that calls for a versatile and adaptable strategy. |
| The new media business concept led by Netflix: A study of the model and its projection into the Spanish market, <i>Profesional de la Informacion</i> [5] | Jessica Izquierdo-Castillo | This research provides a comprehensive overview of Netflix's business model for dominating the online media market, focusing on user satisfaction, strategic partnerships, and global growth. These findings can serve as a foundation for discussions about similar models in other media markets, such as in Spain. |
| Strategy and business model evolution at Adobe: Competing in digital media software industry, <i>Journal of Information Technology Teaching Cases</i> [6] | Bansal, C Balodi, Datta | A comprehensive insight into how Adobe adapts to changing market needs by transforming its business model, and how this impacts the performance and future growth of the company. It also aids readers in understanding the dynamics of the DMS industry and evaluating Adobe's business strategy using ideas from business strategy and technological innovation. |
| The Strategy of Netflix Dominate the Entertainment Media Market in The World After the Death of Blockbuster [7] | Widia Febria, Melati Rosanensi, Lela Rahmawati | The strategies and efforts of Netflix have enabled it to become the number one SVOD platform of choice in the Indonesian market. Netflix has an advantage over other streaming services, especially when it comes to original programming. Netflix can keep expanding its services internationally in the Indonesian market by consistently refining its techniques. |
| The audience Struggle between television, Cinema, and OTT platform the case of Netflix and Disney + [8] | M. Sami OKUMUŞ | Disney+ has surpassed Netflix by reaching 221.1 million users in a short time, due to its strategic breakthroughs and promotions. It is expected to lead the OTT platform market in terms of content, production, revenue, and users next year. Other organizations starting to broadcast nationally and internationally will be influenced by Disney+ and Netflix. While Netflix seeks more subscribers, Disney+ is focused on increasing its market share. Disney's rapid growth suggests its revenue will exceed projections for the coming months and next year. Additionally, other global brands like HBO Max, which will soon start broadcasting in Turkey, are also entering the OTT sector. Despite having significant long-term productions, OTT platforms must continue investing heavily and increasing their user base and revenues by regularly updating their platforms with popular content. |

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| Netflix Relations Strategy with customer on social media [9] | Evy Nurmiaati , Fahmi Hudaya , Fahira Zuhra , Muhammad Ridho Kamaluddin , Musthafa Kamil | In conclusion, Netflix is one of the companies that has successfully utilized social media as part of its strategy to build strong, close relationships with its users. Netflix also maximizes the use of its user data, such as likes and dislikes, which helps Netflix understand the behavior of each user. |
| Research on the Brand Marketing Strategy of Netflix in the New Media Environment [10] | Huazhen Xiao | Netflix has emerged as a leader in the digital media space, transforming the way that information is distributed and enjoyed. This essay explores Netflix's brand marketing approach, which is successful because of the company's identity and positioning. With quick access, a large selection of content, and opportunities for binge-watching, Netflix dominates the streaming market and draws in a global audience by providing convenience, diversity, distinctiveness, and innovation. Netflix uses social networks to interact with a wide audience, as demonstrated by their social media marketing strategy. Through tailored suggestions, interactive marketing, and a unified visual identity, Netflix fosters a sense of community and excitement among its user base. |
| Mastering digital transformation: The nexus between leadership, agility, and digital strategy [11] | Bader K. AlNuaimi , Sanjay Kumar Singh, Shuang Ren, Pawan Budhwar , Dmitriy Vorobyev | Drawing from new institutional theory, we have designed and tested a model examining the impact of digital transformational leadership and organizational agility on digital transformation, with digital strategy serving as a moderating factor. Our research indicates that both digital transformational leadership and organizational agility positively influence digital transformation. Additionally, digital transformational leadership plays a moderating role in the relationship between organizational agility and digital transformation. These insights provide a deeper understanding of how digital transformational leadership and organizational agility contribute to digital transformation, and highlight the significance of digital strategy. Our findings address key questions regarding the ways in which leadership styles and the fostering of organizational agility within the public sector can drive digital transformation. |
| The Mutual Domestication of Users and Algorithmic Recommendations on Netflix [12] | Ignacio Siles , Johan Espinoza-Rojas, Adrián Naranjo & María Fernanda Tristán | This article explores the mutual domestication between Netflix users and its recommendation algorithms. Through 25 user interviews and an inductive analysis of their platform practices and profiles, we identify five dynamics of this interaction: personalization, which involves building individual user-platform relationships; the integration of algorithmic recommendations into cultural codes; embedding these recommendations into the spatial and temporal rituals of daily life; resistance to certain aspects of Netflix as an expression of user agency; and the transformation of personal platform consumption into public discourse. The conclusion discusses the theoretical and analytical implications of this perspective, offering a new understanding of the relationship between algorithms and culture. |
| A Case Study of Netflix's Marketing Strategy [13] | Chenyang Yuan | This research discovered that Netflix's social media promotional strategy effectively boosts audience engagement, exemplified by its successful entry into the Spanish market via Twitter. By disrupting the business model and implementing a recommendation system, Netflix enhances user experience. Additionally, the creation of original content, like the innovative interactive model used in Black Mirror, attracts new customers. However, the study also identified several challenges, including limitations in Netflix's international expansion, reliance on subscription revenue, and the high costs associated with producing original content. |
| Analysis of Netflix's Strategy and Innovation in a Global Context Based on BCG Matrix [14] | Xinyu Liu | This research found that big data and precise identification of "problem markets" have been crucial to Netflix's previous success. The study indicates that for Netflix to stabilize its global position, it must enhance quality content and feature innovation to achieve and sustain high customer loyalty, while also growing its global customer base. The research highlights that economic instability caused by the pandemic led to Netflix's first subscriber loss following a subscription price increase. The study suggests that Netflix can retain existing customers and attract new subscribers worldwide by employing pricing strategies, localization, and exploring new areas such as gaming. |
| An Exploratory Study on Netflix Inc. Current Strategy by Case Study Methods [15] | Ziyi Lu | Netflix provides a unique service that enables its members to watch movies and TV shows on internet-connected devices, including smart TVs and game consoles. The study maintains the confidentiality of participants' gender identities through a case study approach. It finds that Netflix is likely to release the same shows across different regions, ensuring availability in the UK, and potentially doing the same in the United States to boost viewership. |
| Netflix, Amazon Prime, and YouTube: Comparative Study of Streaming Infrastructure and Strategy [16] | Suman Pandey , Yang-Sae Moon, and Mi-Jung Choi | Netflix, Amazon Prime, and YouTube are among the most popular and rapidly growing streaming services worldwide. This study finds that their streaming behaviors are similar as they all utilize Dynamic Adaptive Streaming over HTTP (DASH) over TCP. However, they differ in the amount of data downloaded during buffering and steady-state conditions, leading to variations in progressive download ratios, buffering rates, and bitrates. Their On-Off cycle characteristics also differ, affecting the Quality of Service (QoS). The paper presents a detailed Adaptive Bitrate (ABR) analysis, testing the streaming behavior of these services across different access network bandwidths, ranging from 75 kbps to 30 Mbps. |

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| | | Survey results indicate that Netflix consistently delivers high QoS, followed by Amazon Prime and YouTube. This approach can be used to compare streaming service strategies and refine their ABR mechanisms and flow control. |
| Analysis of User Behaviour and Business Strategy Optimization of Netflix Video Platform in the Post-Covid-19 Era [17] | Qianxue Li1, *, †, Zili Yi2, † | The global Covid-19 pandemic has significantly impacted societal life, leading to drastic changes in many industries and consumer behaviors due to home quarantines. Netflix, one of the world's largest streaming platforms, benefited greatly during the early to mid-stages of the pandemic. However, as the pandemic subsides, these benefits are diminishing. To address the rapidly changing environment, Netflix must optimize its commercial strategy by analyzing shifts in consumer behavior. This research examines Netflix's consumer behavior and business model, analyzing contemporary user behavior on streaming platforms and applying the 4Ps framework to assess Netflix's strengths and weaknesses. Based on this analysis, the authors suggest new opportunities and strategies for Netflix to improve its business approach. |
| A Case Study of How Netflix Adapts Its Development Strategy to the Media System in Canada [18] | Zhengqing Yan | This research asserts that Netflix has implemented two major changes to its content development strategy to comply with Canadian government requirements. Firstly, Netflix has ramped up the production of local content in Canada, including original French-language content. Secondly, Netflix is working to increase its globalization efforts and overcome geographical barriers, aiming to offer customers equal access to content worldwide. |
| Pricing Strategy within the U.S. Streaming Services Market: A Focus on Netflix's price Plans [19] | Heaji J Kweon 1, and Sang Hee Kweon 2* | Since 2019, Netflix has seen a decline in U.S. subscribers and faces a critical point to reassess its market strategy. A Deloitte survey on Digital Media Trends revealed that 65% of respondents would watch ads to reduce or eliminate subscription costs, and 70% of Hulu users choose ad-supported, lower-priced plans. NBC's new streaming service, Peacock, offers a free ad-supported option, contrasting with Netflix's ad-free, premium brand identity. With increasing competition and the risk of losing subscribers, Netflix needs to diversify its pricing strategies. The company could introduce lower-priced plans specifically for mobile devices, which are being tested or planned in other regions. Additionally, Netflix should consider offering special features or benefits to retain loyal customers and strengthen its consumer base. |
| Netflix Evolution and Strategy for Future Development [20] | Jiyue Zhang | In 2023, Netflix held a significant 44.21% share of the U.S. streaming market, highlighting its flexibility and popularity amid fierce competition from Amazon Prime Video, Hulu, Disney+, HBO Max, and others. Despite inconsistent financial performance in 2023, Netflix's strategy includes investing in high-value projects, producing content with local and global appeal, and expanding internationally. By prioritizing original content, technological innovation, and international growth within its subscription-based model, Netflix competes against established giants, emerging players, and indirect competitors like social media. Despite challenges such as economic management, content saturation, and strategic transparency, Netflix's focus on unique content and global expansion appears well-suited to maintaining its market position. |
| Netflix's Strategies, Innovations, and Challenges in Shaping the Future of Television Media [21] | Qi Xi1,a,* | The article highlights that to sustain a competitive edge and long-term dominance in the evolving television media landscape, continuous innovation and a personalized approach are crucial. It advises that Netflix should keep adapting to the demands of different markets, effectively balancing its global appeal with local preferences, to secure its future success. |
| How "original" are Netflix Original films? Mapping and understanding the recycling of content in the age of streaming cinema [22] | Eduard Cuelenaere | Between 2015 and 2022, Netflix released 440 original films, emphasizing its commitment to niche content. However, 33% of its films are remakes, showing a consistent conservative content strategy. The majority of these remakes are re-adaptations (68%), allowing Netflix to quickly expand its catalog with existing intellectual property. Additionally, Netflix focuses on serialization, with sequels (16%), spin-offs (6%), and prequels (2%) making up a significant portion of its content. Remakes account for only 8%, likely due to the relatively young age of Netflix's content library. |
| Leader in the Digital Entertainment Market: Netflix's Continued Success in a Fiercely Competitive Environment [23] | Hengxu Fan | The analysis reveals that high-quality original content is central to Netflix's success, bolstered by big data and algorithm analysis, making it highly popular among consumers. Netflix's globalization strategy has also been key, helping it maintain a competitive edge in the global streaming market. The article highlights key insights and challenges Netflix faces from competitors and shifting user behaviors. Despite growing competition, Netflix remains a leading streaming platform by continually adapting its unique strategy to meet user and market demands. |

III. RESULT & DISCUSSION

In the results and discussion, we divided it into several sections: a general explanation of entrepreneurial transformation, digital strategy, and Netflix's transformation and digital strategy. Then, we will explain Netflix's transformation focus and its challenges. Finally, we will provide our group's recommendations based on discussions from the existing literature.

A. *Digital Transformation history of Netflix*

The History of Netflix can be traced back from 1997, when Reed Hastings and Marc Randolph, who had background in software engineers, founded Netflix as a traditional DVD rental business. Hastings recognized that their competitors imposed significant late fees, which presented an opportunity for differentiation by developing a more user-friendly business strategy. At 1998, Netflix invented first of its innovation which is a DVD rental by mail for their customer approach delivery. Consumers could order their favourite movies online and have them delivered to their residences. Only 2% of people owned DVD players at the time, and VHS was the dominant format in the market. Although it was a hazardous tactic, it made it abundantly evident how inventive their approach was from the first. Netflix switched to a subscription model a year later, enabling customers to rent DVDs for a set monthly cost. [24].

The DVD rental company continued using the subscription model until 2007. The founders realized that the business was no longer growing and that it was time to create a new plan to meet customer demands due to digital transformation affecting all businesses. Consequently, they began offering a streaming service for licensed movies and some television shows. This new service quickly became well-known and popular, making the expansion of the content library essential. In 2008, Netflix signed a contract with Starz Entertainment based on this idea. In 2010, Lionsgate Entertainment, MGM, and Paramount Pictures announced a billion-dollar contract. The Netflix app for iOS was released in the same year. In 2013, Netflix started producing its own shows based on customer data analysis. Beginning on February 1, "House of Cards," one of many original television series, premiered. By 2016, this TV network was available in 190 countries worldwide [25].

B. *Netflix After Digital Transformation*

Netflix has undergone several significant stages of evolution since its inception to become the global streaming giant it is today. It has also played a role as a startup revolutionizing a sector through a technological approach. By initially facilitating the rental of physical DVDs through the mail and eventually transitioning to streaming services by recognizing the potential of the internet, Netflix experienced a pivotal shift in 2007. This shift led to a surge in people enjoying movies and series through downloading, copying, and saving, prompting many users to create their own networks to consume this content. Two main characteristics of the allure and functionality of streaming services like Netflix, namely "binge-watching" and the presence of a diverse and extensive catalog, are at the core of how participants in peer-to-peer (P2P) networks engage in the acquisition, exchange, and consumption of media content [26]. The steps taken by Netflix to revolutionize the way customers access movies and TV series from physical DVDs to online streaming [27].

In the initial stages of development, Netflix executives believed that the key to retaining subscriber interest in the service was satisfaction with their entertainment needs. Relying on subscriber retention, Netflix continued to encourage computer engineers, mathematicians, and algorithm scientists to participate in programming competitions such as the Netflix Prize. Netflix did this to build the industry's leading video recommendation system, which also required years of refinement to ensure that content was better matched to viewers' interests [28].

C. *Customer Centrality Netflix*

Netflix currently employs the SVOD (Subscription Video on Demand) business strategy, relying on subscription fees to generate sales profits, making it vulnerable to market volatility and increasing competition. To mitigate this risk, they may need to consider changing their revenue stream model to enhance diversification. Some of the transformations Netflix has undertaken to attract more customers include:

1. Transformation to Attract Customers Optimizing recommendation algorithms that are useful for generating interactive data in the creation of next content.
2. Improving its infrastructure, previously storing its data on multiple Oracle servers during the pre-streaming era. However, due to database failures, Netflix switched to AWS (Amazon Web Services) to retain existing customers and achieve exponential growth in user viewing interactions.
3. Instead of changing its business format, Netflix has begun offering a new Ad-Supported Tier service, allowing customers to pay a lower monthly fee in exchange for watching 4 minutes of ads per hour.

In its focus on customer centrality, Netflix faces several challenges in developing products based on customer feedback. These challenges include unifying the entire organization, enabling learning from all types of customers using various methodologies, while maintaining a sharp focus on external factors in the macro environment [29]. In Netflix's effort to maintain dominance in the global market, this foundation will continue to be crucial. The local

content strategy requires comprehensive national knowledge, encompassing political, institutional, regulatory, technical, cultural, consumer, and competitor domains [30].

Netflix engages deeply with and relies on customer feedback for decision-making in the early stages. Netflix leadership also actively involves customers and respects their critical role in decision-making. They use various methods to gather direct customer insights. Supported by leadership, Netflix has established a fully funded internal insights program to assist each department and employs staff capable of utilizing nearly every available approach. The goal of this investment is to address potential issues faced by internal partners, such as time constraints, costs, or customer learning methodologies.

The end of the lockdown due to the COVID-19 pandemic and market inflation led to Netflix losing subscribers and a decrease in subscription interest. This must be considered in the future to see if Netflix will implement new strategies to maintain its business. Netflix's strategies were not directly aligned with customer needs. This must be considered in the future to see if Netflix will implement new strategies to maintain its business.

D. Variety Of Branding

Netflix attracts attention through global experiences and values while simultaneously appealing to niche audiences with its distinctive promotion as an industry game-changer. Through its SVOD service, Netflix leverages the global circulation of its diversity strategy. Netflix not only reinvents television; it dominates cultural conversations worldwide by influencing existing norms and narratives about what it means to live in (multicultural) societies.

According to Asmar et al.'s research, Netflix employs the following four techniques in its diversity branding: (1) Differentiation strategy: this is the process of outperforming competitors' brands or products by offering special features or services that increase demand and encourage brand loyalty; (2) representation strategy: this is the process of assigning, producing, and transferring meaning among members of a culture through images, signs, or language that represent a specific object or practice; (3) indigenization strategy: this is the process of modifying a product or idea to fit a local culture; and (4) cosmopolitanism strategy: this refers to a shared sense of belonging to the global community.

Netflix's diversity strategy places a unique emphasis on each of these elements. This does not imply that they are always limited to a certain nation or area, though. Rather, they signify a series of recurring themes in the streamer's speech [31].

The diversity branding certainly presents challenges such as balancing global and local approaches in content and communication. Netflix must ensure that its content is relevant and appealing to local audiences while maintaining its global image. to ensure that social differences inside Netflix's substance is acknowledged and acknowledged by a different worldwide group of onlookers is vital. Inclusive and authentic content must transcend cultural boundaries without offending or misrepresenting. Maintaining consistency in the diversity strategy worldwide, especially in various markets with different cultural norms and preferences, is essential. Additionally, facing criticism and challenges from audiences and communities who feel their cultural representation is insufficient or inaccurate is an ongoing challenge for Netflix.

The diversity in Netflix's branding significantly influences their digital strategy. By creating diverse content, utilizing tailored recommendation algorithms, implementing segmented digital marketing, and using data for decision-making, Netflix has successfully attracted and retained a global audience. This diversity also helps Netflix remain relevant and competitive in the continuously evolving SVOD industry. Netflix employs region-specific diversity strategies, balancing global expansion with sustainable access to profitable markets, demonstrating efforts to achieve a balance between global and local dynamics [29].

E. Netflix Original Content

Netflix continues to invest heavily in creating original content to retain and attract new customers amid stiff competition from other streaming platforms such as Disney+, Amazon Prime, and HBO Max. With an annual budget reaching billions of dollars, Netflix focuses on producing high-quality films, series, documentaries, and stand-up comedy specials. This original content aims not only to enrich their catalog but also to create works that can become cultural phenomena and win prestigious awards.

Netflix also innovates in interface design and recommendation algorithms to maintain customer engagement. To address these challenges and create unique content, Netflix has strategically shifted from licensing content to producing original content, allowing them to fully own and control it. Producing award-winning shows like "Stranger Things" and "The Crown" has been a major driver of subscriber growth. Netflix not only translates content but also produces original content specific to each region, ensuring cultural relevance and local appeal. Examples include local content production in India and South Korea, as well as investments in local talent and stories. Netflix uses viewer data and advanced algorithms to recommend relevant and engaging content to each individual, enhancing engagement and retention. They also collaborate with local creatives and producers to develop content that aligns with local preferences and cultures, strengthening relationships with creative communities in various countries. Additionally, Netflix continually experiments with various content formats and production methods, including the use of new technologies and creative approaches to create unique and engaging viewing experiences. With this strategy, Netflix can produce content that is not only appealing to a global audience but also relevant and attractive to local markets, reinforcing its position as a leader in the streaming industry [5].

Investing in original content also allows Netflix to offer something unique compared to its competitors. Amid the multitude of streaming platforms, having a catalog of exclusive content unavailable elsewhere becomes a significant competitive advantage. Additionally, by producing content from various genres and regions, Netflix can reach a global audience and expand its customer base across different countries. By continuously innovating and investing in original content, Netflix is not only striving to maintain its dominance in the streaming market but also to continually evolve and adapt to the ever-changing needs and preferences of viewers. This strategy, focusing on quality and diversity, ensures that Netflix remains the top choice for audiences seeking high-quality and diverse entertainment.

Netflix found some challenge while creating original content lies in its complex budgetary condition. In 2020 alone, Netflix's consumption on original content outperformed a stunning \$17 billion. Unlike licensed shows and movies, original programming comes with higher production costs and a greater risk of failure. The uncertainty surrounding the success of new shows and movies creates a precarious financial situation for the company. Even single major disappointment from customer sides can result in considerable budgetary misfortunes, whereas a blockbuster hit can altogether boost number of subscribers and also profit gain [5]. Netflix's original content also aligns with the diversity branding previously discussed. With strict content regulations based on regions in various countries, this presents unique challenges that require collaboration with local entities.

F. Netflix Experiences Losses and Recovery

Netflix experienced a significant decline in the number of subscribers, stock prices, and market capitalization from January to June 2022, with a loss of 200,000 subscribers, marking the first such decrease in a decade [32]. Its shares dropped by 35%, wiping out \$50 billion (about \$150 per person in the US) from Netflix's valuation after the news broke [28]. Netflix officials credited this decay to income development deterrents, they said there are variables such as reduced people to buy Smart TV, 100 million Netflix users who share account requirements, growing rivalry in online streaming from competing businesses, and external variables like macroeconomic factors like inflation, the conflict between Russia and Ukraine, and the Covid-19 pandemic [33]. In addition, there are some dissatisfied customers, analysts, and investigators who have doubts about Netflix's administration and are dissatisfied with the service's value, content, and cost.

Netflix was able to recover from this decline by directly addressing challenges from July 2022 to July 2023. Netflix leaders recognized the need for drastic changes to recover from the demanding situation. They modified policies related to advertising, addressed password sharing issues, lowered prices in low-penetration markets, and eliminated basic subscription plans in some countries [34]. Netflix's success in rebounding from this significant downturn demonstrates the importance of leaders willing to revise previous decisions when necessary.

G. Netflix's digital strategy

Adapts to changing trends and emerging new technologies Netflix continues to adapt to changing trends and new technologies through innovative digital strategies. The company is leveraging artificial intelligence and machine learning to optimize various aspects of its business, from content recommendations to production processes, enabling deeper personalization and operational efficiency. It also continues to improve streaming quality by developing new encoding technologies, maintaining customer satisfaction in the 4K and 8K era. Responding to changing entertainment consumption trends, Netflix has expanded its services to mobile gaming and experimented

with interactive content such as "Black Mirror: Bandersnatch". Integration with smart home devices and virtual assistants increases the accessibility of the service, while the introduction of ad-based subscription tiers demonstrates flexibility in responding to consumer preferences. Netflix continues to refine its recommendation algorithm, using real-time and contextual data to improve the accuracy of content suggestions. Investment in the latest production technologies such as advanced CGI and virtual production improved the quality of original content. Global expansion continues with adaptation to local trends and preferences in various markets. In addition, Netflix is also exploring new content formats such as interactive documentaries and reality shows that utilize the latest technology. With this adaptive and innovative approach, Netflix strives to remain relevant and competitive amidst the evolving digital entertainment landscape [35], ensuring its services remain appealing to the modern consumer.

Netflix has demonstrated the ability to adapt to digital technology trends and advancements. The company uses a flexible OTT model, which allows access to various devices, and utilizes sophisticated data analysis to customize content. Users' need for relevant content in an era of information overload is met with the development of sophisticated recommendation algorithms. Netflix continues to upgrade its streaming infrastructure to meet higher quality demands and improve security by switching to HTTPS. This strategy allows Netflix to anticipate changes in consumer behavior, use the latest technology, maintain its edge, improve the user experience, and foster customer loyalty. Using this innovative approach, Netflix continues to maintain its position as the streaming industry leader, demonstrating its ability to thrive in the ever-changing digital landscape. [36].

H. Recommendation

Our group recommends what Netflix can do based on several existing studies. By doing the following methods:

1. **Subscription Levels with Reduced Ads: Market Segmentation for Price-Sensitive Customers: Introducing subscription tiers with limited ads allows Netflix to expand its subscriber base without sacrificing the ad-free experience valued by its current subscribers. Increased Customer Base:** By attracting price-sensitive customers, Netflix can significantly increase its subscriber count, thereby boosting overall revenue. Netflix can enhance its chances for success across various market segments by balancing risks with rewards. The company should consider diversifying its content portfolio by incorporating productions with medium and low budgets, as well as high-budget series and films. By ensuring that not all resources are directed to initiatives that may potentially have significant risks, this diversification technique can be utilized to limit hazards.
2. **Merchandising: Utilizing the Popularity of Original Content:** Netflix can leverage the popularity of its original films to create merchandise such as clothing, toys, and collectibles. This can generate additional revenue streams that are particularly valuable in uncertain market conditions.
3. **Netflix continues to develop and optimize its recommendation algorithm through various advanced approaches. They apply advanced machine learning with deep learning techniques to understand user preferences more accurately, while implementing a "serendipity" system to avoid overfit. Contextualization of recommendations takes into account factors such as time of day and device used, with mitigation in the form of data transparency and opt-out options. Continuous A/B testing ensures improved recommendation accuracy, with phased implementation to minimize user experience inconsistencies. Improved collaborative filtering enriches recommendations with data from similar user groups, while the integration of explicit and implicit feedback provides a more holistic understanding of user preferences. These strategies have a significant impact on the user experience, increasing engagement, facilitating new content discovery, providing better personalization, and improving content search efficiency. With this comprehensive approach, Netflix has succeeded in creating a recommendation system that is not only accurate and personalized, but also adaptive to users' individual needs and context.**

IV. CONCLUSION

The conclusion of this study indicates that digital transformation is a crucial step for organizations to remain competitive in an era of rapidly evolving technology. Netflix, as a company in digital transformation, has successfully implemented various strategies to address the challenges and risks encountered during this process. Netflix's primary focus is on the customer, utilizing sophisticated recommendation algorithms and in-depth data analysis to enhance customer satisfaction and retention. Additionally, diversity and branding are key to Netflix's success, with approaches that include differentiation, representation, indigenization, and cosmopolitanism,

allowing them to reach a global audience while maintaining local relevance. Significant investment in original content also provides a competitive edge for Netflix, with high-quality and locally relevant content strengthening their position in the global market. Netflix has demonstrated the ability to recover from subscriber and stock value declines by implementing significant changes in advertising policies, password sharing, and subscription models. The ability to adapt and modify strategies highlights the importance of responsive and proactive leadership. Netflix's success offers valuable insights for other companies undergoing or planning digital transformation, emphasizing that technological adaptation, customer focus, and content innovation are key to achieving and maintaining competitive advantage in the digital era.

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