

# ***Analysis of Whether There Will Be a Company Like Netflix in China***

**Chuyue Wei<sup>1,a,\*</sup>**

*<sup>1</sup>Tianjin New Channel, Tianjin, 300041, China  
a. 1811511132@mail.sit.edu.cn*

*\*corresponding author*

**Abstract:** As a giant in the film and television industry, Netflix's experience and success are worth thinking about. The film and television industry has enjoyed certain development and opportunities due to the spread of COVID-19 across the country. The article explores whether China can seize the opportunity to create the next Netflix. The article starts with Netflix company to study the company's development process and advantages, challenges and so on. Furthermore, we face challenges by comparing the financial differences and business models between the Chinese company and Netflix. Finally, this study concludes Netflix has grown since the early days of the Internet. Its success and opportunities cannot be replicated today, but Chinese companies can learn from Netflix's development experience and blaze a trail of innovation and success.

**Keywords:** Netflix, streaming media, film and television, Iqiyi, Bilibili

## **1. Introduction**

### **1.1. Background**

With the development of various network technology, film and television technology is also in continuous progress. Various film and television companies appeared. As one of the leading companies in film and television, Netflix has inspired many people to imitate and learn from it. Analysis of whether there will be a company like Netflix in China.

### **1.2. Related Research**

The subject of this study has not been studied. Some papers from Netflix and Chinese companies have been cited and studied.

There is some literature on Netflix. It includes Netflix policy, financial analysis, business model, impact and so on. Sadq used PEST Analysis, Porter's Five Forces Analysis, and SWOT analysis to study the strategy of Netflix. As a result, of the fierce competition that Netflix faced, Netflix's advantages and weaknesses and other factors like economy and politics are discovered [1]. Lozic adopted data analysis like financial analysis, and user trend analysis to research financial analysis of the Netflix platform at the time of Covid 19 Pandemic. As a result, the financial crisis has not had a significant impact on Netflix was be given [2]. Oat provided an overview of VoD technology and an analysis of the Netflix case to visually represent the data. Finally, the success factors of Netflix

about network and VoD was confirmed [3]. Sharma uses case-study analysis, senses and season-level and episode-level storytelling to research the impacts of the streaming modal on television storytelling. As a result, the conclusion that Netflix has changed the traditional concept and ushered in a new era of streaming media was expressed [4]. Bennett and Lanning describe the challenge of data mining, review related work and efforts, and summarize visible progress to data by random sampling processes graph. The uses of the data potential also were mentioned [5].

The literature analysis of Chinese companies is also important for paper research. The company is mainly Bilibili, iQiyi based. These two papers analyze the differences between several companies in a comparative way. Jia et al. studied the Platform Business Group strategy of linking multiple platforms together to carry out coordination effects for the development of AI algorithms. It is concluded that artificial intelligence can act as a catalyst between industry architecture and business models [6]. Xie studied tube and Bilibili machine-translated subtitles, comparing fluency, comprehension, etc. through data analysis. It has been concluded that most people can understand the content through machine translation, and writing bilingual is more acceptable [7].

The four articles focus on the analysis of Bilibili and iQiyi respectively. Tian explored the reasons for the success of Bilibili's strategy through case studies and comparative analyses. The factors that led to Bilibili's success were an excellent marketing strategy, a high-engagement user base and a community-based operating model [8]. You analyzed the threats, strategies, measures and future development of iQIYI through qualitative analysis, and discussed the future market trend of iQIYI. The conclusion was drawn that the competition was getting fiercer [9]. He studies the industrial background, the competition pattern, as well as the operation mode and the profit mode of network video website development by case analysis. It is concluded that operators can improve their core competitiveness through differentiation [10].

### 1.3. Objective

This article examines whether there will be a company like Netflix in China. The article starts with the development of Netflix, compares the difference between two potential domestic companies Bilibili and iQiyi and Netflix, analyzes the development prospects of Bilibili and iQiyi, and draws a conclusion.

The second chapter introduces the development information of Netflix. The third chapter analyzes the financial differences between Netflix through data and charts, as well as the differences in business models. The fourth chapter introduces iQiyi and Bilibilishang in detail and analyzes whether the next company like Netflix will appear in China.

## 2. The Development of Netflix

### 2.1. History

Founded in 1997, Netflix is more akin to rival streaming companies such as YouTube than to traditional film and television production companies. In the beginning, Reed Hastings and Marc Randolph have an idea of renting DVDs by mail, thus, the establishment of Netflix was born. Reed Hastings was the funder a lot of people know. Netflix has a huge market share and competitiveness. Even amid the pandemic, when most companies face losses or even bankruptcy, Netflix can still have a proper strategy and work arrangement, hold a favorable position in the market and make profits.

## 2.2. Product layout

In 2000, a personalized movie recommendation system is introduced, using members' ratings on past titles to accurately predict future choices. Netflix was a pioneer in the film industry and the Internet industry at that time. The technology of recommending movies according to user's preferences was more targeted, so users can find the movies they want more easily and quickly. Up to now, personalized recommendation service is still active in shopping platforms and various film and television platforms, and gradually becomes more professional and diversified, which can also be seen that this technology is valuable. In a major technological breakthrough, Netflix launched its streaming service in 2007, allowing members to watch movies and episodes in time. Netflix has expanded rapidly, expanding to 130 countries in 2016 and serving members in over 190 countries and 21 languages, including the UK, Nordic countries, Latin America, Germany, France, Italy, Japan, and more. By 2021, Netflix had more than 200 million members.

## 2.3. Television productions

During this period, Netflix's film and television productions also played a big breakthrough. 'House of Cards,' 'Hemlock Grove,' 'Arrested Development' and 'Orange Is the New Black' usher in the first slate of original series programming. 'House of Cards' goes on to win three Primetime Emmy awards - the first for an internet streaming service. House of Cards, the show is Netflix's first original series and has had a significant impact on the Internet and in film and television. It has also encouraged companies such as Microsoft and Amazon to invest in Internet series. The series can be viewed via the Internet, which increases people's convenience and interest in watching movies while expanding its influence in streaming. The widespread use of streaming media depends on its low cost and high user experience, which is an excellent technology showcase.

## 2.4. The advantages and disadvantages of development

Netflix, as the first mover, has a big competitive advantage. Netflix already controls large swaths of the online DVD rental market and has economies of scale, which allows it to offer lower prices and better operating systems than others. At the same time, Netflix has higher corporate loyalty and brand recognition than other companies, further enhancing Netflix's competitiveness in the streaming market. However, Netflix still faces stiff competition in the market. With the ubiquity of streaming technology, other companies may develop more advanced technologies, and prices and consumer preferences changing rapidly, there is little guarantee that Netflix will stay in the ascendancy. In the long run, Netflix's technology research needs to continue.

## 2.5. Competition

More and more enterprises at home and abroad have developed in the field of streaming media, including Amazon, Google, YouTube, Youku, Tencent and iQiyi in China. Despite this, Netflix still occupies an important position. In the long-term development, Netflix has already had complete production and production capacity, forming a complete industrial chain. The development process of Netflix is worth thinking about and studying.

### 3. The Companies That Most Resemble Netflix in China and The Differences Between These Companies and Netflix

#### 3.1. The Differences in Finance

##### 3.1.1. Revenue and Earnings Before Interest and Taxes

The related data were shown in Table 1.

Table 1: The data of revenues and Earnings before interest and taxes.

Company	Netflix	Iqiyi	Bilibili
Revenue	8.16 billion yuan	1.22 billion yuan	3.25 billion yuan
EBIT	1.71 billion yuan	0.125 billion yuan	-1.24 billion yuan

##### 3.1.2. Ratios

The financial ratios are shown in Table 2.

Table 2: The data of ratios of three companies.

	Netflix	Iqiyi	Bilibili
Net profit	1.31 billion yuan	90.34 million yuan	-1.11 billion yuan
Operating margin	3.36 billion yuan	350 million yuan	572 million yuan
Gross liability	27.66 billion yuan	6.02 billion yuan	3.82 billion yuan
Return on equity	21.33%	3.29%	-39.78%
Return on asset	8.86%	0.60%	-15.70%

#### 3.2. The differences in business patter

##### 3.2.1. Time differences

Iqiyi and Bilibili were founded at a time when technology was already better, meaning they face different competition and strengths and weaknesses. But relatively speaking, Bilibili and iQiyi can draw on advanced technology and experience, and have a certain development direction.

##### 3.2.2. Development experience differences

Founded in 1997 as a DVD rental business, Netflix has grown into a DVD rental business by improving the user experience through subscriptions with unlimited return dates. In 2007, Netflix made an abrupt transition into streaming, and while it was not viewed favorably at the time, the company's founders proved forward-looking, and the streaming business gradually took off. By 2021, Netflix will have more than 200 million subscribers and expand to nearly 200 countries.

Iqiyi was officially launched on April 22, 2010, mainly featuring movies, TV series, variety shows, animation, and other video content libraries. Iqiyi's revenue mainly comes from membership service revenue, online advertising service revenue, content sharing, and other revenue.

Bilibili was founded on June 26, 2009. From 2009 to 2013, Bilibili was mainly oriented toward the quadratic element. Later, Bilibili expanded its business, introducing live streaming, advertising, e-commerce and other services. Tencent, Alibaba, SONY and other giants have invested to further increase awareness and user numbers. In contrast to Youku, Tencent Bilibili is aimed at a new generation of young people, encouraging professional users to publish original works and increase financial profits.

### **3.2.3. Business differences**

The operating mode of a video website can be divided into two categories in general: one is the UGC model represented by Youtube, that is, the user will display its original content through the Internet platform or provide it to other users. The other is a video-on-demand model based on Hulu, which is based on a homonymous website in the United States, based on the playback of positive film and television, and a large number of high-quality ads as a source of revenue[10].

Bilibili, nicknamed B site, has become a major video-sharing website in China, which hosts videos on various themes, including movies, technology, science, and anime[7]. Bilibili allows users to participate and co-build the boards they are interested in. It also helps users upload videos they are interested in and share them with other users, thus building a unique community model of Bilibili[8].

Iqiyi uses the HD long video mode to provide free high-quality video viewing and profit by advertising[10]. Iqiyi has invested heavily in technology to improve viewing quality by shortening commercial breaks and remaining playback Windows, for example. At the same time, iQiyi cooperates with Weibo and other media for publicity, buying advertisements of actors and movies and TV dramas to attract users.

### **3.2.4. Membership system differences**

There are several tiers of Netflix membership, including Basic Premium. Prices vary from region to region. In the United States, for example, basic membership costs \$9.99, standard membership costs \$15.49, and premium membership costs \$19.99.

Iqiyi also has different levels of membership. Divided into star diamond VIP, Platinum VIP, gold VIP, etc. For example, Gold VIP can be used on computers, mobile phones and tablets, and the price is 258 yuan a year.

In contrast, Bilibili membership is simpler. Bilibili's annual membership is \$168 a year, and users can watch some anime and movies in full versions, such as the Harry Potter Complete Series.

## **4. Decide if China could be the next Netflix**

### **4.1. Netflix's success is valuable and hard to replicate**

Netflix's success is largely due to its foresight and foresight. Netflix saw an opportunity in streaming and got big when many companies weren't even founded. For the development of a company, marketing and business policies are indispensable. For example, Netflix offers a cheap service. Netflix offers a one-month free trial in countries where it's just entering the market and also gives non-members the right to try out movies and TV shows, which is very effective in getting them to sign up, such as the first episode of the House of Cards series [3].

At the same time, Netflix's technology is highly capable. Netflix became one of the first businesses to implement the new concept. From DVD rentals to streaming, Netflix has achieved incredible transformation and innovation. Netflix's chairman has chosen to go with streaming in the face of a gloomy outlook and is keeping a close eye on the results to cut his losses in time.

As a result, Netflix's leaders have built an empire that is not easy or easy to replicate.

## 4.2. The development direction of Chinese companies

Netflix's success will be hard to replicate, but Chinese companies such as Tencent, iQiyi and Bilibili have an opportunity to learn from the success of other companies, make up for their shortcomings, and succeed through innovation and technological reform.

### 4.2.1. Bilibili

Bilibili mainly focuses on teenagers, so it has a high demand for innovation and fashion. Bilibili's strength is its diverse community, its categories are clear, and its push service allows users to see content that is of interest. At the same time, bilibili's complaint service is relatively responsible, with strict management of bad remarks and special question setting for sending barrage.

However, Bilibili does not have a service for blocking tags, so it is easy for users to see the types they dislike, leading to a dislike of the software. All users can also send content such as videos and articles, so the information is mixed.

In general, bilibili's user scale continues to grow, and it penetrates even more young people. Age groups, such as the post-80s and post-90s generation, also pay attention to Bilibili. From all aspects, Bilibili has become a promising software. In 2022, compared with the previous three years, Bilibili has no rapid growth trend, but it is still growing and has a certain number of customers. Therefore, there is a long way to go for the development of Bilibili, but it still has development potential after finding innovation and reform.

### 4.2.2. Iqiyi

Iqiyi is one of the platforms providing video entertainment services. It has a large number of customers and popularity among Chinese film and television broadcasting software, and it has reached the profit standard for the first time and has a good development prospect.

In China, iQiyi has a large user base and occupies a certain market share. Similar to Bilibili, iQiyi's users are generally younger, which can also be seen that it plays an indispensable role in guiding the development of the younger generation of film and television.

Iqiyi has a wide range of partners and funds. It has cooperated with several entertainment companies such as SONY Fox Micro Film Time, and is also supported by Baidu. It covers the development of multiple fields. Among other things, this has the effect of reducing risk. In a word, iQiyi has more resources and Copyrights, which supports its innovation and development.

However, iQiyi still faces many problems. For example, there are many VIP categories and the mechanism is not perfect. Many users say that members still need to see a lot of advertisements. Meanwhile, pirated movies and TV shows have also become an important reason to discourage iQiyi members.

Iqiyi faces many problems in its development, but it still has many advantages. Iqiyi's operating profit has increased for six consecutive quarters, which shows that iQiyi has established a stable and sound business model. Iqiyi has a big advantage over other Chinese companies. The future of iQiyi is promising.



## 5. Conclusion

This article examines whether a company like Netflix could emerge in China. By analyzing the differences between two domestic enterprises Bilibili and iQiyi and Netflix, and further studying the development prospects of Bilibili and iQiyi, facing challenges and advantages and disadvantages of development, it is concluded that the success of Netflix is difficult to be replicated. But there is a lot of potential for domestic companies to build on the experience of established companies like Netflix and develop their own path to extraordinary success.

The success of a company is the comprehensive consideration of technical personnel management, cost control and so on. At the same time, a company may face different challenges and opportunities. To sum up, the success of a company is not easy and unique.

## References

- [1] Sadq, Z. M.: *Analysing Netflix strategy*. *International Journal of Science & Research*, 4(3), 4-438 (2013).
- [2] Lozic, J.: *Financial analysis of Netflix platform at the time of Covid 19 Pandemic*. *Economic and Social Development: Book of Proceedings*, 78-86 (2021).
- [3] Oat, E.: *Analysis of Netflix architecture and business model*. Dostupno na: [http://www.cse.tkk.fi/fi/opinnot\(2013\)](http://www.cse.tkk.fi/fi/opinnot(2013)).
- [4] Sharma, R. A.: *The Netflix effect: impacts of the streaming model on television storytelling* (2016).
- [5] Bennett, J., & Lanning, S.: *The netflix prize*. In *Proceedings of KDD cup and workshop* (Vol. 2007, p. 35)(2016) (2007).
- [6] Jia, K., Kenney, M., Mattila, J., & Seppala, T.: *The application of artificial intelligence at Chinese digital platform giants: Baidu, Alibaba and Tencent*. *ETLA reports*, (81)(2018).
- [7] Xie, B.: *A comparative study of machine translated subtitles based on the user-centered approach: a case study between Bilibili and YouTube*(2022).
- [8] Tian, H.: *Analysis of the Marketing Strategy of Bilibili and the Reasons for Its Success*. In *2021 3rd International Conference on Economic Management and Cultural Industry (ICEMCI 2021)* (pp. 2853-2856). Atlantis Press (2021).
- [9] You, W.: *Analysis of the IQIYI Company Business Structure and Its Future Operations*. *Journal of Frontiers of Society, Science and Technology*, 1(1), 18-23 (2021).
- [10] He, S.: *The operation mode of network video websites-based on a case study of iQIYI*. In *2018 2nd International Conference on Management, Education and Social Science (ICMESS 2018)* (pp. 1244-1248). Atlantis Press (2018).