Proceedings of the International Conference on Sustainable Management for Peace and Harmony,
Vol. 1, Issue 1, 2025, pp. 234-241

ISSN 3093-611X online
DOI: https://doi.org/10.17501/3093611X..2025.093120

NETFLIX: A STUDY OF COMPETITIVE MARKETING STRATEGIES TO BOOST THE CUSTOMER BASE

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Abstract: This case study investigates Netflix's competitive marketing strategies and their effectiveness in expanding and retaining customer base in the increasingly crowded streaming entertainment market. The study analyzes Netflix's evolution from a DVD rental service to a global streaming giant, examining key marketing strategies including content localization, original programming investment, data-driven personalization, and competitive pricing models. The research evaluates how Netflix has successfully competed against traditional media companies and emerging streaming platforms through innovative marketing approaches, strategic partnerships, and technology-driven customer engagement. Through detailed analysis of customer acquisition costs, retention rates, and market share data, the study assesses the return on investment of various marketing initiatives. The case explores Netflix's global expansion strategies, examining how the company adapts its marketing mix for different geographical markets while maintaining brand consistency. The findings provide insights into how digital platforms can leverage technology, content strategy, and customer analytics to build sustainable competitive advantages in highly contested markets.

Keywords: streaming services, competitive strategy, customer acquisition, digital marketing, content marketing

Introduction

Scale and Footprint

Over the past two decades, Netflix has transformed from a DVD-by-mail company into a global streaming powerhouse, reaching over 300 million paid memberships in more than 190 countries by early 2025 (Netflix Investor Relations, 2025). Its growth has been driven not only by technological scale but by a strategy of combining global reach with local resonance what scholars term a “glocal” strategy (Neira et al., 2023). In markets like Spain, for example, Netflix’s Originals have been studied as part of its localization efforts, where the company balances global appeal and regional specificity (Albornoz & García Leiva, 2022).

Monetization Shifts: Flexible Pricing and the Ad Tier

In late 2022, Netflix introduced its ad-supported plan (“Basic with Ads”) to capture more price-sensitive consumers and tap into the advertising segment. According to official data, this move reached tens of millions of users by mid-2025 (Netflix, 2025). This strategic shift from a purely subscription model towards a hybrid subscription plus advertising model reflects Netflix’s adaptation to maturing markets and increasing competitive pressure (Wayne & Castro, 2025).

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Content Investment: Creative Leadership as Marketing

Netflix continues to place content at the heart of its growth and marketing strategy. Its content spends of approximately $18 billion for 2025 signals a commitment to producing both global tentpoles and regionally resonant series (Variety, 2025). For instance, scholarly work highlights how Netflix employs strategies of “cultural authenticity” to commission non-English content that appeals across borders (Wayne & Castro, 2025). Similarly, in Spain, research shows that while Netflix invests in Originals, questions about linguistic and country-of-origin diversity arise (Albornoz & García Leiva, 2022).

Household Monetization: Sharing, Upgrades and Revenue Capture

In 2023 Netflix moved to curb password-sharing by introducing “Extra Member” pricing for users outside the primary household. This shift reflects an evolution from prioritising broad subscriber acquisition to emphasising value-based revenue and monetisation of existing usage behaviours. The move illustrates Netflix’s capacity to apply behavioural insights to pricing and policy strategy (Netflix Investor Relations, 2024).

2. Marketing Strategy Framework

This section evaluates Netflix’s major marketing levers and their integration into a cohesive, technology-enabled competitive advantage that sustains global leadership in the streaming industry.

2.1 Content-led Product Differentiation

Netflix’s core differentiation strategy centers on content leadership balancing global tentpole releases with highly localized productions tailored to regional audiences. The company’s emphasis on “glocal” content strategy has enabled it to achieve cultural resonance across markets while maintaining global brand consistency (Neira, Clares-Gavilán, & Sánchez-Navarro, 2023). For instance, non-English-language originals such as *La Casa de Papel* (Spain), *Lupin* (France), and *Squid Game* (South Korea) illustrate how regional storytelling, when marketed globally, can yield worldwide virality and new subscriber inflows.

Netflix’s content strategy functions as both a product and a marketing tool. Its originals generate substantial earned media value through social virality, influencer amplification, and user-generated content (Albornoz & García Leiva, 2022). The company reported 18.9 million net subscriber additions in Q4 2024, driven in part by major content launches and live sports programming (Netflix Investor Relations, 2025). This aligns with the observation that hit content not only enhances brand equity but also acts as a cost-efficient customer acquisition engine (Wayne & Castro, 2025).

2.2 Data-driven Personalisation and Experience

Netflix’s marketing ecosystem is deeply intertwined with its data analytics infrastructure, using machine learning to power recommendation algorithms, custom thumbnails, interface layout tests, and personalized marketing communication. According to Netflix’s 2025 shareholder letter, “engagement is the best proxy for member satisfaction,” signaling a deliberate shift from traditional metrics like subscriber counts toward qualitative engagement-based KPIs (Netflix Investor Relations, 2025).

The platform conducts thousands of A/B tests annually to optimize user experience, reducing churn through relevance and retention (Gómez-Uribe & Hunt, 2016). This continuous optimization enables the company to convert algorithmic insights into marketing efficiency, turning each subscriber's viewing journey into a personalized retention funnel.

2.3 Pricing Architecture and Monetisation Innovation

Netflix's tiered pricing model represents an evolution from one-size-fits-all subscriptions to behaviorally segmented monetisation. As of 2025, Netflix offers ad-supported, standard, and premium tiers, alongside an "extra member" option designed to monetize password-sharing households (Netflix Investor Relations, 2025). The launch of the ad-supported plan in late 2022, which had amassed approximately 94 million users globally by May 2025, illustrates a strategic move to attract price-sensitive consumers while expanding the advertising revenue base (Variety, 2025).

This layered model aligns with principles of behavioral economics, using pricing nudges to convert non-paying shared users into incremental paid members (McKenzie & Soberman, 2022). Moreover, tier segmentation facilitates lifetime value optimization, allowing Netflix to match pricing with consumption intensity and content preference.

2.4 Acquisition, Retention, and Partnerships

Netflix's acquisition and retention strategy integrates ecosystem partnerships with data-driven lifecycle marketing. Collaborations with telecom carriers, smart TV manufacturers, and broadband service providers enhance accessibility and bundle-driven customer acquisition (Señal News, 2025). Such partnerships lower entry barriers and embed Netflix in consumer hardware ecosystems, increasing habitual viewing and platform stickiness.

In retention, Netflix focuses on continuous engagement through algorithmic personalization, a refreshed content pipeline, and the global scaling of local hits (Wayne & Castro, 2025). Independent studies indicate that Netflix maintains one of the lowest churn rates in the streaming sector, outperforming competitors such as Disney+ and Amazon Prime Video in long-term user retention (Statista, 2025).

Netflix's evolution from a single-tier, ad-free subscription model to a multi-tier, global entertainment ecosystem showcases how marketing in the streaming era must integrate content innovation, pricing flexibility, and local-global product design. The company's use of data, behavioral nudges, and culturally tailored content demonstrate how strategic marketing now involves the interplay of global scale and local relevance (Neira et al., 2023; Wayne & Castro, 2025).

3. Competitive Landscape and Challenges

3.1 Rising Cost Pressures and ROI Constraints

Netflix's planned US$18 billion content investment in 2025 (Variety, 2025) underscores its continued belief in content-led differentiation but also highlights the financial strain of sustaining high-quality production in multiple geographies. According to *Media and Communication* (Wayne & Castro, 2025), the "arms race" in original content has redefined global entertainment economics forcing streaming players to balance creative ambition with profitability discipline.

The ROI challenge stems from rising production costs and fragmented audience attention, especially as consumers distribute their viewing time across several competing platforms. Return on investment increasingly hinges on viewership duration, retention, and cross-tier migration rather than mere subscriber addition (Neira, Clares-Gavilán, & Sánchez-Navarro, 2023). Netflix's cost efficiency is further impacted by currency fluctuations, localized production risks, and regulatory constraints in high-growth emerging markets such as India and Brazil.

3.2 Market Maturity and Growth Plateau in Developed Economies

In mature markets such as the United States, Western Europe, and Japan, SVOD penetration rates exceed 80%, signaling saturation and slower subscriber growth (Statista, 2025). As Netflix's U.S. market share stabilizes around 45% of total SVOD households (Antenna, 2024), incremental additions become increasingly dependent on content innovation and pricing optimization, not new market entries.

Consequently, Netflix's communication with investors has shifted. In 2024, it stopped reporting quarterly subscriber counts, focusing instead on engagement and revenue per membership as more accurate proxies for platform health (Netflix Investor Relations, 2025). This change reflects a strategic maturity pivot from acquisition to retention, monetization, and lifetime value maximization.

3.3 Churn Dynamics and Platform Fragmentation

Despite its leadership, Netflix operates in an environment where subscriber churn and service fragmentation have become defining industry traits. Consumers now maintain multiple streaming subscriptions, often cycling between platforms based on exclusive releases. As of September 2024, the average net churn rate across premium SVOD platforms was 3.1%, while Netflix achieved a remarkably lower ~1.0% churn rate the best in the sector (Antenna, 2024).

This performance advantage arises from personalized engagement, algorithmic recommendation accuracy, and brand loyalty built over two decades. However, the low switching cost between digital platforms and the rise of hybrid (ad + subscription) models increase the risk of churn resurgence, especially among price-sensitive segments (McKenzie & Soberman, 2022).

3.4 Monetization Complexity in a Multi-Tier Ecosystem

Netflix's expansion into ad-supported and shared-account monetization introduces structural complexity into its business model. As of mid-2025, 94 million users were on the ad-supported tier, which serves as both an entry funnel and a new profit center (Variety, 2025). However, revenue per user (ARPU) differs significantly across tiers and geographies: while the U.S. premium tier yields over US$16 per month, emerging markets such as India and Southeast Asia deliver under US$5 (Digital Trends, 2025).

This divergence complicates the measurement of incremental value per subscriber. Netflix itself acknowledged in 2025 that "each new member has a very different business impact depending on their plan, market, and ad engagement" (Netflix Investor Relations, 2025). Balancing global scale with localized monetization remains an ongoing strategic tension particularly as advertising and low-cost plans expand into price-sensitive economies.

3.5 Strategic Outlook

Netflix’s near-term challenge lies in sustaining its first-mover advantage while adapting to a structurally lower-growth, higher-cost market environment. Its future competitive edge will depend on four strategic levers:

1. Efficiency in content ROI through data-driven production and marketing decisions.
2. Tier-based monetization optimization across markets with varying ARPU.
3. Churn containment via personalization, gamification, and community-led engagement.
4. Strategic partnerships with telecom, device, and retail ecosystems to drive embedded growth.

Netflix’s competitive journey illustrates the paradox of digital leadership: scale guarantees influence, but sustained differentiation demands relentless innovation in both product and marketing strategy.

4. Case Analysis: Marketing Strategy Effectiveness

Netflix’s marketing strategy demonstrates a well-calibrated balance between acquisition efficiency, retention strength, and adaptive monetization. The effectiveness of its approach can be evaluated through five key dimensions.

4.1 Acquisition Efficiency

Netflix’s ad-supported tier and localized content strategy have significantly reduced the incremental cost of acquiring users in price-sensitive and emerging markets. By mid-2025, the ad tier had amassed approximately 94 million global users, reflecting a shift in sign-up patterns toward lower-cost entry points (Variety, 2025). This model expands the top of the acquisition funnel while creating an upgrade pathway toward higher-value subscriptions.

Localized originals such as *Sacred Games* (India), *All of Us Are Dead* (Korea), and *Elite* (Spain) illustrate Netflix’s ability to attract first-time subscribers through culturally resonant narratives. Studies show that regionalized storytelling acts as an effective market entry tool, boosting trial rates and word-of-mouth marketing (Neira, Clares-Gavilán, & Sánchez-Navarro, 2023).

4.2 Retention Advantage

Retention has emerged as Netflix’s strongest marketing asset. While the industry-average churn rate among premium SVOD services stood at 3.1% in 2024, Netflix maintained an industry-leading ~1.0% churn rate (Antenna, 2024). This demonstrates the efficacy of its data-driven marketing, personalized recommendation systems, and continuous content refreshment.

Given that acquiring a new customer can cost up to five times more than retaining one (McKenzie & Soberman, 2022), Netflix’s low churn translates directly into cost efficiency and higher customer lifetime value (CLV). Its algorithmic personalization and interface optimization drive habitual engagement, turning marketing communication into an always-on retention system rather than a periodic campaign.

4.3 Content as Marketing

Netflix's original and local productions serve a dual function product and promotion. Blockbuster series such as *Squid Game* and *Money Heist* generated billions of social media impressions, creating earned media value that rivals traditional advertising budgets (Albornoz & García Leiva, 2022).

In 2024, Netflix added 18.9 million net new subscribers in Q4, attributing much of this growth to viral original programming and live events (Netflix Investor Relations, 2025). This self-reinforcing cycle where content drives conversation, which in turn drives subscriptions gives Netflix a flywheel marketing advantage that few competitors can replicate.

4.4 Pricing and Monetisation Innovation

Netflix's multi-tiered pricing architecture such as ad-supported, standard, premium, and "extra member" options demonstrates behavioral pricing sophistication. The password-sharing crackdown introduced in 2023 successfully converted a portion of free/shared users into paying customers.

This evolution shows how Netflix transforms consumer friction points into monetization levers, using messaging that emphasizes fairness and personalization rather than restriction. Revenue diversification via advertising and incremental household monetization strengthens average revenue per user (ARPU) across regions with disparate income levels (Digital Trends, 2025).

4.5 Global-Local Adaptation

Netflix's success lies in balancing global scale with local relevance. Its "glocal" model maintaining a consistent brand identity while adapting storytelling, pricing, and partnerships by region has been essential in expanding beyond mature Western markets (Wayne & Castro, 2025).

Local-language productions now account for over 50% of viewing in Asia-Pacific and Latin America, reflecting both audience preference and marketing efficiency (Statista, 2025). The ability to amplify local content through global marketing channels enhances brand equity and cross-market virality.

4.6 Strategic Shift in Metrics

Netflix's decision in 2024 to stop reporting quarterly subscriber counts signals a strategic maturity shift: the marketing imperative has evolved from mere scale to depth, engagement, and monetization. Success metrics now focus on "engagement hours per member" and revenue per paid membership, aligning marketing performance with long-term profitability (Netflix Investor Relations, 2025).

This strategic reframing reinforces marketing accountability: investments are now assessed through return on engagement and lifetime value, not volume-based KPIs.

5. Strategic Options and Recommendations

Based on the analysis, Netflix's future growth depends on a combination of deepening retention, expanding efficiently in emerging markets, monetizing shared usage, and premiumizing the brand experience in mature markets. To deepen retention and engagement, Netflix should intensify its focus on existing members by enhancing personalization through AI-driven recommendations, gamified user journeys, and interactive experiences. Expansion into live sports, eSports, and exclusive live events can create community-driven retention loops that reinforce engagement and loyalty. Given that retention yields a higher return on investment relative to new customer acquisition, these strategies would maximize customer lifetime value while strengthening brand attachment (Gómez-Uribe & Hunt, 2016). The company could operationalize this by developing integrated engagement dashboards to measure retention elasticity across cohorts and geographies, thereby guiding localized retention campaigns.

For emerging market expansion, particularly in regions with low average revenue per user (ARPU) such as India, Southeast Asia, and Africa, Netflix should scale ultra-budget subscription tiers, including mobile-only or ad-supported models, complemented by local influencer marketing and partnerships with telecom providers and OEMs. These initiatives lower entry barriers, drive mass adoption, and enable gradual conversion to higher-value plans over time (Statista, 2025). Localized content calendars and strategic bundle promotions would sustain engagement and encourage upselling as market penetration increases.

To monetize household sharing and extra members, Netflix should continue evolving its "extra member" monetization framework. Personalized recommendations, enhanced user profiles, and optimized user experience can reinforce individual value while framing the upgrade as a fairness- and personalization-based enhancement rather than a punitive measure. Campaigns emphasizing shared family experiences, convenience, and tailored content can improve acceptance and conversion, turning previously free or shared users into paying subscribers.

Finally, in mature markets, Netflix should pursue premiumization and brand elevation by emphasizing experiential differentiation. This can include exclusive content releases, cinematic VR experiences, AI-curated interactive films, and gaming integration. By reducing the volume of average-performing titles and concentrating on high-impact tentpoles, Netflix can strengthen its premium brand narrative and justify higher ARPU tiers (Variety, 2025). Positioning Netflix as a cultural brand that integrates entertainment, interactivity, and storytelling innovation will enhance consumer perception, increase willingness to pay, and maintain competitive differentiation in highly saturated markets.

Conclusion

Netflix's evolution from a DVD rental service to the world's leading streaming platform demonstrates the power of content-led differentiation, data-driven personalization, and strategic pricing innovation. Its ability to balance global scale with local relevance has enabled successful expansion into emerging markets while retaining dominance in mature economies. The company's marketing strategies—leveraging original content as both product and promotion, deploying AI-powered engagement tools, and introducing tiered monetization models—have proven effective in driving both customer acquisition and retention.

However, Netflix operates in an increasingly fragmented and competitive landscape, facing rising content costs, market saturation in developed regions, and the challenge of monetizing shared accounts. Strategic focus must therefore shift from mere subscriber growth to maximizing lifetime value, engagement, and monetization per user.

The case analysis underscores that Netflix's sustained advantage depends on four strategic pillars: deepening retention and engagement, expanding efficiently in emerging markets, monetizing shared usage, and premiumizing the brand experience. By continuously innovating in content, technology, and marketing, Netflix demonstrates how digital platforms can create a self-reinforcing growth flywheel, where content drives conversation, engagement drives retention, and tailored monetization drives profitability. This integrated approach provides a valuable blueprint for any company seeking to compete in a highly contested, globalized digital media ecosystem.

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