

# CHAPTER I

## INTRODUCTION

### 1.1 Background

These topics added to the research on Digital Media Marketing (Digital Marketing). The topic that is going to be described in this thesis is on how Over The Top (OTT) services affect things such as digital marketing, customer engagement, and purchase intention on Netflix streaming service. Digging deeper into the pattern on how people use OTT applications that are available on the market, makes this topic interesting and quite new for thesis purposes. Digital marketing on the other hand is very popular these days, most of those traditionally driven companies, startups, and even multinational companies are now mostly focusing themselves to compete in the market with advanced Digital Marketing to make sure they are not left out in the competition.

Video on demand (VOD) refers to the broadcasting of video via Over-The-Top (OTT) applications over the Internet (OTT). Any Internet-connected device, including a mobile phone, TVs, tablet, desktop pc, laptop, etc., can be used by viewers to access video content via OTT applications. Contrary to conventional media, streaming sites present a variety of stories without censorship, box office, or audience restrictions. If the viewers have a reliable Internet connection, it provides a visual experience with significantly improved sound and visual quality (Sundaravel, et al. 2020).

Both television and movie content are mostly available on all of the major streaming video services, which could result in a blending of both types of media. The media frequently own them in order to proceed to distinguish between the two divisionally, as well as related organizations. Despite this, television and movies remain distinct from one another industrially. Streaming has also had a different impact on each industry, in part because of these institutional definitions. Since more and more people are utilizing the new form of social media, live stream broadcasting has grown. The environment is free and open for users to engage inside this kind of interaction thanks to a variety of live streaming services. In actual use, the live streaming platform has advanced significantly. In academic fields, however, it received less attention (Wang, M, & Li, D. 2020).

With over 200 million subscribers in more than 190 countries, Netflix streaming service has attracted a lot of attention with an annual content budget surpassing \$15 billion ever since launch in 1997. Netflix streaming service as a well-known American video streaming company, has transformed from a small-town mail-order DVD rental service into the top Internet entertainment provider. The data-intensive strategies used by Netflix streaming service are meant to increase hours spent on it and profit from viewers viewing habits are very effective. The ability of the brand to generate focus value revolves around the practice of binge-watching and its experiential characteristics, in addition to the promises of abundance, participation, and personalization (Pilipets. 2019).

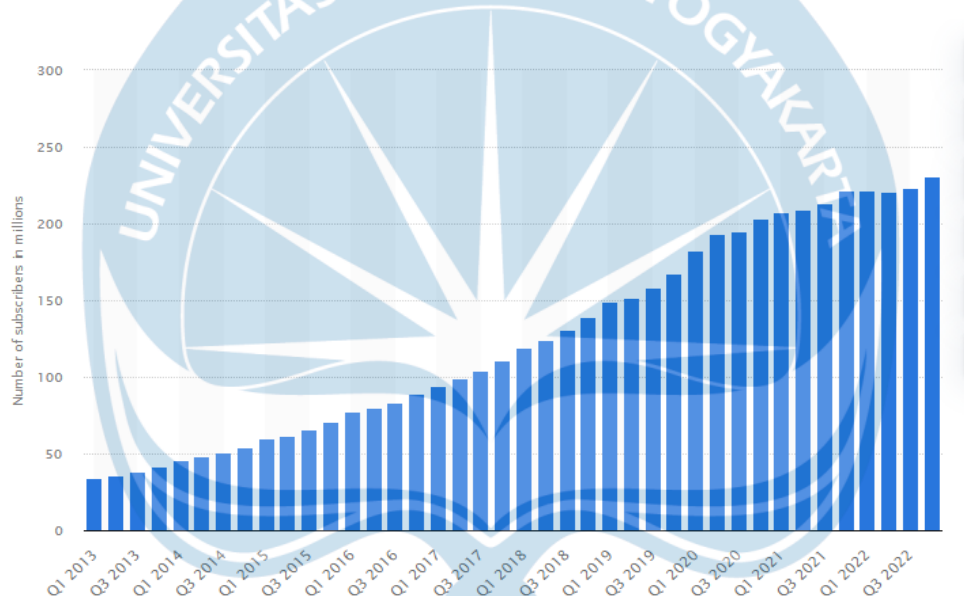


Figure 1. 1 Numbers of Netflix streaming service streaming service's user 2013-2021

(Source: <https://www.statista.com/> (18 March 2023))

There is still not a lot of information available about how Netflix streaming service engages with the global television market or what effects this service is possessing on live TV industries. In addition, there hasn't been much research that looks at this American company's international growth in the context of current discussions about cultural media globalization and content delivery (Lobato. 2020). In addition to the interconnected world of internet and film industries, Netflix streaming service's decision to broadcast video content in 2007 signaled the start of a series of disruptions in the television industry. Before launching its own original programming, Netflix

streaming service decided on an ad-free delivery method and eventually purchased old series straight from conventional TV networks. The decisions made by Netflix streaming service over the past ten years have changed both the future of the TV industry as a whole and the potential viewing options that are available to TV viewers (Novers, S. 2018)

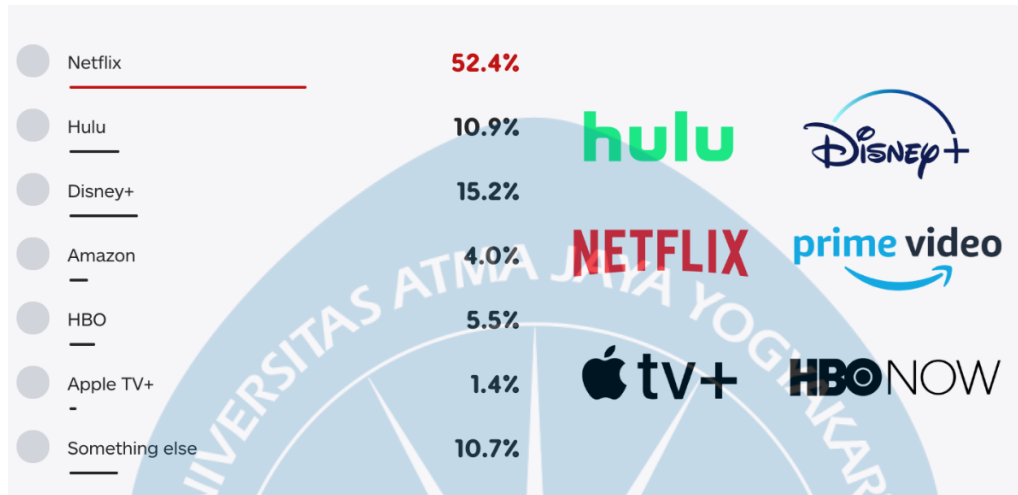


Figure 1. 2 Comparison on Netflix streaming service streaming service and Rivals

(Source: <https://www.ign.com/> (18 March 2023))

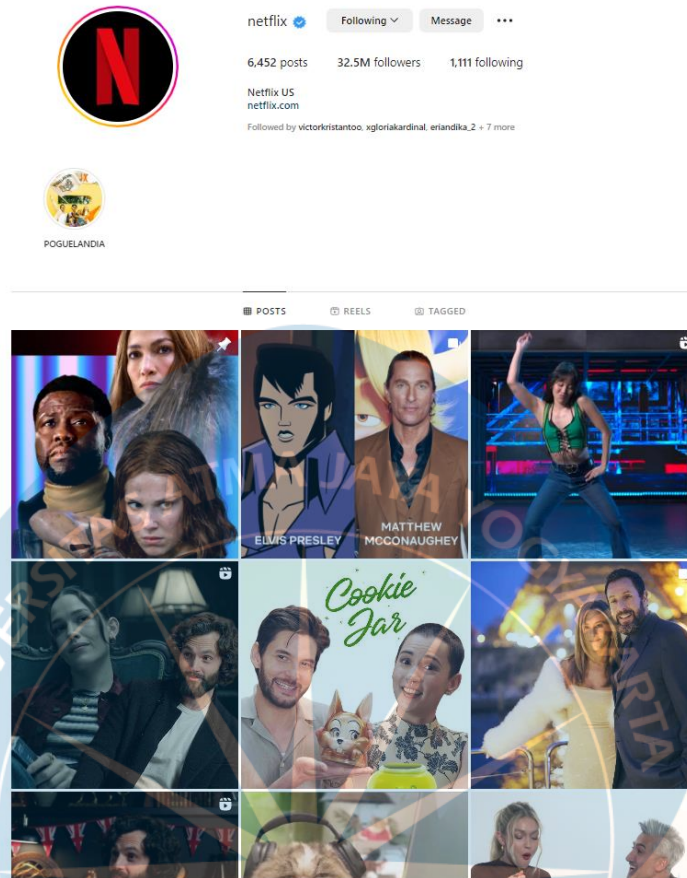
Netflix streaming service, as we know today, is a company that is focusing on brand-to-consumer marketing (B2C) systems. Their services are delivered straight to their customer to provide streaming in the form of a movie, either in cinema-like movies or even show series. According to Forbes in the year 2021, with over 200 million of total subscribers that Netflix streaming service has, it makes them the number one streaming service by the year 2021. Netflix streaming service beat their competitor by a significant amount, their next-to rivals are Prime Video, HBO Plus, Hulu, and Disney Plus which has significantly less subscribers than Netflix streaming service, it is shown in **figure 1.2** Netflix streaming service has the majority of percentage with more than 50% taken out of more than 20 thousand votes. With that said, Netflix streaming service has to have excellent customer engagement to make sure that they are still holding up to the top of the leaderboard.

At this point of time, Netflix streaming service provides products such as OTT and it is indeed their number one income. In Indonesia Netflix streaming service is available in four types of services, which is Mobile, Basic, Standard, and Premium. The price range for Netflix streaming service's subscription in Indonesia is around Rp 54.000 up to Rp 186.000 before tax. On the other

hand, Netflix streaming service USA also provides merchandise stores for online shoppers that are available online and serving worldwide shipping. Their product is based on the USA price point with many products on offer starting from t-shirts, books, up to board games that are currently trending in the merchandise and souvenir market, taking the idea from their top movie or series hits.

The rise in internet usage in Indonesia, particularly among mobile users, has altered consumer preferences and actions when it comes to entertainment consumption. The growing popularity of Netflix nations, especially in Indonesia, is a result of internet penetration. One of the biggest OTT providers worldwide with a subscription model is Netflix streaming service. Netflix streaming service's global subscriber base decreased due to the intense competition inside the OTT market (Lestari, et al. 2020). The majority of Indonesians prefer streaming video-on-demand services when it comes to types of. Indonesia has a population of 65 million people, and 17% of those people subscribe to OTT services. Despite having fewer users than Malaysia, Indonesia still contributes a sizable amount of OTT service revenue, at about \$ 14 million annually (Lobato, R. 2020).

There are a lot of differentiation between the buying pattern and the purchase intention between Generation Z and all the generations below, especially if you have discussed Netflix. Generation Y, also known as the "Millennials," is the workforce with a great purchasing power and does not really use Netflix as often as Generation Z. Thanks to the Internet, this generation makes better and more knowledgeable purchasing decisions. While Generation Z is described on how dependent they are on their phones and other technology, let alone social media as their form of communication with Netflix. They also value and frequently believe in user-generated content and social media endorsers. Because Gen-Z consumers prefer easy and seamless transactions, pre-shopping research should be done on the product before purchase.



*Figure 1.3 Netflix streaming service streaming service's Instagram Account*

(Source: <https://www.instagram.com/> (17 March 2023))

Netflix streaming service makes use of social media's potential to keep its productions at the leading edge of popular culture discourse. Netflix streaming service utilizes social media and interesting content to inform viewers about new shows, generate excitement, and increase viewership. To generate buzz, they produce blog posts that capitalize on popular trends. They add a dose of eccentricity, humor, and intrigue to each of their campaigns. With more than 70 profiles spread across Facebook, Instagram, YouTube, Twitter, and LinkedIn, the brand is present on social media actively. On Instagram, Netflix streaming service currently has more than 30 million followers. Meme marketing is another interesting illustration of a Netflix streaming service marketing tactic. Popular memes are incorporated into their posts as part of this strategy to promote their marketing plan. It is a good way to engage the audience. Memes are extremely shareable and have excellent engagement rates.

For Netflix streaming service, email marketing isn't quite dead. Netflix streaming service shares emails in a variety of ways. Upon registration, they send an email to welcome new users. They circulate emails to generate interest in their fresh content. Additionally, they send emails to their users notifying them of updates. Netflix streaming service recommends movies based on past behavior in order to send emails that are more individualized. In addition to making recommendations, Netflix streaming service tries to push visitors to rewatch movies and TV shows or pick up where visitors left off with previously watched content.

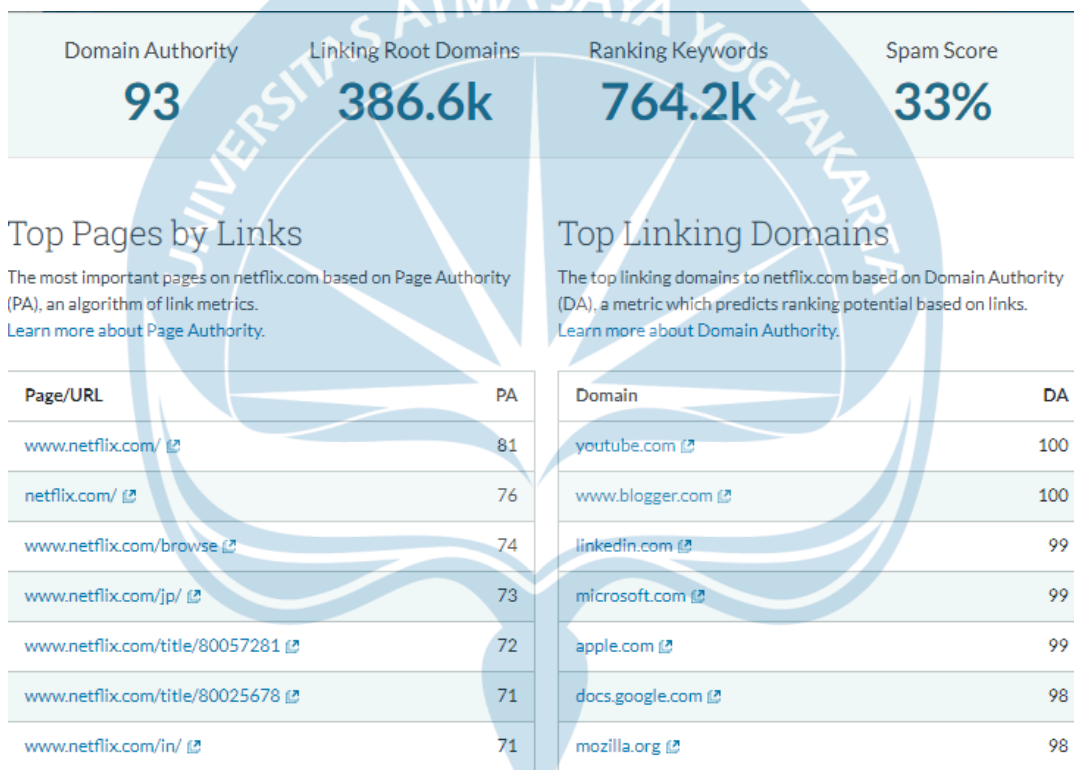


Figure 1.4 Netflix streaming service streaming service's SEO Data

(Source: <https://moz.com/> (17 March 2023))

As part of its overall digital marketing strategy, Netflix streaming service also utilizes SEO, including geotargeting and global SEO. SEO enhances Netflix streaming service's natural search results. With a domain authority score of 93, Netflix streaming service clearly has a successful SEO strategy. A key component of Netflix streaming service's marketing strategy is SEO. They use expressions that appear straightforward and help them rank higher, such as "watch movies," "watch online," "tv online," etc.

## **1.2 Research Questions**

From the data above, the following questions are obtained which are taken from the data which will be examine deeply;

1. Does digital marketing have a significant influence on the purchase intention of netflix streaming service?
2. does digital marketing, the higher the customer engagement towards netflix streaming service?
3. Does digital marketing consumer engagement have a positive influence on building the brand image of netflix streaming service?
4. What is the relation between the brand image of netflix streaming service and the relationship between digital marketing and purchase intention?
5. Does consumer engagement have a significant influence on purchase intention towards netflix streaming service?
6. Can consumer engagement mediate the variable between digital marketing practices and purchase intention towards netflix streaming service?
7. Can brand image mediates the variable between digital marketing and purchase intention towards netflix streaming service?

## **1.3 Research Objective**

From the data above, the following objectives are obtained which are taken from the data which will be examine further;

1. To analyze people's pattern on buying intention of Netflix streaming service using the point of view of Digital Marketing.
2. To analyze the level of customer engagement towards Netflix streaming service streaming service using the data of Digital Marketing.
3. To analyze that Digital Marketing gives Netflix streaming service a benefit by giving their positive influence from their brand image.
4. To analyze what connection exists between Netflix streaming service streaming service's brand perception and the relationship between Digital Marketing and purchase intention.
5. To analyze if Customer purchase intention really came from Netflix streaming service streaming service's consumer engagement.

## **1.4 Research Benefit**

### **1. For academic Purposes**

The research that is done in this paper will be beneficial for future research about OTT especially in Indonesia, given the growing population of OTT users in the country. This research is also expected to provide a new perspective on customer engagement, digital marketing, and purchase intention in Indonesia.

### **2. For Practical Benefit**

This can be used further to further explain about the data and can be read by consumers or the public, as a reference before subscribing to Netflix streaming service. Netflix streaming service Indonesia can use this data for further examples on how they make decisions.

## **1.5 Thesis Structure**

### **Chapter I: Introduction**

The background material will be discussed in this chapter, as well as how it may influence the problem formulation and study aim.

### **Chapter II: Literature Review**

This section discusses the perspective of the wider community about the goods they use every day. This is intended to ensure the validation of the research carried out and to support the data to be described.

### **Chapter III: Research Method**

The research methodology that will be used to perform the study will be described in the third chapter.

### **Chapter IV: Research Results and Discussion**

This part discusses about the result that has been done earlier in the research, in this part of the chapter discussion for the topic is also necessary

### **Chapter V: Conclusions and Recommendations**

describes the conclusions of the research that has been done. This chapter also contains recommendations for future research.