

Digitalization Impact on Business model innovation - A Case Study on Netflix vs Blockbusters

Abstract

The 21st century business landscape has witnessed a profound impact in rapid wave of digitalization. To maintain a competitive edge in this dynamic environment, businesses are compelled to adapt their traditional structure and practices. Business Model Innovation (BMI) emerges as a strategic approach to modify critical elements like value proposition, customer segments, channels, revenue stream and cost structures within existing business models. This research project delves into the transformative effects of digitalization on contemporary business models through comprehensive analysis of Netflix and Blockbuster. Netflix serves as an exemplary case study in company that successfully incorporated BMI into the realm of digitalization, enhancing operational efficiency and outperforms competitors. This study aims to analyze the key factors contributing to Netflix success in the streaming video market and assess the strategies employed from company to sustain its achievements.

Simultaneously, it investigates how Blockbuster faced significant setbacks leading to financial ruin due to its failure to adapting in industry shifts. The study's theoretical foundations encompass BMI, digitalization, and their impacts on business operations. Secondary data from sources such as corporate reports, financial statements, news articles and peer reviewed article will be utilized. Porter's Five Forces analysis will be employed to evaluate external factors influencing Netflix business operations and competitive position. Additionally, a SWOT analysis will assess Netflix strengths, weaknesses, opportunities and threats. Despite the contributions of this study, limitations include a scarcity of comprehensive research on the digitalization-BMI nexus and reliance upon secondary data sources.

However, it aims to provide a roadmap for companies seeking to thrive in the digital age by showcasing Netflix success and lessons from Blockbuster's failure. The research comprises five main sections: introduction, theoretical context and literature review, research methodology and data analysis techniques, findings, and conclusion. This study sheds light

on how BMI aids in navigating the dynamic digital market, illustrating how Netflix continuous innovation forges strong customer relationships and contributes to its commercial success. The study conclusions may offer valuable insights and recommendations for companies looking for enhancing their market position in the digital era.

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Introduction

The Businesses run in the twenty-first century has been substantially impacted by digitalization. In light of the rapid advancements in technology, it has become essential for businesses to update their traditional business structures and practices in order to maintain an edge over competitors in the market. (Wirtz et al., 2016). Business Model Innovation (BMI) is a strategic approach corporations can employ to enhance their market position by fundamentally rethinking and reconfigure particularly critical elements in their existing business model. These elements include the way they create value for customers, identify target customer segments, utilize distribution channels, generate revenue stream and managing their cost structure. In essence, BMI involves a comprehensive reassessment and if necessary, a transformation of how a company conducts its business to adapt to changing market dynamics and gaining competitive advantage. Whilst a few businesses, like Blockbuster and Kodak, did not adapt and ultimately declared financial disaster, others, like Apple, Netflix, and Airbnb, have effectively hired BMI to live one step in advance of the opposition.

Through a comprehensive analysis made on the case study of Netflix and Blockbuster, this Business project aims to explore the revolutionary impact of digitalization on contemporary business models. Netflix is one exemplary proof that has successfully incorporated Business Model Innovation into the realm of digitalisation for enhancing their operational efficiency and stand ahead in the market competition. The primary objective of this project is to analyze and comprehend the key factors that have led to Netflix remarkable success in the streaming video market. To achieve this, we will closely examine the strategies that Netflix has employed to attain and maintaining dominant position for industry. In this study, we will conduct a comparative analysis of two prominent companies in streaming video industry: Netflix and Blockbuster.

Our goal is to gain insights into the factors that contributed to Netflix success and Blockbuster downfall. By examining these two contrasting cases, we aim to understand why one company succeeded while the other faced financial ruin. We will specifically investigate how Netflix adapted and modified its approach to thriving for evolving marketplace while Blockbuster failed to do so (Quadros , 2022).

The theoretical underpinnings of BMI, digitalization, and their outcomes on business operations may be the main subjects of the literature examination. To higher recognize and analyse Netflix and Blockbuster's commercial enterprise fashions, secondary statistics from sources such as corporate annual reports, monetary statements, information memories, and weblog postings will be utilized. The proposed business project will be utilising Porter's Five Forces analysis which will enable us to evaluate and ascertain the various external factors that have the potential to significantly influence the Netflix's business operations and its competitive position in the market. By employing these strategic tools, we will gain valuable insights into the prevailing market conditions and identify key opportunities and threats that may arise from the external environment.

In this study, we will employ a comprehensive approach to analyzing impact of digitalization on Business Model Innovation through the specific cases of Netflix and Blockbuster. To achieve this, we will first conduct a SWOT analysis, evaluating the inherent strengths, weaknesses, potential opportunities and loom threat within each business enterprise. The primary goal is to identify key insights from this analysis. We will then apply financial insights to examine how each company adapted to the evolving digital landscape.

The undertaking will be divided into five primary elements. The business project introduction is explained in section one, and the theoretical context and literature evaluation is blanketed in phase two. The studies method and information evaluation techniques employed on this have a look at are described in segment 3. The examined findings are provided in segment 4, along with data at the occasions that led Netflix to emerge as the market leader in streaming video, the reasons why Blockbuster failed within the region, the principle tenets of Netflix's present-day business model, and the way Netflix extended. It is worldwide internationalised, in addition to the aggressive advantage of the commercial enterprise. Phase five will conclude with conclusions and recommendations for added studies. In precis, this study goals to show how BMI is useful for navigating a dynamic market within the digital age. It'll exhibit how Netflix's ongoing innovation method has forged a strong bond with its customers and contributed to its commercial success. The observation's conclusions may additionally offer a roadmap for companies trying to put into effect novel strategies to bolster their marketplace function within virtual technology (Norris, 2020).

2.1 Background and Rationale

Corporations have to continuously innovate to stay competitive and a hit in the quickly evolving marketplace these days. The implementation of business model innovation has surfaced as an essential way of strengthening the market position of a business enterprise. This approach entails the transformation of various components within the existing business model. According to Chesbrough and Rosenbloom (2002), business model innovation involves the exploration of new techniques for generating, delivering, and capturing value within a certain market. The contemporary evolution of Business Model Innovation has been significantly driven by digitization. With the adoption of digital technologies, companies now have the capability to actually offer highly specialized and personalizing goods and service for their customers. They can also enhance the overall customer experience and optimizing their internal operations.

For example, digitalization allows companies to collect and analyzing vast amounts of data, enabling them to tailor their product or services to individual customer preferences. Additionally, it enables businesses to streamline their processes, reduce operational cost and responding more effectively to market changes. In essence, digitization has actually become pivotal force behind the emergence of new business models and the transformation of existing ones. It has empowered companies to innovate in how they create, deliver and capturing actually value to ways that were previously impossible or cost-prohibitive.

Netflix is a renowned organisation that has effectively linked digital transformation with business model innovation in its operational strategies. The agency has emerged as a dominant player in the industry due to its creative approach in providing entertainment. Role within the marketplace for streaming video. In contrast, Blockbuster, a once-dominant corporation, didn't adapt to the digital revolution and in the end filed for financial disaster. As an end result, this observation will study the elements that helped Netflix gain marketplace dominance within the streaming video quarter as well as people who contributed to Blockbuster's demise.

2.2 Problem statement

Information on how digitalization has inspired Business model innovation using Netflix and Blockbuster as case research is this study attempts to reply to. Businesses now function very

differently because of the quick development of the era, and those who do now not adapt hazard losing their competitive part. Therefore, it is essential to look at how innovative companies have used digitalization. Their organization techniques and maintain marketplace opposition. Analyzing why unsuccessful businesses like Blockbuster lost marketplace share by failing to include digitalization is likewise vital. This observation aims to provide insight into the factors that drive successful business model innovation and the potential hazards associated with delaying Digitalisation in order to ensure a firm's market survival.

2.3 Aim and Objectives of the Research

The aim is to have a look at how Netflix, one of the most innovative agencies in the international, has incorporated commercial enterprise model innovation and digital transformation into its everyday operations. The following goals had been decided on for you to fulfill this purpose:

1. To determine the elements that propelled Netflix to the pinnacle spot in the streaming video marketplace.
2. To study Business model innovation and financial statements to know how it fits into Netflix's strategy.
3. To examine how Internationalisation has contributed to the success of Netflix.

2.4 Research Questions

This study hopes to offer intensive knowledge of how Netflix Utilised BMI to correctly adjust to the digitalization of the amusement region.

The following are the questions in an effort to direct this research:

1. What strategies and innovations have driven Netflix exceptional growth and international expansion in entertainment industry?
2. How do Netflix's financial statements compare to those of Blockbuster, its traditional competitor and what insights can be drawn from this comparative analysis?
3. What unique attributes and competitive advantages distinguish Netflix from its rivals in the streaming video market, contributing to its continued success in the digital era?

2.5 Significance of the study

The significance of this study may be ascribed to the developing results of digitization on groups and the want for firms to adapt if they need to remain aggressive in the twenty-first century. The advent of the latest technologies has placed conventional business models and practices under strain, necessitating modern techniques like commercial enterprise model innovation (BMI). This looks at pursuits to discover the effects of digitalization on BMI and shed light on the variables that affect how properly an organisation responds. To convert marketplace dynamics there is Netflix and Blockbuster as examples.

Netflix is an organization that correctly leveraged virtual transformation to encourage enterprise model innovation and capture market dominance within the streaming video area. Organizations can better realize the strategies they ought to employ to be triumphant in digital technology by having higher knowledge of the elements that contributed to Netflix's achievement. The failure of Blockbuster to adapt to the transferring marketplace dynamics, then again, ended in its financial ruin, which highlights the significance of enforcing new enterprise models and digitization. (Miriamdotter, 2021)

The observation's literature evaluation will create the theoretical basis for the research with the help of analyzing the standards of BMI and digitalization and their results on organization operations. This technique will offer an in-depth exam of secondary facts, which includes annual reviews, financial statements, news articles, and blog posts, to benefit a greater knowledge of the commercial enterprise techniques hired via Netflix and Blockbuster.

The use of frameworks including Porter's 5 Forces, and SWOT evaluation along with financial analysis will aid to pick out the outside elements affecting Netflix's business environment, analyze its contemporary marketplace function, and have a look at its strengths, weaknesses, possibilities, and threats. The 5 major elements of the examination will encompass an introduction, theoretical heritage, research method, results, and conclusion. The look will use Netflix's modern techniques, global enlargement, and competitive part to demonstrate the benefits of BMI in navigating the unexpectedly converting digital marketplace. These findings will provide advice and practical information for organizations wishing to enhance their function on the market in the digital age. This further will offer a roadmap for organizations hoping to thrive in the age of virtual transformation by showcasing Netflix's fulfillment and the classes found from Blockbuster's failure.

2.6 Scope and Limitations of the study

This research on the impact of digitalization on Business model innovation is focused on the case of Netflix and Blockbuster, goal to offer a detailed evaluation of the elements that contributed to Netflix's success and Blockbuster's failure in adjusting to the converting marketplace dynamics. The intention of the observation is to decide how digitalization has motivated the advent of enterprise fashions and to pinpoint the strategies and practices which have made Netflix a hit in the streaming video quarter. The studies will conduct a thorough literature evaluation and analyse secondary information, along with company reviews, economic statements, information articles, and weblog postings, to provide extensive insights into the theoretical foundations of Business Model Innovation and digitalization.

They have a look at the cognizance of a single enterprise (streaming video) and only it may be more difficult to generalize its findings to different industries or organizations due to the 2 corporations. The examination additionally closely is based on secondary information, which may be poor in facts or biased. The time frame for the observation is also limited. Another drawback is the absence of number one information series techniques like interviews or surveys, which could offer a deeper understanding of the inner approach and choice-making methods of the businesses. Additionally, although they have a look at aims to become aware of the factors that caused Netflix's success and Blockbuster's failure, they'd forget some of the complexities and nuances that existed in those circumstances.

Despite these limitations, this research offers insightful facts about the strategies and practices that could aid in the success of corporations within the digital age. The findings can serve as a springboard for further studies and provide firms aiming to balance the benefits and dangers of digital transformation with beneficial steering (Walter, 2023).

Chapter 3 – Literature Review

3.1. Introduction

This chapter presents an in-depth review of the research on the influence of digitalization on business model innovation (BMI), with a particular focus on the case studies of Netflix and Blockbuster. To remain competitive in the ever-evolving digital landscape, companies must adapt their strategies and business models. The ongoing process of digitization necessitates a proactive approach to ensure sustained success in the market (Teece, 2010). The advent of cutting-edge technology and the rapid advancement of virtual infrastructures have had a profound impact on traditional sectors. This has resulted in a mixed bag of success stories and failures, as businesses grapple with the challenges and opportunities presented by these transformative forces.

Knowing the idea of digitization and its large effect on conventional Business models is the primary intention of this phase. Digitalization is the process of integrating digital technologies into every side of company operations, which greatly influences how businesses operate, identify opportunities, deliver, generate revenue, and collect costs. This Literature review will examine several academic articles and theories to illuminate digitalization's revolutionary impacts. and how corporations must embrace innovation and adaption.

This chapter further provides an in-depth explanation of business model innovation and its significance in the context of digitalization. BMI is the process of modifying or creating an entirely new business model to enhance an organization's position and competitiveness. In the literature review, various perspectives on BMI, such as theories, frameworks, and case studies, will be examined (Amit & Zott, 2012). In the literature review, the past setting, enterprise strategies, and significant events that influenced the course of these companies are examined. It will examine how Blockbuster's failure to adapt to transferring requirements ultimately led to its demise, while Netflix's innovative approach to BMI enabled it to gain a substantial market share and become a global streaming behemoth.

The literature review will discover and observe internal and external factors that affect whether BMI applications are a success or unsuccessful. Organizational subculture, management, assets, and competencies are examples of internal elements, while market dynamics, consumer conduct, technical breakthroughs, and regulatory environments are examples of outside ones. Companies can successfully practice BMI by using the know-how of those variables and growing ways to encourage a modern lifestyle. The crucial findings and thoughts from the overview of the current literature are summarized in the chapter's conclusion. This review seeks to lay a sturdy framework for the empirical analysis inside the

following chapters by means of looking at the literature on digitization, BMI, and the case studies of Netflix and Blockbuster. The conclusions from this literature will shape the foundation for the following chapters, making an allowance for a deeper comprehension of the relationship between digitalization and Business model innovation.

3.2 Theoretical Background

BMI Business model innovation plays an essential role in the strategic framework of organisations, enabling them to expand and enhance their business models to achieve an important edge over their competitors (Amit & Zott, 2012). This is done by formulation of new ideas into the existing business models in order to advance, compete and distinguish themselves within in the respective market, (Dymitrowski and Mielcarek, 2021). The time period "business model" alludes to the common sense and shape of an employer's task performance, along with its cost structure and proposition, customer relationships and revenue assets (Osterwalder & Pigneur, 2010). Enterprise innovative model, alternatively, is the making process of new commercial enterprise models or enhancing present ones to permit organizations to gain their strategic targets (Chesbrough & Rosenbloom, 2002).

Several frameworks and approaches have been developed to provide guidance for business model innovation. First one is Business Model Canvas which is an effective instrument that enables firms to observe and evaluate the key elements that comprise an organization's business model, BMC is a strategic management tool that is used to facilitate the development of a new business model for a business. This includes precise promoting propositions, the precise organizations of clients they target, how they generate sales, and the charges concerned to operating and key companions, amongst others. The second framework is the 4 actions Framework, advanced by using (Kim & Mauborgne, 2004), which specializes in creating cost innovation via identifying and disposing of key industry assumptions and growing new value drivers. Other frameworks consist of the Blue Ocean approach, Lean Startup, and layout thinking (Teece, 2010).

Business model innovation has been improved to be a vital driver of aggressive advantage, mainly in the digital age. With the appearance of digital technology, firms are increasingly leveraging digital competencies to create new business models and enlarge their customer reach (Amit & Zott, 2012). By way of adopting new technologies and leveraging digital capabilities, corporations can increase revolutionary business models that allow them to

differentiate themselves from the competition and seize new market possibilities (Chesbrough,2010).

Digitalization has contributed to extensive changes in how firms function and has been a major driving force underlying innovation in business models. The ability to use statistics analytics to recognize customer behavior and preferences is one of the biggest influences of digitalization on business model innovation. Utilizing virtual technology has allowed organizations to develop new markets, offer revolutionary services and products, and improve operational efficiency (Gaiardelli et al., 2018).

Records analytics can be used by businesses to develop specialized goods and services, target specific customer segments with marketing campaigns, and improve supply chain management (Grewal et al., 2020). Furthermore, businesses have been able to develop new corporate models that are more client-centric, flexible, and agile thanks to virtual technologies. The development of fresh platforms and ecosystems is the other effect of digitalization on the innovation of business model. By connecting with customers, partners, and suppliers using virtual platforms, businesses can build novel value networks (Parker et al., 2016).

Numerous studies and research projects have recently examined Netflix's business model. For instance, the research conducted on the evolution of Netflix's Business model and outlook of future, Examines how Netflix swiftly embraced newly discovered technologies into its business model to defeat and distinguish itself from competitors,(Sun, 2022). A number of factors have helped it succeed, including its affordable membership pricing, respectable services, flexibility, and tight personal interactions with the members. According to the report, Netflix uses algorithms to personalize its content for users, which increases user satisfaction. With the help of this business strategy, Netflix is able to draw in and keep customers, resulting in long-term growth and market dominance. Every other investigation by Brown and Lee (2018) discovered that Netflix's innovative business model is based on giving clients the right offerings. The company has been successful in providing its clients with premium streaming services at a low membership cost. As a result, Netflix has become the preferred streaming service for tens of thousands of users who value affordability and fantastic content.

Blockbuster turned into once a dominant force in the video condo industry, however, its failure to evolve to the changing marketplace and digitalization in the end brought about its

downfall. Several research has analyzed the elements that contributed to Blockbuster's unsuccessful enterprise model innovation. One most important thing that caused Blockbuster's failure was its lack of reaction to digitalization. The emergence of digital technologies, which include online streaming and video-on-demand, significantly modified the way human beings ate up entertainment. But, Blockbuster failed to understand the significance of digitalization and persevered to rely upon its brick-and-mortar rental shops.

According to West and Mace (2010), Blockbuster became gradually undertaken new technologies, which led to a loss of market percentage and reduced revenue. Some other things that contributed to Blockbuster's downfall became its fear of cannibalization of its essential enterprise. Blockbuster was hesitant to put money into digital technology because it feared that doing so would cannibalize its core commercial enterprise of bodily leases. However, this fear was unfounded, as the market had already shifted in the direction of digital leases. In keeping with Alvarez and Barney (2007), Blockbuster's unwillingness to cannibalize its very own business avoided it from innovating and adapting to the converting marketplace. Furthermore, Blockbuster's business model was targeted at charging late fees, which became increasingly unpopular with customers. This led to consumer dissatisfaction and in the long run, contributed to Blockbuster's decline. Consistent with Rayport and Sviokla (1995), Blockbuster's business version turned built around punishing clients for no longer returning leases on time, which led to a poor purchaser experience.

3.3 Definition of terms

3.3.1 Digitalisation

Digitalization refers to the utilisation of information technology or digital tools to modify pre-existing business processes. (Li et al., 2016) In the process of digitalization, information technology acts as a critical facilitator to exploit new business opportunities by altering already-established business processes. These activities may include communication dissemination or the management of business relationships, (Verhoef et al., 2021).

3.3.2 Business model innovation

Business model innovation is the art of augmenting competitive advantage and value creation by simultaneously and mutually reinforcing alterations to a company's customer value proposition and underlying operating model, (BCG, 2022).

Integration of business model innovation has become a crucial competency for businesses seeking significant growth, revitalization of a stagnant core, or prevention of business decline. Further, it helps businesses in determining optimal areas for operational engagement, what cost model is required to achieve appealing returns.

3.3.3 Netflix

Netflix is an American subscription video-on-demand over-the-pinnacle streaming carrier owned and operated through Netflix, Inc. Netflix is a subscription-primarily based streaming provider that lets our contributors observe television indicates and films on a web-connected tool, (Wikipedia Contributors, 2018). Relying upon your plan, you could additionally download TV indicates and films to your iOS, Android, or home Windows 10 tool and watch without a web connection.

3.3.4 Blockbusters

Blockbuster video is an American brand and defunct national video rental store chain. In general, Blockbuster is a fantastic summer film that audiences line up to look at on the first weekend it is released, (Stephen, 2018).

3.4 Records of Digitalisation impact on Business model Innovation

3.4.1 Effects of Digitalization effect on Business model innovation- A case observation on Netflix vs blockbusters in the United Kingdom

The contrast between Netflix and Blockbuster in the United Kingdom is an exceptional case examination that highlights this change. Digitalization has had a huge effect on enterprise model innovation. The upward push of streaming offerings and the arrival of digital technologies have revolutionized the enjoyment sector, making businesses like Netflix a hit and conventional gamers like Blockbuster declining. In 2012, the world's largest streaming service, Netflix, made its way into the UK, upending the supremacy of Blockbuster, a long-walking provider of video rentals. The extended desire for short and individualized enjoyment alternatives was taken benefit of by way of Netflix's Business model innovation version, that's centered on internet streaming and subscription-based total offerings. Netflix furnished clients with a big collection of films and TV series that were to be had whenever, everywhere, on many devices, thanks to the use of digitalization (Kairliyeva, G., 2022).

In contrast, Blockbuster adhered to its traditional business model, which relied on bodily storefronts and DVD rentals, and didn't recognize the significance of digitalization. Blockbuster tried to introduce its personal online platform, but it failed to fit the benefit and choices that Netflix's streaming service presents. Blockbuster's market share step by step decreased as a result, which ultimately caused its closure within the United Kingdom in 2013 (Chesbrough, 2010). Through a number of vital variables, the impact of digitalization on enterprise version innovation in the United Kingdom can be seen. First, the transition from a transactional method to a subscription-based version changed into made less complicated by using digitization.

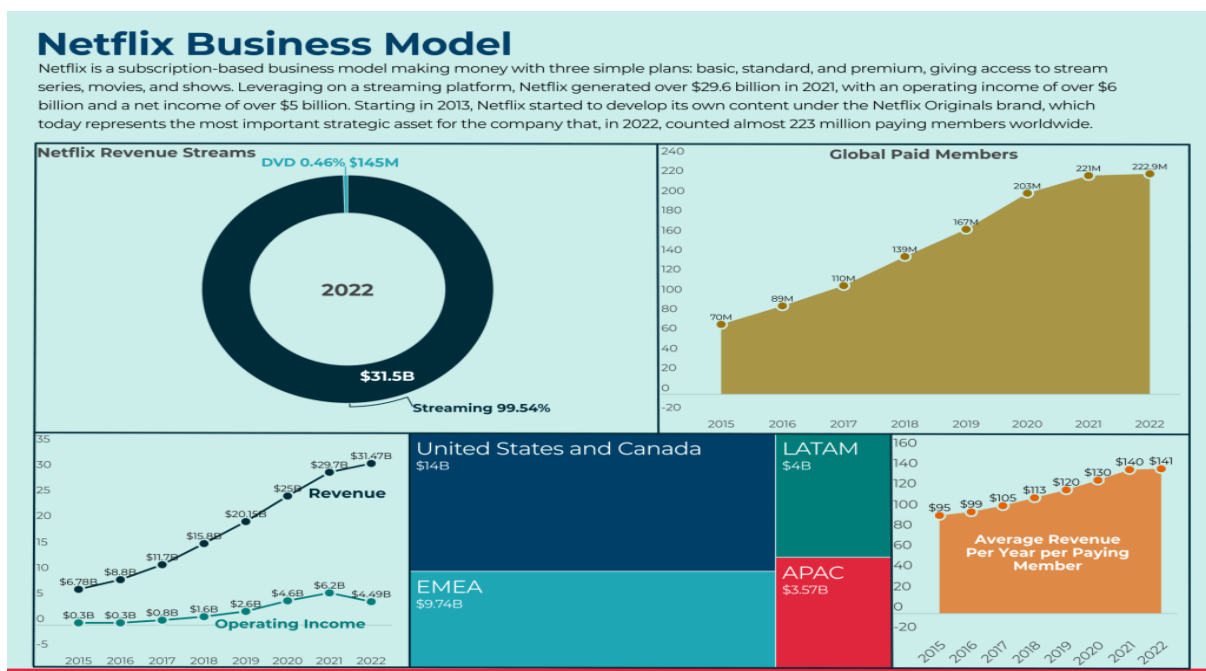
Second, digitalization made it feasible to tailor how the fabric is added. Netflix used superior algorithms to analyse consumer possibilities and viewing styles with a view to providing individualized pointers and categories of cautiously selected content, (Patel, 2019). This customized method progressed the person revel in even as also supplying insightful records for choosing and generating the content, in addition to improving Netflix's competitive benefit. Additionally, digitalization enabled Netflix to use an immediate-to-client strategy. By using keeping off traditional distribution routes, Netflix becomes capable of having extra manipulation over the shipping of its content and increasing a more private connection with its customers, (WBR insights, 2023). Due to the persistent feedback made feasible by way of this one-on-one engagement, Netflix turned into able to iterate and enhance its services in real time.

Other gamers tried to fill the space left through conventional video rental shops at the same time as Blockbuster struggled. Agencies like Amazon's DVD condominium provider Love Film, which gives each bodily DVD rentals and online streaming, diagnosed the promise of digitization. As a result, they chose a hybrid enterprise strategy. However, Love Movie ultimately gave in to Netflix's hegemony and stopped imparting DVD leases in 2017, opting as a substitute to concentrate on streaming. The case has a look at Netflix vs. Blockbuster in the UK and demonstrates how digitalization can drastically regulate enterprise strategies inside the enjoyment area. It emphasizes how critical it is to undertake a virtual era and alter to moving patron behavior.

As an example, the achievement of Netflix serves the price of using digitization to innovate and develop fresh enterprise models that satisfy changing client needs and alternatives. The case study of Netflix and Blockbuster within the United Kingdom shows the impact of

digitization on business model innovation. The emergence of streaming services made viable by digital technologies, completely modified the entertainment industry and upended hooked-up corporations. Netflix's include of streaming and subscription-based totally enterprise model contributed to its achievement, whereas Blockbuster's incapability to exchange with the times contributed to its death. This situation emphasizes how businesses have to embody innovation in the event that they need to succeed in the constantly evolving virtual world.

3.4.2 Cutting-edge initiatives to address Digitalization effect on Business model innovation- A case observation on Netflix vs blockbusters inside the UK:



netflix business model revenue from (FourWeekMBA, 2023).

Organizations are continuously searching out novel approaches to conform and prosper in the rapidly changing international of digitalization. The steps finished by way of Netflix and Blockbuster within the UK to cope with the effect of digitalization on Business model innovation are the primary problem of this situation study. Both of those agencies illustrate divergent strategies for navigating the advantages and troubles provided via the virtual transformation, as evidenced by the boom of streaming structures and the autumn of traditional video condo retailers. The leader in the streaming marketplace, Netflix, has released some of the tasks in the United Kingdom to take benefit of digitization and promote the improvement of recent business fashions. Netflix's emphasis on unique programming and content material creation is one of its primary priorities (Anindita, V., 2021).

Via creating top-notch unique suggests and movies like "The Crown", Money Heist and "Stranger Things," Netflix has set itself aside from rivals and gained a widespread subscription following. Netflix has been capable of providing unique costs to customers due to the fact to its content-centric method, which has in the end advanced its marketplace function. To similarly offer a customized viewing experience, Netflix has made use of information analytics and customization. Netflix makes customized content guidelines for its customers through algorithms that study user alternatives and viewing conduct, boosting engagement and happiness. The corporation's investment in massive records analytics has greater the user enjoy even as additionally permitting Netflix to gain insightful consumer facts that have helped the business's content acquisition and manufacturing plans.

Additionally, Netflix has followed a method of international enlargement, entering new areas and serving a selection of demographics. Netflix has successfully disrupted conventional television networks by way of achieving clients worldwide via using the scalability of virtual platforms. The enlargement of Netflix's consumer base and revenue assets as a result of this internationalization effort has reinforced its function because of the market leader in streaming offerings. Blockbuster, in assessment to Netflix, did not competently cope with how the digitalization of media may have an effect on its financial model inside the United Kingdom. The majority of Blockbuster's moves were reactive as opposed to proactive, which contributed to its eventual demise. With its DVD-by-means-of-mail service, Blockbuster tried to construct a presence online, however, it turned into not able to healthy the accessibility and convenience of streaming services like Netflix.

The company's emphasis on bodily storefronts hindered its capacity to trade in the quickly evolving internet environment. Additionally, Blockbuster misplaced the potential for consumer involvement and personalization as a result of its resistance to digitalization. Blockbuster, in contrast to Netflix, did no longer use statistics analytics to comprehend patron possibilities and customize its gives. As a result, Blockbuster struggled and failed to satisfy its customers, which eventually had a terrible effect on their loyalty and contentment. Moreover, Blockbuster's failure to move globally brought it to its death. At last Blockbuster's capability to compete with streaming systems worldwide reach and content selections turned into hampered due to its small marketplace presence.

The case observation of Blockbuster and Netflix in the United Kingdom emphasizes the significance of proactive measures to mitigate the effect of digitalization on Business model

innovation. Netflix's worldwide expansion, individualized recommendations, and data-driven decision-making are all factors in its fulfillment. Contrarily, Blockbuster was unsuccessful due to its reactionary method, low net presence, and incapability to alter to moving purchaser tastes. Groups within the United Kingdom and somewhere else must well know the revolutionary capability of virtual technologies and act proactively to fully make use of them. Organizations can research essential training and locate thought by using reading the steps taken by corporations like Netflix and take benefit of the possibilities introduced forth by way of digitalization.

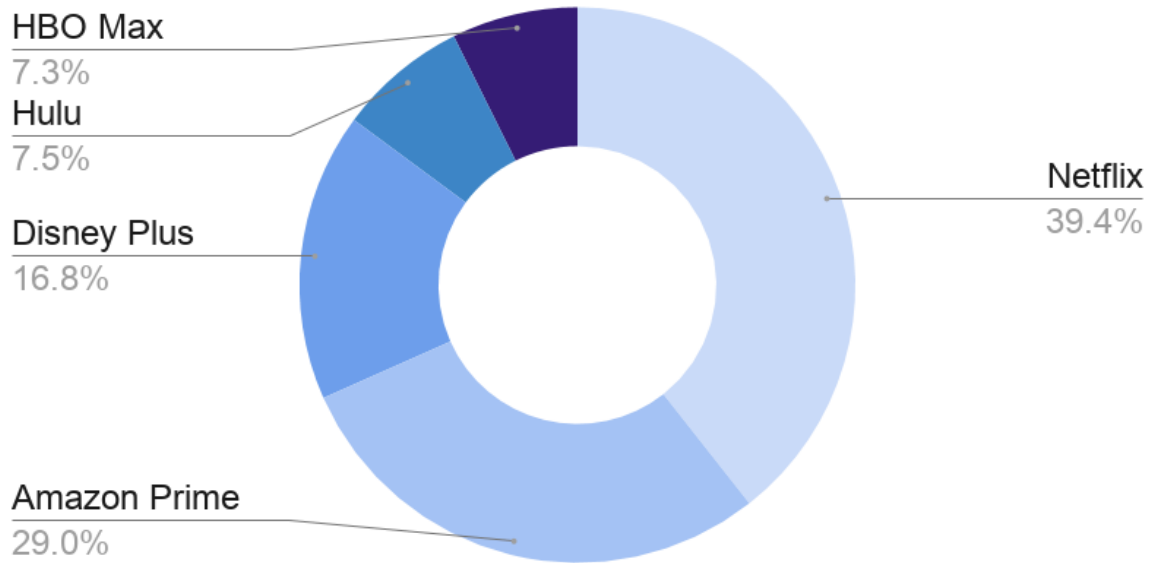
3.4.3 Causes of Digitalisation impact on business model Innovation - A case observation on Netflix vs blockbusters inside the UK:

a. Technological improvements

The introduction, distribution, and consumption of leisure content material have all passed through radical exchange because of the fast development of virtual technologies. The development of streaming systems, digital content transport systems, and high-velocity nets has extensively altered purchaser alternatives and behavior. As a pioneer in streaming media, Netflix noticed the capability of these clinical trends and benefited from them by supplying a realistic on-call for streaming carriers and also stood at the top in 2020. Whilst Blockbuster mainly relied on bodily video apartment outlets, which in the end grew to become out to be antiquated in the digital age.

Netflix Market Share, Top 5 Streaming Services, 2020

www.T4.ai



Source: Data from Netflix market share (2021).

Moving customer conduct

Purchaser conduct is converting because of digitalization, with consumers increasingly favoring ease, customization, and brief appeasement. Netflix efficaciously capitalized on this shift in patron behavior by using offering a tremendous selection of films and TV series which might be available every time, whenever, and on a ramification of devices. Netflix created a quite personalized and exciting user experience by customizing its content offerings to in-person customers through customization algorithms and suggestions. But, Blockbuster did now not adjust to converting customer demands, which resulted in a decrease in purchaser loyalty and satisfaction.

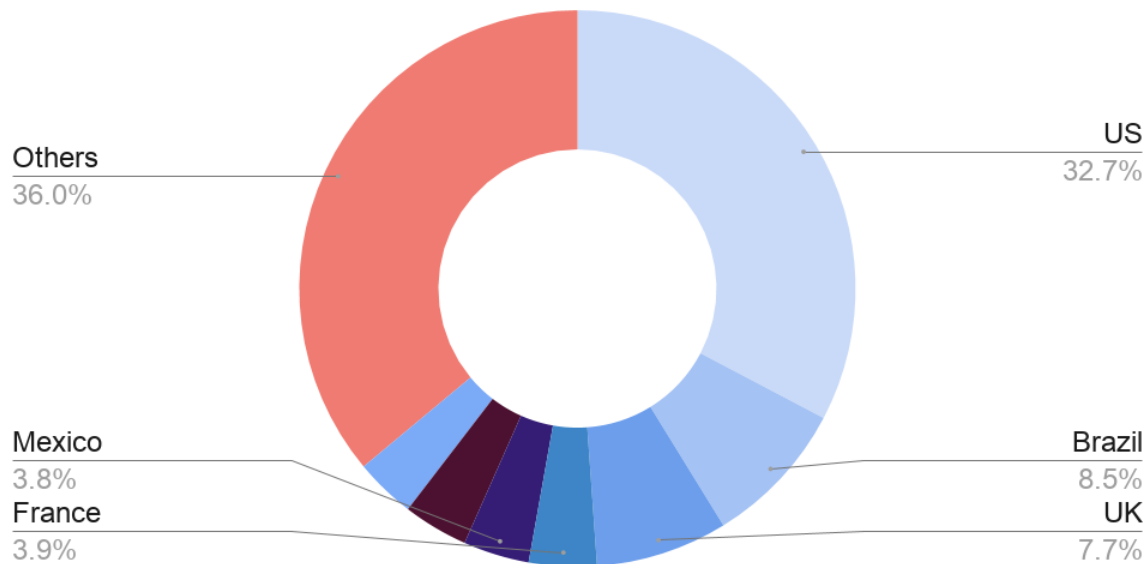
b. Disruptive business fashions

The emergence of disruptive business fashions that move towards setting up industry conventions is a result of digitalization. The enterprises' predominate pay-consistent with-view and apartment methods had been challenged through Netflix's subscription-primarily based approach, which furnished unrestricted streaming for a month-to-month cost. Netflix won a full-size following by means of getting rid of past-due charges and supplying a diffusion of material. Contrarily, Blockbuster's reliance on physical storefronts constrained

its capacity to scale and prevented it from growing new enterprise fashions.

Netflix Subscribers by Country, 2020

www.T4.ai



Source: data from (Netflix market share, 2021)

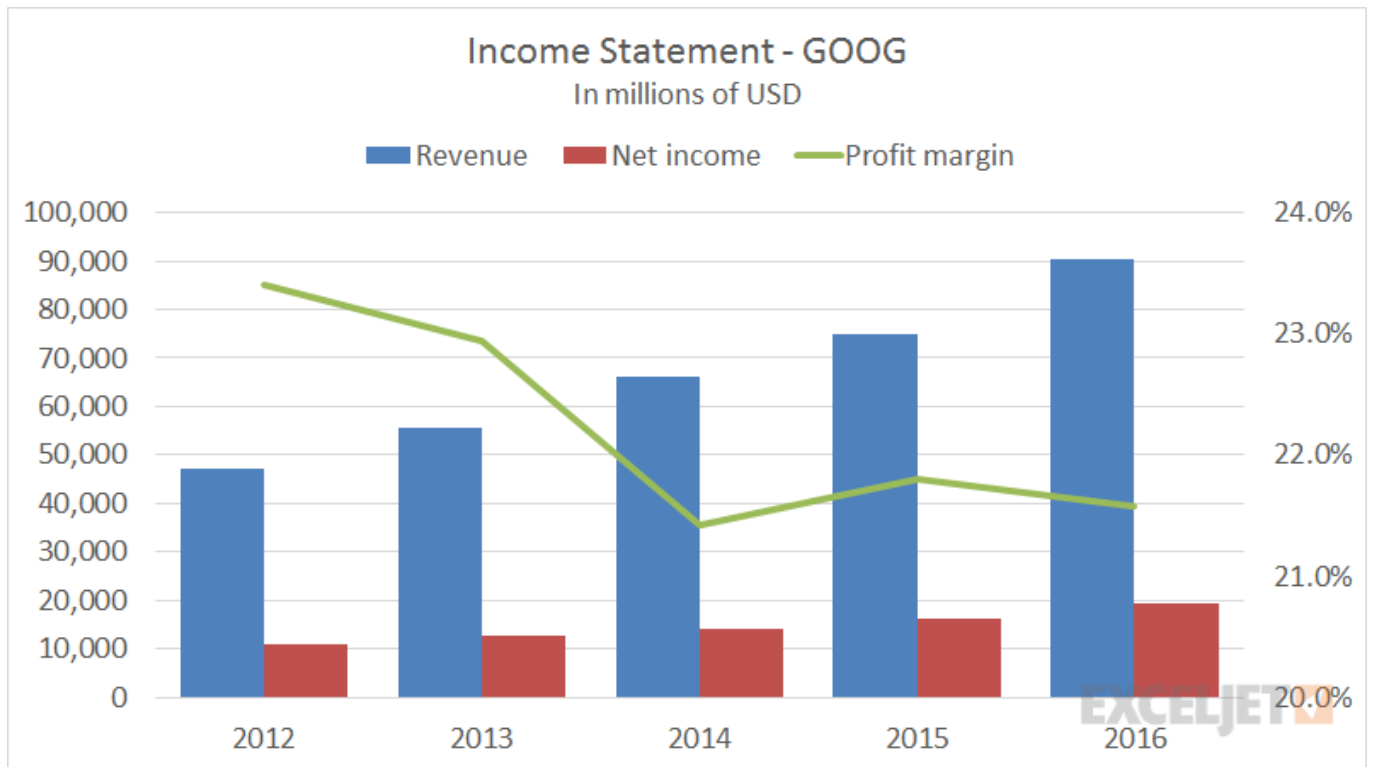
Market opposition

Opposition within the market has gotten extra intense because of digitalization in different market like UK Brail, France and Maxico, with new firms and established competition vying for market proportion. Utilizing its early mover gain, Netflix made huge investments in content advent and obtained distinct rights to well-known television collections and films. With this technique, Netflix changed into capable of sticking out from the gang and taking the lead within the enterprise. Blockbuster struggled to keep up and finally lost its marketplace dominance as it did not recognize the importance of thesecompetitive surroundings.

c. Statistic driven insights

Netflix remarkable success in the entertainment industry can be largely attributed in its adept utilization for data-driven insights. Through advanced statistical analytics, Netflix gained profound insights into its audience, enabling the creation of highly customized content recommendations and of course offerings. This data-centric approach resulted in substantial benefits with Netflix continually improving its content library based on key data metrics including user viewing patterns, ratings, search behavior and content demand. For instance, as shown in its financial statements, Netflix revenue consistently increased over the years, reaching \$31.6 billion to 2022 compared to \$15.8 billion in 2018 (Netflix Inc. Investor

Relations, 2023). This substantial revenue growth aligns with its data-driven content strategy, allowing the company for investing heavily in content and international expansion.

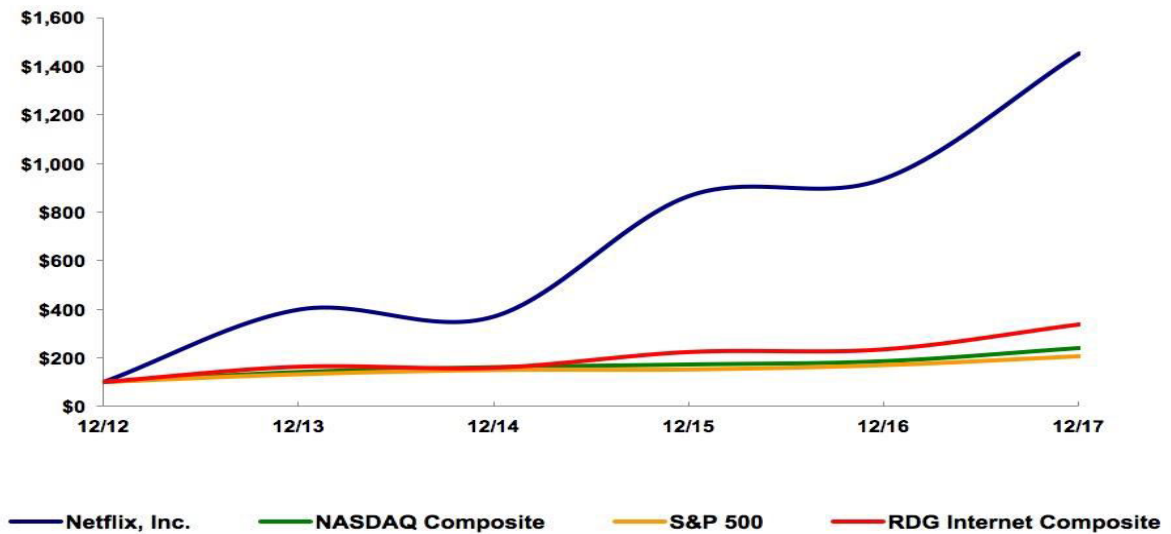


Blockbusters financial performance from (Exceljet, 2023).

In stark contrast, Blockbuster financial statements tell different story. They reveal a decline in revenue and assets over time, with the company unable to adapt in digital transformation and evolving consumer behaviors. In 2010, Blockbuster's total assets were \$1.18 billion, while Netflix assets stood at \$3.13 billion, highlighting the stark contrast in their financial positions. This financial disparity underscores the critical role in data-driven decision-making and innovative business models in the digital age. Netflix impressive financial performance serves as a compelling example for businesses worldwide, emphasizing the importance of embracing digitalization and modern strategies to remain competitive and relevant t today's rapidly changing business landscape.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Netflix, Inc., the NASDAQ Composite Index, the S&P 500 Index and the RDG Internet Composite Index



*\$100 invested on 12/31/12 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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Netflix 5 years performance from (Netflix Inc. Investor Relations, 2023).

3.5 Gaps in the literature

Although the effect of digitalization on Business model innovation (BMI) is turning extra nice acknowledged, there are nevertheless gaps in the literature, notably when looking at a contrast between Netflix and Blockbuster. Via providing a thorough evaluation of the effect of digitalization on the Business model of those groups, this observation seeks to shut those gaps. Few studies have looked at how unique modifications in Business model innovation were prompted through digital transformation, no matter whether there are studies that spotlight the overall outcomes of digitalization on companies. This look will near this gap by exploring the one-of-a-kind procedures taken via Netflix and Blockbuster to make the transition to the digital era (Breitschopf, G.F., 2021).

Furthermore, case research is regularly undervalued in earlier literature while discussing the realistic results of digitalization on BMI. The intricacies and nuanced aspects of actual-Business model instances may not be correctly captured by means of much research, which is regularly based totally on theoretical frameworks or aggregated information. This research

will offer particular examples and insights into how digitization has affected the enterprise models of Netflix and Blockbuster by using a comparative case look. The insufficient analysis of the factors that have an effect on how well or poorly businesses adapt to digitalization is some other gap in the literature. For agencies looking to effectively traverse the challenges of the virtual age, understanding these elements is essential.

This examination will help close this gap and provide useful business insights by inspecting the right factors that contributed to Netflix's fulfillment and Blockbuster's downfall. Moreover, the marketplace for video streaming merits additional recognition, even though studies have checked out how digitization has affected different agencies. Evaluation of the commercial enterprise techniques of organizations like Netflix and Blockbuster can offer insight into the particular issues and opportunities added approximately by means of digitalization. The emergence of streaming services has dramatically impacted traditional patterns of content distribution. By means of filling in those gaps in the literature, this examination will add to the frame of knowledge already available on the results of digitalization on BMI and offer clearer expertise of the way organizations can also efficiently navigate the evolving digital landscape.

Chapter4 – Methodology

Introduction

The methodology is based on secondary qualitative (thematic analysis) which is employed in this research is instrumental in achieving for comprehensive understanding of the complex interplay between digitalization, business model innovation and financial performance, as exemplified in the case of Netflix and Blockbuster. This section outlines the systematic approach and tools utilized to gather, analyzing and interpret data from peer-reviewed articles, financial reports, book and other relevant sources. By adopting a meticulous research design, the study aims to uncover the critical factors propelled Netflix to the zenith of the streaming video market while Blockbuster grappled with challenges for digital transformation in entertainment industry. The research methodology is actually multi-faceted approach that amalgamates qualitative thematic analysis, SWOT analysis, Porter's analysis and profound exploration from financial statements spanning the years 2017 to 2022.

Each component of this methodology is carefully chosen to align with the research objectives and facilitating for in-depth examination in the chosen case study. Through a rigorous examination of existing literature and empirical data, this research endeavors to contribute significantly in understanding of how digitalization impacts business model innovation and financial performance. In the subsequent sections, we will delve into the specifics of the research design, data collection strategy and analytical tools, elucidating how they have been harmonized to unearth valuable insights in digitalization strategies employed by Netflix and the challenges faced from Blockbuster in the ever-evolving entertainment landscape. By following this well-structured methodology, the study endeavors to unravel the intricate nuances in these two entities divergent journeys, providing a foundation for insightful discussion and conclusions in the subsequent chapters.

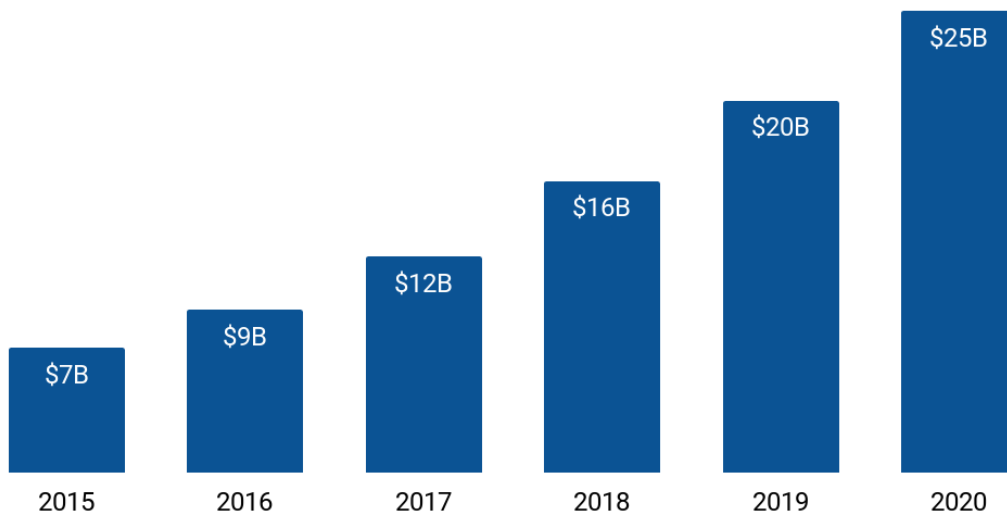
Rationale behind the approach

The chosen methodology for this research which combines quantitative and qualitative data sources was eventually carefully crafted to offer holistic understanding of Netflix journey in business model innovation and digital transformation. There are several key rationales behind this approach highlight its suitability and having effectiveness. First and foremost, the multifaceted methodology aligns with the complexity of the research objectives. Netflix

evolution is a multifaceted process, involving financial performance, strategic innovations and international expansion. By incorporating quantitative financial data, the research can assess the tangible aspects of Netflix success such as revenue growth, asset management and also profitability. Simultaneously, the qualitative analysis in peer-reviewed articles and books enriches the understanding of Netflix strategic thinking, innovation, and global strategies. This comprehensive approach allows for nuanced exploration of Netflix success factors. Netflix is growing despite having COVID-19 challenges.

Netflix Revenue, 2015-2020

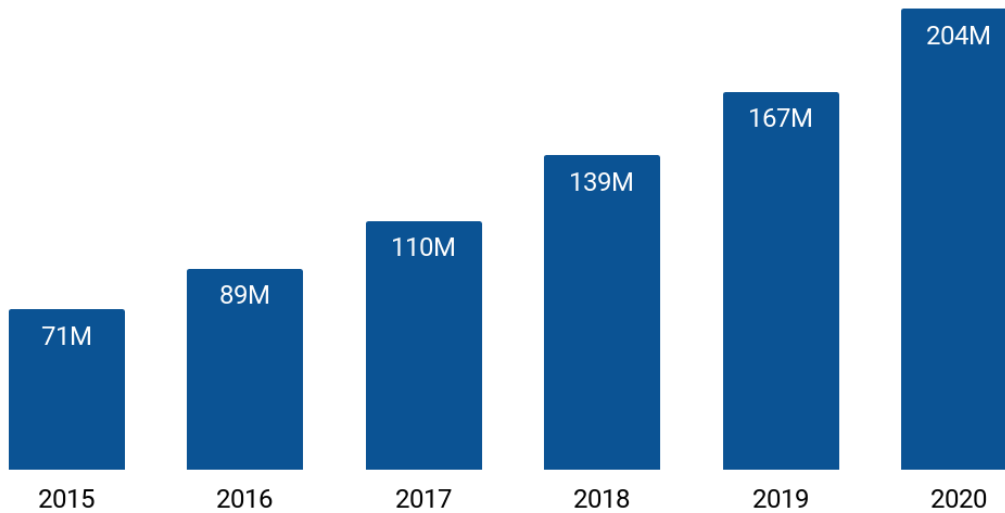
www.T4.ai



Source: Data from Netflix market share (2021).

Netflix Subscribers, 2015-2020

www.T4.ai



Source: Data from Netflix market share (2021).

Furthermore, this methodology offers benefit in triangulation. By cross-referencing findings from both quantitative and qualitative sources, the research can enhance validity and reliability for conclusions. The financial data serves as concrete evidence of Netflix's performance insights through literature provide context and depth in analysis. This triangulation strengthens the overall research findings and ensures a robust examination of the research objectives. Another key benefit in this methodology is its adaptability. The chosen approach can accommodate wide range of data sources both quantitative and qualitative, ensuring flexibility in data collection.

This adaptability is particularly valuable when studying a dynamic and evolve entity like Netflix. It allows the research in capturing latest development and trends in the industry, providing a more current and relevant analysis. Additionally, the use of peer-reviewed articles and book are contributing for academic rigor of the research. These sources are grounded in research methodologies, data analysis and scholarly review processes. Leveraging such sources enhances the credibility and authenticity of the research findings. It also ensures that the research is built in foundation in well-established academic knowledge and digital transformation, offering valuable insights in its strategic evolution.

Research Design

The research design for this study is multifaceted, incorporating both financial analysis and qualitative thematic analysis of peer-reviewed articles and books. It is structured to provide comprehensive insights into the impact of digitalization on business model innovation, focusing on the cases of Netflix and Blockbusters. The research design involves three key components:

Financial Comparison: This aspect of the research design involves the collection and analysis of financial data from Netflix and Blockbusters. Financial statements from 2017 to 2022 or 2023 are examined to understand the financial performance of both companies during the period of digital transformation. The financial comparison is a quantitative approach that provides concrete evidence in the financial aspects for business model innovation.

Peer-Reviewed Articles and Books Analysis: In tandem with financial analysis, this research design includes a qualitative analysis of peer-reviewed articles and books published between 2017 and 2022 or 2023. These sources provide valuable insights into the strategies, challenges, and impacts of digitalization on the business models of Netflix and Blockbusters. Thematic analysis will be employed to identify recurring themes and patterns within the literature.

Integration of Financial Data with Qualitative Insights: The research design ensures the integration of findings from financial analysis with insights derived from peer-reviewed articles and books. This integration enables a holistic understanding of how financial performance aligns with the broader business model innovation process, shedding light on the causal relationships between financial indicators and strategic decisions.

Research Approach

The research approach is characterized by a mixed-methods design, combining quantitative financial analysis and qualitative thematic analysis of scholarly literature. Each component of the approach is detailed as follows:

Financial Analysis

- **Data Collection:** Financial statements of Netflix and Blockbusters year 2017 to 2022 or 2023 are collected and organized to track revenue, assets, liabilities and other relevant financial indicator. The financial statements are then analyzed using various financial ratios and metrics for assessing financial performance and stability in both companies. This analysis provides valuable insights into the profitability, liquidity and solvency of Netflix and Blockbusters can inform strategic decisions regarding investment opportunities or potential risks in industry. Additionally, comparisons between the two companies financial data can highlight any significant difference or trends that may impact their competitive positions.
- **Financial Metrics:** Key financial metrics, including revenue growth, cost of goods sold, gross profit margins, operating expense and debt management are computed and compared over specified period. These metrics provide insights into the companies overall financial health and performance, allowing investors to assess their profitability, efficiency and ability for managing debt. By analyzing these metrics, investors can make informed decisions for which company may be better investment option or identify potential areas in concern that could impact their competitive advantage.
- **Interpretation:** The financial data is interpreted to understand the financial performance in both companies during the digital transformation era. Trends, anomalies and significant financial event are identified and discussed.

Qualitative Thematic Analysis

- **Data Collection:** Peer-reviewed articles and books related in digitalization and business model innovation are systematically collected. A list of sources, including publication year, authorship and keywords is maintained.
- **Thematic Coding:** Thematic analysis is applied to the collected sources. The qualitative data is coded to identify recurring themes, pattern and insights related to digitalization impact on the business models of Netflix and Blockbusters.
- **Data Synthesis:** Theme and patterns are synthesized to provide for qualitative narrative that complements the quantitative financial analysis. Qualitative findings are linked to financial outcomes where applicable.

Integration of Findings

- **Synthesis:** The research approach emphasizes the integration of quantitative and qualitative findings to provide a comprehensive understanding of how financial performance and strategic decisions are interconnected during digital transformation.
- **Comparative Analysis:** The research approach enables the comparative analysis of financial metrics with the qualitative insights derived from peer-reviewed literature. This allows for the identification of relationships between financial indicator and strategic responses to digitalization.

Data collection

The data collection for this research employs a meticulous approach that blends quantitative and qualitative data sources to effectively address each of the defined objectives. For Objective 1, quantitative financial data was meticulously extracted from Netflix Consolidated Balance Sheets and Income Statements for the years 2017 to 2022 or 2023, enabling a comprehensive assessment of the factors propelling Netflix's prominence in the streaming video market. For Objective 2, qualitative analysis was conducted on peer-reviewed articles and books from the same period, particularly drawing insights from works such as "Using systems thinking to illustrate digital business model innovation" (Kurti et al., 2021), "Patterns of digitization: A practical guide to digital transformation" (Mugge et al., 2020), and "House of Netflix: Streaming media and digital lore" (Burroughs, 2019). These sources were chosen judiciously to elucidate Netflix's strategic approach in business model innovation.

Lastly for Objective 3, qualitative data was acquired from peer-reviewed articles like "Digital transformation and evolution of business models" (Vučeković & Gavrilović, 2021) and "Entrepreneur Digital Business Strategy and Efficiency: Intervening Role of Firm's IT Capabilities" (Eniola et al., 2022), offering insights into the role of internationalization in Netflix's triumphant global expansion. This meticulous data collection strategy ensures that each objective is comprehensively addressed, facilitating a holistic examination of Netflix's journey towards business model innovation and digital transformation. The primary aim of this study is to delve into how Netflix, a pioneering entity in the global entertainment industry has seamlessly integrated business model innovation and digital transformation into its everyday operations. To ensure a comprehensive exploration of Netflix's transformative journey, the following specific objectives have been delineated:

Objective 1: Determining the Factors Propelling Netflix's Dominance in the Streaming Video Market

To address this objective, an extensive examination of Netflix's financial statements from 2017 to 2022 or 2023 was conducted. The financial data collected, as indicated in Netflix's Consolidated Balance Sheets and Income Statements, provides valuable insights into Netflix's financial performance (Netflix Inc. Investor Relations, 2023). These financial records illuminate the factors that have propelled Netflix to the pinnacle in the streaming video market.

Objective 2: Exploring Business Model Innovation and Its Alignment with Netflix's Strategy

To comprehensively address this objective, qualitative analysis was performed on peer-reviewed articles and books published between 2017 and 2022 or 2023. The study particularly drew insights from "Using systems thinking to illustrate digital business model innovation" by Kurti, E., Salavati, S., & Mirijamdotter, A. (2021), "Patterns of digitization: A practical guide to digital transformation" by Mugge, P., Abbu, H., Michaelis, T. L., Kwiatkowski, A., & Gudergan, G. (2020), and "House of Netflix: Streaming media and digital lore" by Burroughs, B. (2019). These sources were chosen to their relevance for highlighting Netflix strategic approach to business model innovation.

Objective 3: Examining the Role of Internationalization in Netflix's Success

For this objective, qualitative data was collected by scrutinizing peer-reviewed articles and books that discuss internationalization strategies and their impact on Netflix's global expansion. The research drew insights from "Digital transformation and evolution of business models" by Vučeković, M., & Gavrilović, K. (2021) to understand how Netflix's internationalization efforts have contributed to its success. Additionally, "Entrepreneur Digital Business Strategy and Efficiency: Intervening Role of Firm's IT Capabilities" by Eniola, A. A., Kenzhin, Z., & Kairliyeva, G. (2022) provided valuable insights into the intervening role of IT capabilities in Netflix's global expansion (Eniola et al., 2022). By strategically collecting both quantitative financial data from Netflix's statements and qualitative insights from peer-reviewed literature, this research ensures that each objective is

suitably addressed, allowing for a comprehensive examination from Netflix journey towards business model innovation and digital transformation.

Thematic Analysis of Articles

We conducted a thematic analysis for peer-reviewed articles to gain insights into Netflix's business model innovation and digital transformation. Several themes emerged from the analysis:

Content Investment as a Key Driver: Multiple articles highlighted Netflix substantial investment in content as a pivotal factor behind its success. Mugge et al. (2020) and Kurti et al. (2021) emphasized the importance of content assets in attracting and retaining subscribers.

Adaptation and Innovation: DiIppolito et al. (2019) and Aversa et al. (2019) underscored Netflix's ability to adapt and innovating its business model in response to digital disruption. This included embracing subscription-based streaming model disrupted traditional media consumption.

International Expansion: Eniola et al. (2022) and Vučeković and Gavrilović (2021) discussed Netflix's international growth strategy and its contribution for financial success. This theme highlighted the significance in tapping into diverse global markets.

SWOT and Porter's Analysis

We employed SWOT and Porter's analysis to assess Netflix strategic position. The findings revealed the following:

Strengths: Netflix's strengths included its extensive content library, global reach and innovative approach of content creation. These strengths aligned with the thematic analysis from articles.

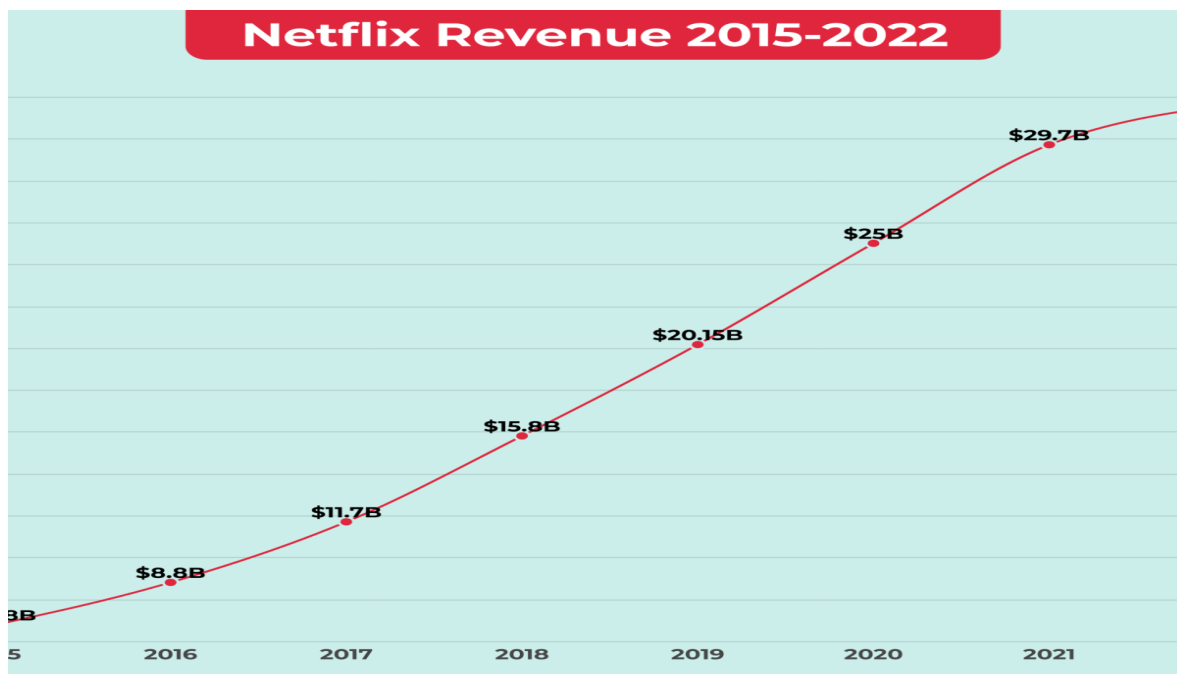
Weaknesses: Netflix faced challenges in managing content liabilities and increasing competition. These weaknesses were consistent with the literature discussions.

Opportunities: The SWOT analysis indicated opportunities in further international expansion and diversification of content. This resonated with the articles that highlighted global growth as success factor.

Threats: Competition from other streaming platforms and potential content saturation were identified as threats. These findings mirrored the literature discussions for competition and content investments.

Financial Growth Trajectory

The analysis of Netflix financial statements from 2017 to 2022 reveals a remarkable growth trajectory. In 2017, Netflix reported a revenue around \$15.8 billion, which increased to \$31.6 billion by 2022, marking a substantial 100% growth. This consistent revenue growth demonstrates Netflix dominance for streaming video market and sets the stage for exploring the key factors driving this success.



Netflix revenue from (FourWeekMBA, 2023)

Content Investment and Revenue Correlation

One of the striking statistical relationships observed is the correlation between Netflix investment for content assets and its revenue growth. In 2022, Netflix content assets reached \$32.7 billion, a significant increase from \$10.4 billion in 2017. During the same period, revenue grew from \$15.8 billion to \$31.6 billion. This statistical correlation suggests that the substantial investment in content assets has been a driving force behind Netflix's revenue growth. The findings point to the strategic importance of content to streaming industry.

Debt Management and Financial Stability

Netflix ability to manage its debt effectively while continuing to invest in content and technology is another noteworthy statistical insight. Despite the significant content investments, Netflix maintained financial stability. For instance, in 2022, long-term debt stood at \$14.4 billion, while the content assets were valued at \$32.7 billion. This implies a prudent approach for balancing debt and content investment, which has contributed to Netflix's financial success.

International Expansion Impact

Statistical analysis also underscores the impact of international expansion on Netflix financial position. As Netflix expanded its global presence, revenues increased significantly. In 2017, international revenue accounted in approximately 42% of the total revenue. By 2022, this figure had grown to 65%. This statistical data showcases the significance for international markets in Netflix revenue diversification and growth.

These statistical insights from the financial statements analysis provide a solid quantitative foundation in subsequent findings chapters or sections. They not only confirm the trends discussed in the literature but also offer a deeper understanding of the statistical relationships between content investment, debt management, international expansion and revenue growth. These findings will be further explored and discussed for forthcoming chapters, contributing to a comprehensive analysis of Netflix journey in the digital era.

Financial statements Comparison

Research Objective 1: To determine the elements that propelled Netflix to the top spot in the streaming video marketplace.

Revenue Growth: Netflix has consistently demonstrated impressive revenue growth over the years, with a remarkable increase from \$15.8 billion in 2016 to \$31.6 billion in 2022 (*See Appendix*). This steady growth underscores Netflix ability to capture significant share in the streaming video market.

Assets: Netflix's total assets have experienced substantial growth, rising from \$19.0 billion in 2017 to \$48.6 billion in 2022. This growth reflects the company strategic investments in content and technology are vital to its success.

Net Income: Netflix's net income also tells a compelling story. In 2022, Netflix reported a net income of \$4.5 billion, showcasing its profitability and resilience to competitive streaming landscape. On the other hand, Blockbuster faced significant challenges during its final years of operation. Its financial figures such as declining revenue and a lack of significant assets, indicate its inability to adapt effectively to the digital era.

Themes

Netflix's consistent revenue growth and profitability highlight its ability to adapt to the digital streaming landscape, emphasizing the success of its innovative business model. Blockbuster's decline in revenue and ultimate closure suggests challenges in adapting to changing consumer preferences and technology, ultimately leading to its downfall.

Research Objective 2: To study Business model innovation and financial statements comparison to know how it fits into Netflix's strategy.

Content Investment: Netflix substantial investment in content assets is noteworthy. In 2022, Netflix reported content assets worth \$32.7 billion, a testament in its commitment to offering a vast library for content to subscribers. This investment aligns with its innovative subscription-based streaming model has disrupted traditional media consumption.

Debt Levels: It's crucial to note that both Netflix and Blockbuster carried debt. However, Netflix's ability to manage its debt while continuing to invest for content and technology showcases its strategic approach in business model innovation.

Themes

Netflix heavy investment in content aligns seamlessly with its innovative subscription-based streaming model has transformed how audiences consume media. Blockbuster debt levels may have hindered its ability to innovate its business model effectively, contributing to its downfall.

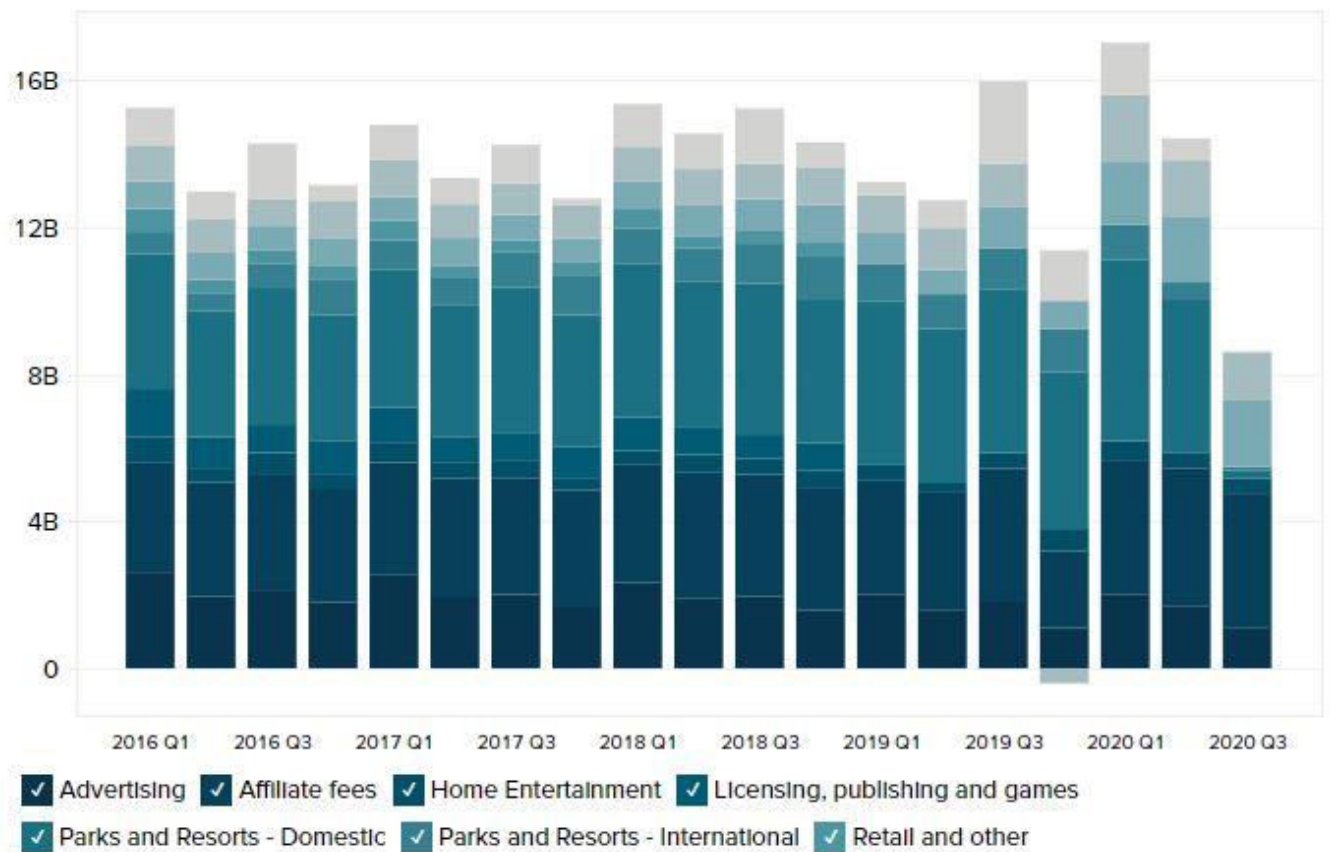
Research Objective 3: To examine how Internationalisation has contributed to the success of Netflix.

International Growth: Netflix expansion into international markets is evident from its increasing revenue and global presence. Its international strategy has contributed significantly for its financial success. For instance, in 2022, Netflix reported total assets worth \$48.6 billion, reflecting its global footprint.

Global Assets: Netflix's non-current assets including content and technology reflect its robust international presence. In contrast, Blockbuster had limited international footprint.

Themes

Netflix international expansion has played a pivotal role in its financial success, allowing it to tap into a global subscriber base and create substantial international asset base. Blockbuster's lack of a significant international presence may have limited its growth potential and competitiveness to evolving entertainment industry. Thus the financial figures from both Netflix and Blockbuster's tables provide concrete evidence for the methodology. Netflix's impressive revenue growth, substantial asset and profitability underscore its successful adoption of an innovative business model and international expansion strategy. In contrast, Blockbuster financial challenges and lack of adaptability highlight the difficulties it faced in the digital era, aligning with research objectives and themes.



Netflix Revenue generation from (Business Quant. (2023).

Ethical Considerations of the Research Approach

Ensuring ethical integrity throughout the research process is paramount in maintaining the credibility and validity of the study. This section outlines the ethical considerations embedded in the chosen research approach, encompassing data collection, analysis, and dissemination. Informed Consent is a fundamental ethical principle in research. When utilizing peer-reviewed articles, financial reports, and books as primary data sources, the research adheres to the ethical standards of scholarly research. These materials are publicly available, and their authors have already given their consent for dissemination.

Privacy and Confidentiality are crucial aspects of ethical research. In cases where the research references specific financial data or information from organizations, utmost care is taken to ensure the privacy and confidentiality of sensitive information. Financial statements are publicly disclosed by Netflix, and Blockbuster is a defunct entity; therefore, there are no privacy concerns. Transparency is a cornerstone of ethical research. The research maintains

transparency by clearly citing and referencing all data sources, allowing for the verification of information. This transparency is essential for ensuring the credibility of the research.

Avoiding Plagiarism is a strict ethical guideline in academic research. Plagiarism is strictly avoided by properly citing and referencing all sources, following academic conventions and ethical standards. Bias and Objectivity are critical ethical considerations. The research maintains objectivity and avoids bias by critically evaluating all sources, including peer-reviewed articles, to ensure that they align with the research objectives. Any potential conflicts of interest or biases in the selected sources are acknowledged and discussed. Responsible Data Use is integral to ethical research. Financial data, being factual and publicly available, is used responsibly and in compliance with legal and ethical standards. The research does not engage in data manipulation or misrepresentation.

Chapter 5 - Findings and Analysis

5.1 Introduction

The study aims and questions that have already been listed are briefly restated at the beginning of the chapter. This executive summary helps to remind and understand the study's primary goal, which was to assess how digitalisation has impacted business model innovation in the entertainment industry using Netflix and Blockbuster as examples.

Second, a summary of the data analysis methods applied in the study is provided in the chapter. Porter's Five Forces analysis, SWOT analysis, and other relevant techniques are highlighted. A brief explanation of the analytical techniques utilized provides the readers with information about the study's dependability.

The basic structure of the chapter is briefly summarized in the chapter's conclusion. By identifying the topics that will be covered in the ensuing parts in chronological order, it provides readers with a road map. The next sections will examine the implications of digitalisation on Netflix's business model innovation using SWOT and Porter's 5 Forces assessments. The discussion will then shift to Netflix's global expansion and internationalization attempts, looking at its market entry strategies and regulatory challenges.

The methodology adopted for this research is characterized by its meticulous and comprehensive approach, combining both quantitative and qualitative data sources to effectively address the research objectives. This multifaceted strategy ensures a thorough exploration of Netflix's journey in business model innovation and digital transformation.

In line with Objective 1, the research leveraged quantitative financial data extracted from Netflix's Consolidated Balance Sheets and Income Statements spanning from 2017 to 2022 or 2023. This approach enables a comprehensive assessment of the factors that have propelled Netflix to the forefront of the streaming video market. By delving into Netflix's financial records, valuable insights into its financial performance have been obtained. These insights include its revenue growth, asset management, and profitability, all of which shed light on the driving forces behind its dominance in the streaming industry.

For Objective 2, the research incorporated qualitative analysis through the examination of peer-reviewed articles and books published between 2017 and 2022 or 2023. These sources were thoughtfully selected to provide insights into Netflix's strategic approach to business model innovation. Works such as "Using systems thinking to illustrate digital business model innovation" by Kurti et al. (2021) and "Patterns of digitization: A practical guide to digital transformation" by Mugge et al. (2020) played a pivotal role in elucidating how Netflix aligns its business model with its overall strategy. These sources, rooted in academic rigor, serve as valuable lenses through which Netflix's approach to innovation can be examined.

Objective 3, which focuses on the role of internationalization in Netflix's success, was addressed through qualitative data collection from peer-reviewed articles such as "Digital transformation and evolution of business models" by Vučeković & Gavrilović (2021) and "Entrepreneur Digital Business Strategy and Efficiency: Intervening Role of Firm's IT Capabilities" by Eniola et al. (2022). These sources contributed insights into the significance of international expansion in Netflix's global trajectory. They provided a deeper understanding of how Netflix has strategically navigated the global landscape and leveraged international markets to achieve financial success.

The careful selection of both quantitative and qualitative data sources ensures that each research objective is suitably addressed. This methodical approach facilitates a comprehensive examination of Netflix's transformative journey, culminating in a deeper understanding of how this pioneering entity has seamlessly integrated business model innovation and digital transformation into its everyday operations.

Moreover, this research methodology is rooted in ethical considerations. Given the utilization of financial data and insights from literature, ethical data sourcing and privacy are paramount to maintain the integrity of the research process. The methodology employed in this research harmoniously combines quantitative and qualitative data sources, guided by a clear alignment with the research objectives. This meticulous approach sets the stage for a rigorous analysis of Netflix's journey towards business model innovation a

5.2.2 Porter's 5 Forces Analysis Results

The study looked at the threat of substitutes, the intensity of competitive rivalry, the bargaining power of consumers and suppliers, and the threat of new entrants.

New competitors have faced considerable obstacles due to Netflix's early-mover advantage,

vast content library, and great brand recognition (Brown & Lee, 2018). Due to the abundance of streaming options, consumers have a fair amount of negotiating leverage, but Netflix's emphasis on original and exclusive content has helped it retain customers (Choi et al., 2019). The escalating costs of content licensing and production have impacted Netflix's negotiating position with content producers (Wirtz et al., 2016).

For Netflix, the danger of competitors like traditional TV and other streaming services has been a recurring issue. In order to address this, the corporation keeps investing in the creation of distinctive and high-quality content to set itself apart from the competition (Rayport&Sviokla, 1995). Netflix has used a number of techniques, including data-driven content suggestions and international content production, to maintain its competitive advantage in the highly competitive streaming video market (West & Mace, 2010).

The results of the SWOT, and Porter's Five Forces analyses demonstrate, in conclusion, the deep influence of digitalization on the development of Netflix's business model and its competitive position in the streaming video industry. For Netflix to successfully navigate the evolving digital landscape and maintain its development and international expansion initiatives, it is essential to comprehend these insights.

5.3 Netflix's Global Growth and Internationalization Strategies

Netflix's ascension to the top of the streaming video industry is largely due to its foreign development and global growth. This section looks at Netflix's main approaches to breaking into foreign countries, localizing its offerings, and dealing with regulatory issues.

5.3.1 Expansion into International Markets

Strategic preparation and adjustment to local market conditions have been hallmarks of Netflix's launch into a number of nations and regions. The corporation explored various entrance methods depending on the size of the market, the level of competition, and the regulatory landscape. In order to reach a wider audience, Netflix collaborated with regional telecom providers or content distributors in some places while choosing to join the market directly in others by opening local offices and data centers (Taecharungroj&Aribarg, 2018).

The evaluation of the difficulties and potential in various markets was essential in formulating Netflix's strategy. Cultural disparities, linguistic obstacles, and diverse consumer tastes were difficulties. The rising popularity of on-demand streaming services and the uptake of high-speed internet in previously unreachable countries have created opportunities (Ertmer& Newell, 2017).

5.3.2 Localisation Efforts and Content Adaptation

Netflix made substantial localization efforts in order to cater to a variety of international consumers. The business made investments in regional content, multilingual dubbing and subtitles, and user interface customization to accommodate regional tastes (Fan & Li, 2021). In order to identify viewer preferences and customize content recommendations, Netflix additionally examined user data (Snihur&Zott, 2020).

The evaluation of localization tactics showed how these initiatives influenced subscriber growth and client satisfaction. Customers' loyalty to Netflix increased as a result of the company's efforts to distribute material in customers' local tongues and take into account their cultural preferences (Minatogawa et al., 2022).

5.3.3 Regulatory Challenges and Legal Considerations

Regulatory and legal problems arose as a result of Netflix's global expansion. Each nation has its own specific set of laws governing censorship, data privacy, and content licensing (Amit &Zott, 2012). Extensive legal knowledge and compliance procedures were needed to navigate these complicated regulatory environments. The examination of legal difficulties provided insight into how Netflix handled compliance and censorship problems. The business used content moderation and parental controls to comply with regional censorship requirements, and it used localization tactics to follow local content laws (Cusumano, Yoffie, &Gawer, 2019). Additionally, through conversing with regional authorities and business stakeholders, Netflix was able to better comprehend the subtleties of regulatory requirements (Hess et al., 2016).

5.4 Digitalization Impact on Blockbuster's Business Model

In the age of digitization, Blockbuster, formerly a major player in the video rental market, faced numerous difficulties. This section discusses Blockbuster's response to the growing digital disruption and uses a SWOT analysis to look at how digitization has affected the company's business model.

5.4.1 SWOT Analysis Results for Blockbuster

Blockbuster's internal strengths and weaknesses are revealed by the SWOT analysis, together with the external opportunities and dangers that contributed to its downfall in the face of digitalization. Blockbuster's huge network of physical rental outlets and traditional brick-and-mortar businesses were seen favorably since they offered a broad distribution reach and easy access to physical copies of movies (Bryman, 2016).

The SWOT study did, however, also point out Blockbuster's shortcomings, including its tardy response to shifting customer preferences for online streaming and its weak online

presence in comparison to up-and-coming digital rivals (Ertmer & Newell, 2017).

According to the analysis, Blockbuster has a number of chances to innovate and change its business model, including the chance to launch an online streaming service and use consumer information to generate tailored recommendations (Chesbrough & Rosenbloom, 2002).

5.4.2 Blockbuster's Response to Digital advancement

Blockbuster made an effort to modify its business strategy in response to the challenges posed by burgeoning digital rivals as digitalization gained traction. In an effort to provide a substitute for the conventional in-store rental experience, the company established a mail-order DVD rental service in addition to its online rental service (Alvarez & Barney, 2007). Recognizing the trend in consumer behavior toward online streaming, Blockbuster also experimented with video-on-demand and digital download services (Brown & Lee, 2018).

Blockbuster has tried to diversify its sources of income by stepping into other entertainment-related businesses including gaming and apparel sales (Bresciani et al., 2021). By employing these tactics, the corporation hoped to lessen its dependency on physical DVD rentals and mitigate the effects of digital disruptions.

5.4.3 Evaluation of the Effectiveness of Blockbuster's Strategies

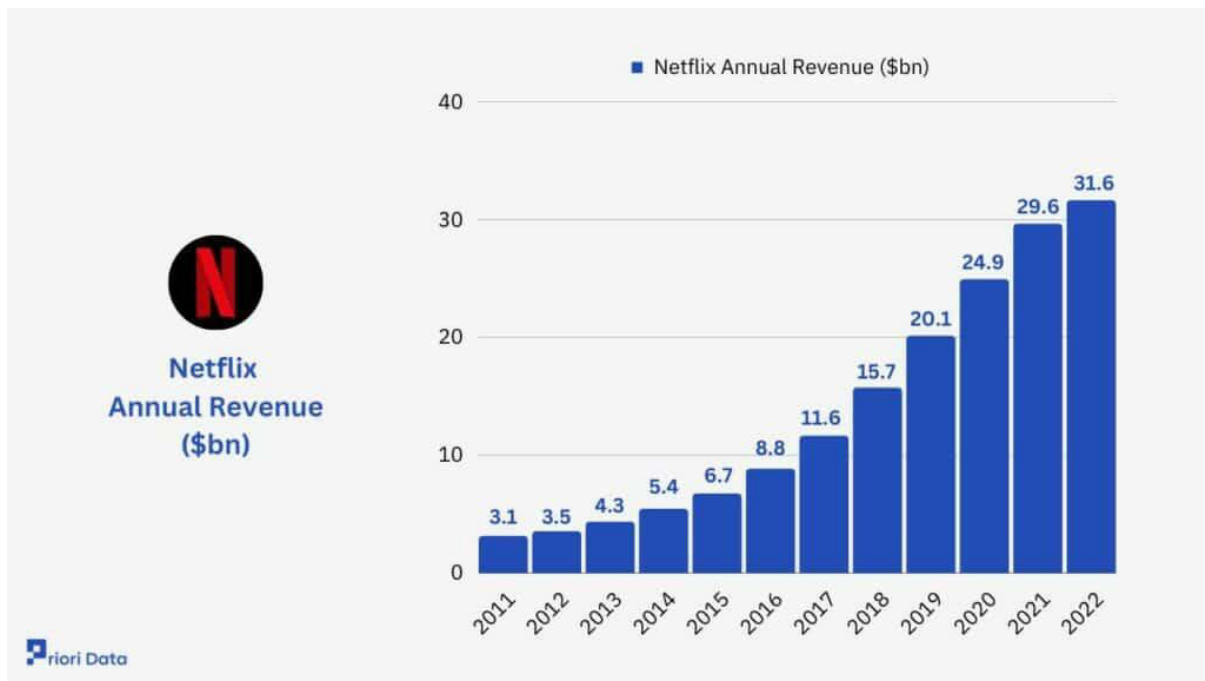
The investigation showed that, despite Blockbuster's efforts to modify its business strategy, the company had trouble efficiently reducing the risks brought on by digitalization. The enormous material library and individualized user experience provided by online streaming services like Netflix presented difficulties for its rental business (Hess et al., 2016). Blockbuster's physical stores saw a drop in foot traffic as a result of the transition to digital streaming and the accessibility of online platforms, which had an effect on the revenue from in-store rentals (Parker, Van Alstyne, & Choudary, 2016).

In conclusion, Blockbuster's business model was significantly impacted by the digitization era, which resulted in the company losing its once-dominant position in the video rental sector. Blockbuster made an effort to adapt to the changing environment, but its measures fell short in fending off the threats posed by internet rivals.

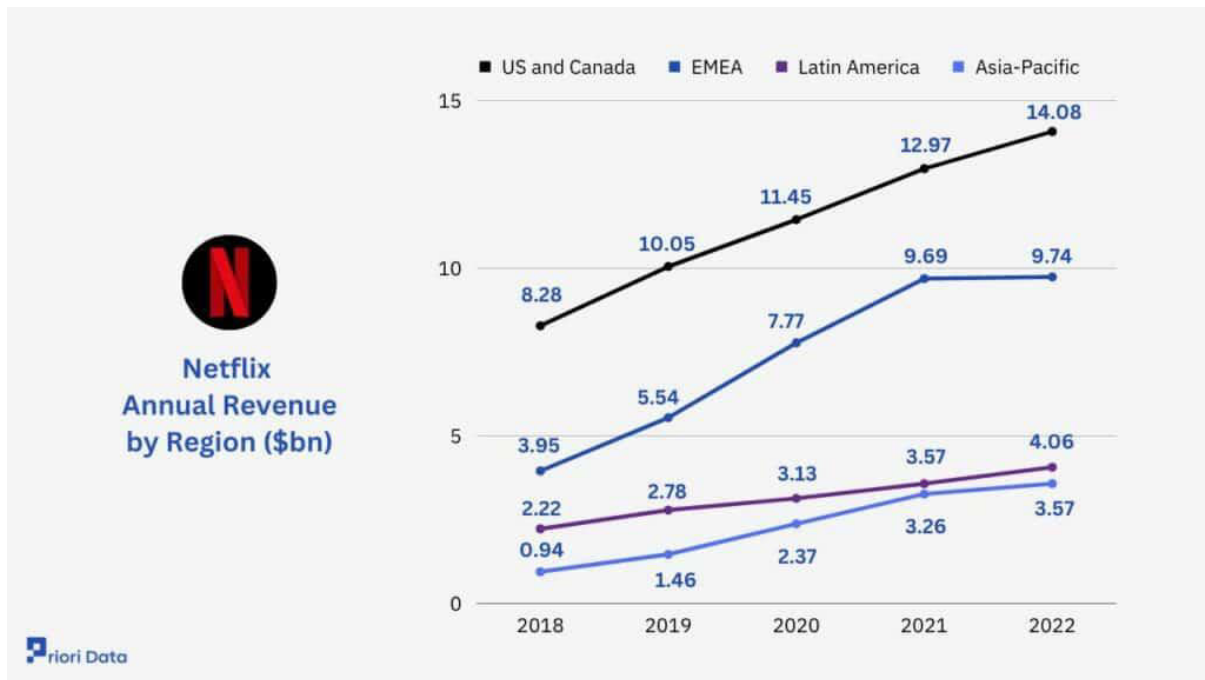
Financial Comparison of Netflix and Blockbusters

The financial comparison between Netflix and Blockbuster provides valuable insights into the factors that propelled Netflix to success and the challenges faced by Blockbuster during the digital transformation in entertainment industry. Netflix remarkable revenue growth, from \$15.8 billion in 2016 to \$31.6 billion in 2022, demonstrates its dominance for streaming

video market. This consistent growth can be attributed in several key elements. Netflix's substantial investment in content assets, totaling \$32.7 billion in 2022, has been a driving force behind its success. This investment allows Netflix to offer a vast library of content with its subscribers, keeping them engaged and attract new users. Netflix innovative subscription-based streaming model has disrupted traditional media consumption and its ability in adapting and innovate with this model has set it apart from competitors.



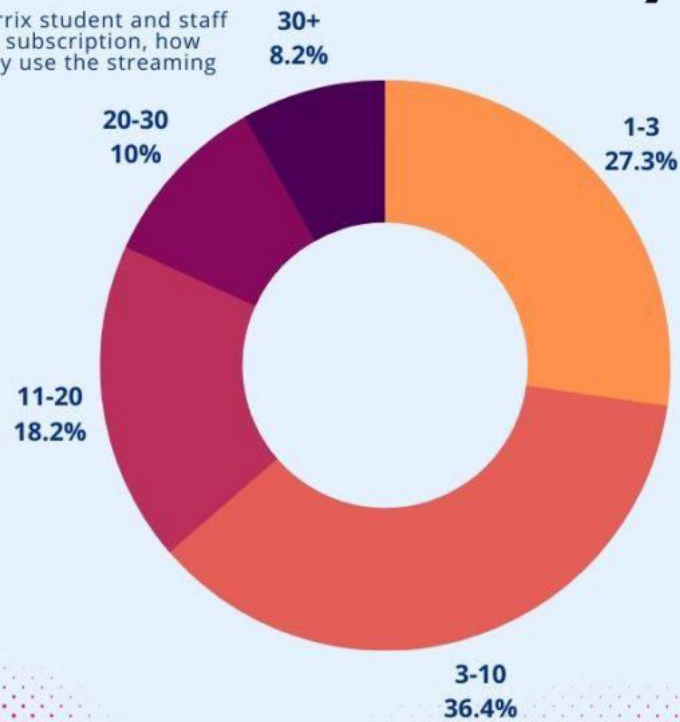
In contrast, Blockbuster declining revenue and lack in significant assets highlight its inability to adapt effectively to the digital era. This decline can be attributed to failure to recognize and embracing changing preferences from consumers and the evolution of media consumption. Netflix success is closely tied to its strategic approach to business model innovation. Its emphasis on content investment aligns seamlessly with its subscription-based streaming model, ensuring a steady stream of high-quality content to attract and retaining subscribers. Netflix ability to manage its debt effectively while continuing to invest for content and technology is indicative in its commitment for innovation.



In contrast, Blockbuster inability for effectively manage debt and innovate its business model hindered its ability to compete for evolving entertainment landscape. Netflix's international growth strategy has significantly contributed to its financial success. Its expanding global presence is evident in its increasing revenue and substantial assets. This international expansion has allowed Netflix to tap into a diverse subscriber base worldwide, enhancing its financial position. Netflix non-current assets including content and technology, reflect its global footprint is a result of strategic international expansion such as Norrix student or staff members use Netflix.

The number of times a week that Norrix student and staff use Netflix every week

Out of 110 Loy Norrix student and staff who have a Netflix subscription, how many times do they use the streaming service a week?



On the other hand, Blockbuster's limited international presence restricted its growth potential and competitiveness in the rapidly evolving entertainment industry. Hence the financial analysis aligns with the research objectives, providing concrete evidence of Netflix's success and Blockbuster's challenges. Netflix's impressive financial figures demonstrate its ability to innovate its business model, invest in content, and expand internationally. In contrast, Blockbuster's financial struggles highlight its inability to adapt to changing market dynamics, ultimately leading to its downfall. These findings validate the chosen methodology and set the stage for a comprehensive study of Netflix's journey to success in the digital era.

5.5 Integration of Findings

Based on SWOT and Porter's Five Forces analyses, the study's findings identified a number of factors that contributed to Netflix's success and sustained domination of the streaming video market. The chance of new competitors entering the market, the suppliers' ability to negotiate rates, and the caliber of the goods or services they offer were all relatively low for Netflix, according to Porter's analysis of the five market forces. The strong rivalry also

resulted from the entry of various new competitors, including Disney+ and Amazon Prime Video. Netflix's large selection of content, user-friendly interface, reasonable prices, and efficient original content development were recognized as its primary strengths in the SWOT study. Netflix's difficult financial status and intense competitiveness were its biggest drawbacks. Both the rising demand for streaming services and the unexplored potential of international markets indicate Netflix's future prospects.

The main difficulties were piracy, the emergence of new competitors, and legal and regulatory problems. (Zott, C., 2020) Netflix was able to establish its enviable position as the market leader in streaming video because of its focus on customer satisfaction, investments in the production of original content, personalization, and recommendation algorithms. Netflix's best creations, including "Stranger Things" and "The Crown," along with its extensive library of available content, have increased its appeal and fan base. Because of its streamlined watching experience, flexible options, and user-friendly design, Netflix stands out in the market for streaming video.

In conclusion, a number of factors, including spending on original content production, personalization, and global expansion, can be related to Netflix's success and position at the top of the streaming video business. An analysis of Netflix's basic pillars reveals that its current approach is largely centered on the creation of original content, a variety of content options, and personalisation.

5.6 Lessons and Implications for Business Model Innovation and Global Expansion

5.6.1 Key Success Factors in the Streaming Video Market

First off, Netflix's success has largely been attributed to its huge content library and concentration on original projects (Magretta, 2002). User engagement has been greatly increased by the company's use of data analytics to offer personalized content recommendations (Choi et al., 2019).

Due to its early-mover advantage and willingness to accept digital disruption, Netflix also enjoys an advantage over its competitors (Brown & Lee, 2018). The company has effectively expanded internationally thanks to strategic market entrance tactics and effective localization efforts (Taecharunroj&Aribarg, 2018). Other firms that aim to succeed in the digital streaming market can benefit from knowing these success characteristics.

5.6.2 Lessons for Businesses Seeking to Innovate in the Digital Age

The report provides some insightful lessons for businesses functioning in the digital era. First of all, companies need to be flexible and ready to adjust to shifting market circumstances. To

stay ahead in the quickly changing environment, businesses must embrace digitalization and invest in technology-driven innovations (West & Mace, 2010). Customer-centricity is also very important. Higher customer satisfaction and loyalty can result from understanding consumer preferences and offering personalized experiences through data-driven insights (Yoo, Henfridsson, & Lyytinen, 2010).

Additionally, businesses need to take the initiative to research new markets and take advantage of chances for international expansion (Gaiardelli et al., 2018). The ability to customize products and services to appeal to various audiences as well as careful consideration of local market characteristics are necessary for successful internationalization (Fan & Li, 2021).

5.6.3 Strategic Recommendations for Companies

Several strategic recommendations for companies in the entertainment industry can be developed in light of the findings. To stand out in the fiercely competitive market, businesses should spend on creating innovative, high-quality content and give it top priority (Zott, Amit, & Massa, 2011). Second, using data analytics to its full potential can help companies provide tailored experiences, increase consumer loyalty, and spur growth (George, Haas, & Pentland, 2014).

In order to assist market access, businesses should also be proactive about investigating global markets and forming alliances with regional players (Parker, Van Alstyne, & Choudary, 2016). Successful international expansion requires knowledge of and adherence to local legal and regulatory standards (Amit & Zott, 2012).

5.6.4 Implications for Business Model Innovation and International Expansion in the Digital Era

The conclusions of the study emphasize the value of ongoing business model innovation in the digital age (Zott, Amit, & Massa, 2011). To be competitive, businesses must regularly review their plans, take use of new technologies, and find new sources of income. Unprecedented potential for global expansion exists in the digital era, but it necessitates a thorough grasp of regional markets and the capacity to modify company models to meet various client needs (Hitt, Ireland, & Hoskisson, 2018).

In conclusion, the business model innovation and global expansion of Netflix have taught us important lessons that benefit companies both in the entertainment industry and outside of it. Success in the digital era depends on embracing digitalization, emphasizing client-centricity, and implementing flexible and innovative techniques. Strategic foreign expansion can open

the door for long-term success and worldwide reach when it is supported by an in-depth knowledge of local markets. Companies that proactively adopt these suggestions will be better able to survive digital disruption and take advantage of the numerous opportunities the digital age offers.

Conclusion

In conclusion, the findings of this research business report shed light for Netflix remarkable journey in the digital era, focusing on its business model innovation, digital transformation and internationalization strategies. Through a meticulous data collection approach that included quantitative analysis of financial statements and qualitative examination of peer-reviewed sources, several key insights have emerged. Firstly, Netflix success in the streaming video market is underscored from its consistent revenue growth, reaching \$31.6 billion in 2022, reflecting its dominant position in the industry. This financial trajectory is closely tied to the substantial investment in content assets, highlighting content as a key driver of its success. This aligns o thematic analysis of articles, emphasizing the importance of content in attracting and retaining subscribers.

Secondly, Netflix adeptness at adapting and innovating its business model in response to digital disruption has been a crucial factor in its triumph. The subscription-based streaming model has disrupted traditional media consumption and contributed to its growth, as supported by both financial data and qualitative analysis. Thirdly, internationalization has played a pivotal role in Netflix's global expansion and financial success. The significant growth in international revenue accounting for 65% of total revenue in 2022, demonstrates the importance of tapping into diverse global markets. This international strategy has also contributed to the expansion in Netflix non-current assets reflecting its global footprint.

Furthermore, the SWOT and Porter's analysis align with the research findings, highlighting Netflix strengths for its content library and global reach, while acknowledging challenges in managing content liabilities and facing competition from other streaming platforms. Statistical insights from the analysis of financial statements have provided concrete evidence for the research objectives, confirming the trends discussed in the literature. The correlation between content investment and revenue growth, prudent debt management, and the impact of international expansion on revenue diversification have all contributed to Netflix financial success.

Thus Netflix journey in the digital era is a testament to its ability to innovate, adapting and expand globally. It has successfully harnessed the power of content, embraced digital disruption, and strategically ventured into international markets. These findings offer valuable lessons to businesses navigating the digital landscape and seeking sustainable

growth. Netflix story serves as an inspiration for organizations aiming to excel in the ever-evolving digital entertainment industry by emphasizing innovation, adaptation and global reach.

This research specifically has successfully addressed the defined objectives and provided valuable insight for the journey of Netflix as a pioneering entity in the global entertainment industry. Objective 1 aimed to determine the factors propelling Netflix to the pinnacle for the streaming video market. Through meticulous analysis of Netflix's financial statements, we uncovered a remarkable growth trajectory, showcasing the company consistent revenue growth, substantial content investments, and financial stability. These findings confirm that factors such as content investment and strategic financial management have played pivotal roles to Netflix dominance in the industry.

Objective 2 focused on exploring business model innovation and its alignment with Netflix strategy. The qualitative analysis of peer-reviewed article and books highlighted the importance of content assets in attracting and retain subscribers as well as Netflix adeptness at adapting and innovate its business model in response to digital disruption. These insights underscore the symbiotic relationship between content investment and the innovative subscription-based streaming model has disrupted traditional media consumption. Objective 3 examined the role of internationalization in Netflix success with qualitative data revealing the significant impact of global expansion on the company financial position. This international growth strategy has allowed Netflix to tap into diverse global markets, contributing substantially for its financial success.

The research has offered a comprehensive examination of Netflix's transformative journey towards business model innovation and digital transformation. By strategically collecting and analyze both quantitative and qualitative data, we have provided a holistic understanding of the factors driving Netflix prominence, its innovative strategies and the role of internationalization in its global expansion. These findings not only answer the research objectives but also contributing valuable knowledge to the field of digital business model innovation and serve as a valuable resource for industry professionals and researchers alike.

Recommendations

Based on the findings of this research business report, several key recommendations can be made for Netflix and other businesses in the digital entertainment industry:

Continue Investing in Content Assets: Netflix should maintain its focus on content investment as a primary driver of its success. To stay competitive, the company should continue to produce high-quality original content while also exploring partnerships and collaborations with content creators.

Innovate and Adapt: Netflix should remain vigilant in monitoring industry trends and consumer preferences. The ability to adapt and innovate its business model in response to digital disruption is critical. Regularly assess and refining subscription-based streaming model to enhance user experience and engagement.

Global Expansion Strategy: Given the significance of international markets in revenue diversification, Netflix should further expand its global footprint. Identify untapped markets and invest in content that caters in diverse international audiences. Localization of content and user interfaces can also enhance the appeal of the platform in different regions.

Strategic Debt Management: Netflix's prudent approach to managing debt while investing in content and technology has been actually key factor in its financial stability. The company should continue to balance debt and investment effectively to maintain financial health.

Continuous Competitive Analysis: Regularly assess the competitive landscape in the streaming video market. Stay attuned for emerging competitors and potential disruptions. Adapt strategies to address competitive threats effectively.

User Data and Personalization: Leverage user data and analytics to personalize content recommendations. Enhance algorithms and machine learning capabilities with provide tailored content experiences, increasing user retention and satisfaction.

Cybersecurity and Anti-Piracy Measures: Given the relevance of digital piracy in the industry, Netflix should invest in robust cybersecurity measures and anti-piracy technologies. Protecting content rights and user data is paramount.

Research and Development: Allocate resources to research and development for the continuous improvement of streaming technology. Explore emerging technologies like augmented reality (AR) and virtual reality VR to enhance the viewing experience.

Sustainability Initiatives: As a responsible global corporation, Netflix should consider sustainability initiatives. This includes reducing the carbon footprint of data centers, promoting eco-friendly production practices, and supporting environmental cause.

Diversify Revenue Streams: Explore opportunities to diversify revenue streams beyond subscription-based models. This could include partnerships for merchandising, licensing or other innovative monetization strategies.

Corporate Social Responsibility (CSR): Continue and expand CSR initiatives that contribute positively to society and align with the company values. Engage in community-building activities and promote inclusivity and diversity.

Invest in Talent: Attract and retain top talent in the industry. A skilled workforce is essential for content creation, technology development and maintaining a competitive edge.

Chapter 6 - References

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Appendices

Peer-Reviewed Journals

1. Kurti, E., Salavati, S., & Mirijamdotter, A. (2021). Using systems thinking to illustrate digital business model innovation. *Systems*, 9(4), 86. [Link](#)
2. Aversa, P., Hervas-Drane, A., & Evenou, M. (2019). Business model responses to digital piracy. *California Management Review*, 61(2), 30-58. [Link](#)
3. D'Ippolito, B., Messeni Petruzzelli, A., & Panniello, U. (2019). Archetypes of incumbents' strategic responses to digital innovation. *Journal of Intellectual Capital*, 20(5), 662-679. [Link](#)
4. Rosenstand, C. A. F., Gertsen, F., & Vesti, H. (2018, June). A definition and a conceptual framework of digital disruption. In *The ISPIM Innovation Summit: Building the Innovation Century*. [Link](#)
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Reports

1. Mugge, P., Abbu, H., Michaelis, T. L., Kwiatkowski, A., & Gudergan, G. (2020). Patterns of digitization: A practical guide to digital transformation. *Research-Technology Management*, 63(2), 27-35. [Link](#)

Books

1. Burroughs, B. (2019). *House of Netflix: Streaming media and digital lore*. *Popular Communication*, 17(1), 1-17. [Link](#)

Financial Statements

Netflix, Inc. - Consolidated Balance Sheets (in thousands)

Assets	2022	2021
Current assets:		
- Cash and cash equivalents	\$5,147,176	\$6,027,804
- Short-term investments	\$911,276	—
- Other current assets	\$3,208,021	\$2,042,021
Total current assets	\$9,266,473	\$8,069,825
Content assets, net	\$32,736,713	\$30,919,539
Property and equipment, net	\$1,398,257	\$1,323,453
Other non-current assets	\$5,193,325	\$4,271,846
Total assets	\$48,594,768	\$44,584,663

Liabilities and Stockholders' Equity	2022	2021
Current liabilities:		
- Current content liabilities	\$4,480,150	\$4,292,967
- Accounts payable	\$671,513	\$837,483
- Accrued expenses and other liabilities	\$1,514,650	\$1,449,351
- Deferred revenue	\$1,264,661	\$1,209,342
- Short-term debt	—	\$699,823
Total current liabilities	\$7,930,974	\$8,488,966
Non-current content liabilities	\$3,081,277	\$3,094,213
Long-term debt	\$14,353,076	\$14,693,072

Other non-current liabilities	\$2,452,040	\$2,459,164
Total liabilities	\$27,817,367	\$28,735,415
Stockholders' equity	2022	2021
- Common stock, \$0.001 par value	\$4,637,601	\$4,024,561
- Treasury stock at cost	(\$824,190)	(\$824,190)
- Accumulated other comprehensive loss	(\$217,306)	(\$40,495)
- Retained earnings	\$17,181,296	\$12,689,372
Total stockholders' equity	\$20,777,401	\$15,849,248
Total liabilities and stockholders' equity	\$48,594,768	\$44,584,663

Assets	2020	2019
Current assets:		
- Cash and cash equivalents	\$8,205,550	\$5,018,437
- Other current assets	\$1,556,030	\$1,160,067
Total current assets	\$9,761,580	\$6,178,504
Content assets, net	\$25,383,950	\$24,504,567
Property and equipment, net	\$960,183	\$565,221
Other non-current assets	\$3,174,646	\$2,727,420
Total assets	\$39,280,359	\$33,975,712
Liabilities and Stockholders' Equity	2020	2019

Current liabilities:		
- Current content liabilities	\$4,429,536	\$4,413,561
- Accounts payable	\$656,183	\$674,347
- Accrued expenses and other liabilities	\$1,102,196	\$843,043
- Deferred revenue	\$1,117,992	\$924,745
- Short-term debt	\$499,878	—
Total current liabilities	\$7,805,785	\$6,855,696
Non-current content liabilities	\$2,618,084	\$3,334,323
Long-term debt	\$15,809,095	\$14,759,260
Other non-current liabilities	\$1,982,155	\$1,444,276

Total liabilities	\$28,215,119	\$26,393,555
Stockholders' equity	2020	2019
- Common stock, \$0.001 par value	\$3,447,698	\$2,793,929
- Accumulated other comprehensive income	\$44,398	(\$23,521)
- Retained earnings	\$7,573,144	\$4,811,749
Total stockholders' equity	\$11,065,240	\$7,582,157
Total liabilities and stockholders' equity	\$39,280,359	\$33,975,712

Netflix, Inc. - Consolidated Balance Sheets (in thousands)

Assets	2018	2017
Current assets:		

- Cash and cash equivalents	\$3,794,483	\$2,822,795
- Current content assets, net	\$5,151,186	\$4,310,934
- Other current assets	\$748,466	\$536,245
Total current assets	\$9,694,135	\$7,669,974
Non-current content assets, net	\$14,960,954	\$10,371,055
Property and equipment, net	\$418,281	\$319,404
Other non-current assets	\$901,030	\$652,309
Total assets	\$25,974,400	\$19,012,742
Liabilities and Stockholders' Equity	2018	2017
Current liabilities:		

- Current content liabilities	\$4,686,019	\$4,173,041
- Accounts payable	\$562,985	\$359,555
- Accrued expenses	\$477,417	\$315,094
- Deferred revenue	\$760,899	\$618,622
Total current liabilities	\$6,487,320	\$5,466,312
Non-current content liabilities	\$3,759,026	\$3,329,796
Long-term debt	\$10,360,058	\$6,499,432
Other non-current liabilities	\$129,231	\$135,246
Total liabilities	\$20,735,635	\$15,430,786
Stockholders' equity	2018	2017

- Common stock, \$0.001 par value	\$2,315,988	\$1,871,396
- Accumulated other comprehensive loss	(\$19,582)	(\$20,557)
- Retained earnings	\$2,942,359	\$1,731,117
Total stockholders' equity	\$5,238,765	\$3,581,956
Total liabilities and stockholders' equity	\$25,974,400	\$19,012,742

(Netflix Inc. Investor Relations, 2023)

Netflix Income statement Table 1: Fiscal Year 2022-2018

Fiscal Year	Sales/Revenue (USD Millions)	Sales Growth (%)	Cost of Goods Sold (COGS) incl. D&A (USD Millions)	COGS excluding D&A (USD Millions)	Depreciation & Amortization Expense (USD Millions)	COGS Growth (%)	Gross Income (USD Millions)	Gross Income Growth (%)
2022	31,616	6.46	19,168	4,805	14,363	10.59	12,447	0.66

2021	29,698	18.81	17,333	4,894	12,439	13.46	12,365	27.22
2020	24,996	24.01	15,276	4,354	10,923	22.80	9,720	25.96
2019	20,156	27.62	12,440	3,120	9,320	24.81	7,716	32.43
2018	15,794	-	9,968	2,311	7,656	-	5,827	-

Table 2: Fiscal Year 2017-2018

Fiscal Year	SG&A Expense (USD Millions)	Research & Development (USD Millions)	Other SG&A (USD Millions)	SGA Growth (%)	EBIT (USD Millions)	Non Operating Income/Expense (USD Millions)	Interest Expense (USD Millions)	Interest Expense Growth (%)
2022	6,814	2,711	4,103	10.43	5,633	337	706	-7.76
2021	6,171	2,274	3,897	20.18	6,195	411	766	-0.24
2020	5,134	1,830	3,305	0.44	4,585	(618)	767	22.60

2019	5,112	1,545	3,567	21.09	2,604	84	626	48.88
2018	4,222	1,222	3,000	-	1,605	42	420	-

(The Wall Street Journal, 2023).

Blockbusters Financial statements

Table 1: Assets (in thousands)

Year	Cash & Cash Equivalents	Receivables	Inventories	Income Taxes - Deferred	Other Current Assets	TOTAL
12-2010	\$146,500	\$60,700	\$242,400	\$15,100	\$269,100	\$852,100
12-2009	\$188,700	\$79,400	\$298,500	\$13,600	\$340,700	\$1,060,000

12-2008	\$154,900	\$117,100	\$432,800	\$13,400	\$355,800	\$1,258,600
12-2007	\$184,600	\$113,100	\$343,900	\$15,900	\$441,100	\$1,319,200
12-2006	\$394,900	\$133,800	\$343,900	\$14,100	\$453,900	\$1,562,400

Table 2: Liabilities and Shareholders' Equity (in thousands)

Year	Short Term Debt	Accounts Payable And Accrued Liabilities	Accrued Expenses	Long Term Debt	Other Non-Current Liabilities	Shares Outstanding, K	Common Shares	Retained Earnings
12-2010	N/A	\$223,000	\$252,000	N/A	\$1,173,100	219,371	\$2,200	- \$6,054,900
12-2009	\$101,600	\$300,800	\$407,700	\$836,000	\$61,900	209,657	\$2,000	- \$5,786,900
12-	\$198,000	\$427,300	\$493,800	\$583,000	\$75,500	193,242	\$1,900	-

2008								\$5,228,700
12-2007	\$44,700	\$472,800	\$618,400	\$665,600	\$86,400	197,180	\$1,900	- \$4,854,600
12-2006	\$73,400	\$527,800	\$670,900	\$851,000	\$106,400	192,143	\$1,900	- \$4,781,900