

UDC 330.3:338.1

JEL Classification: E66, L29, M20, O30

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## THE ROLE OF NETFLIX’S BUSINESS MODEL IN DISRUPTIVE INNOVATIONS FORMATION ON THE VIDEO STEAMING MARKET

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In the article the analysis of the processes of formation of disruptive innovations in the video streaming market on example of Netflix has been done. The role of the company’s business model in the formation of disruptive innovations has been determined, as well as the dynamics of its changes, which has been proposed to analyze though divided into four stages. The fourth stage of the business model was highlighted exactly by the authors, and let to research the changes in the Netflix business model during the 2020 lockdown, which allowed the company to attract more customers and to make easier the company’s transition to a new stage of doing business in the conditions of comprehensive digitalisation of social life. The evolution of rising of the Netflix company has been researched, since its foundation and the competitive struggle against Blockbuster, and the transition of Netflix to disruptive innovations in the video steaming market; the authors have paid special attention to the continued functioning of the company after huge changes of the competitiveness landscape of the market. The dynamics of profit of the Netflix company has been investigated, and the dependence of changes of it’s business model and changes of it’s profit has been determined. The dependence between renewing of the company’s business model and the growth of it’s profit has been found. By middle group point method, the forecast of the profit of the Netflix until 2025 has been made, recommendations for the further development has been given. As the result of the research, the authors have made to the conclusion, that the Netflix’s business model allowed company to become innovative, with disruptive innovations, because it’s business model allowed the company to offer a new value proposition to customers that did not exist before and which could not be offered by competitors, who acted within the framework of the “traditional” view of the video streaming market. Freedom of choice became such a value for customers, when customers were able to choose what to watch and when, staying at home – the uniqueness of the approach to creating value by innovation created an impetus for changes in the market.

**Keywords:** digital business models, digital technologies, disruptive innovation, subscription model, Netflix.

**DOI:** 10.32434/2415-3974-2023-18-2-25-34

### *Introduction and formulation of the problem*

Integration of digital technologies into society not only changing daily lives of the people, but also the philosophy of doing business. Companies are using business models wider to develop their activity instead

of “traditional” business plans, which has lack flexibility, – the one of the key factors for survival in the rapidly changing environment of digital technologies. That’s why there are the variety of digital business models that take into account the specifics of

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each business; one of the most actual business models is the subscription model. The subscription model brings a multitude of advantages for businesses, including attracting additional customers, generating additional revenue cash flows, and obtaining a large amount of customer information that can be used to personalize a product or service [1, p. 2]. One of the most well-known and the most performed example of the subscription model has Netflix company, the leader of the video streaming market. The digital model allowed the company to win the competitive battle against television and "traditional" cinemas, completely transforming the movie market [2, p. 33], and through changing competitive landscape. Netflix "destroyed" existing business standards, becoming a disruptive innovation, and this is a reason to research it's business model, which is one of the best examples of how digital technologies are changing society.

Thus, the problem is to research the impact of Netflix's business model on the formation of disruptive innovations in the video streaming market. This is particularly important during the period of transformation of companies' business models that bring significant changes to the philosophy of doing business and may lead to the emergence of disruptive innovations on other markets or industries. Disruptive innovations are leading for improvement of the lives of consumers as they bring new products to the market. However, such innovations can also be a threat to companies that did not recognized the disruptive innovations, and could be «kicked off» from the market as a result of competitiveness. That is why it is very important to research changes of elements of business models.

#### ***Analysis and research of publications***

With changes in business technologies and digitalisation, the interests of scientists, who follow new trends giving significant attention to business models researches instead of business plans, are changing as well. In Ukraine such trends are only gaining popularity; and scientists such as V. Tkachuk, S. Obikhod [3], L. Skibitska [4], and others have been studying these trends. Yu. Bogoyavlenska paid special attention to digital business models, identifying their innovative potential in the process of digital transformation [5]. O. Dziuba, O. Levishchenko, and O. Bilyous have been focusing their research on the subscription business model, characterizing the business model of Netflix; the research identified innovative metrics that allowed Netflix to remain a market leader [6]. Among foreign researchers, D. Vidmar and A. Pucihar investigated the impact of digitization on the construction of the business model canvas [7]. A. Pucihar and G. Lenart researched the

implementation of innovative business models in small and medium-sized enterprises in Slovenia [8]. At the same time, disruptive innovation of Netflix researched by H. Michael, S. Reitmaier, and M. Chichon; they identified the potential of Netflix technologies and the company's future development prospects [9]. Scientists A. Vinesha have characterized the business model of Netflix and identified the company's technologies as disruptive [2].

At the same time, the impact of business models transformation on the development of disruptive innovations remains not too researched area, especially in Ukraine.

#### ***The purpose of the article***

The purpose of the article is to research the dynamics of changes in the business model of Netflix and to determine its role in disruptive innovations formation on the video steaming market.

#### ***Research methods***

The following methods were used in the research: analysis, synthesis, historical-logical, graphical method, comparison, economic forecasting, and methods of induction and deduction.

#### ***Presentation of the main material***

Digital technologies development in the economy stimulate business for the most quickly reaction to changes, namely in the external environment. One of the methods for responding to changes is transitioning of accents from business plans with clear calculations to more flexible and actual business models. Furthermore, business models change the approach for understanding the philosophy and mission of the business, which becomes more and more customer-oriented and focuses on the value creation which transforms into the profits [10]. The top of growth of business models achieves in digital business, which takes place in fierce competition for customers, born by the disappearance of geographical limitations for companies entering the market. Thus, digital technologies help to transform business models from an instrument for managing business to a crucial element of competitive struggle. Competition is an integral part of doing business, each company facing with it trying to offer something special to their consumer. Nevertheless, there are companies that completely transform the market, leaving competitors behind or creating a new industry. Disruptive innovations are appearing, and have dangerous impact on other companies because they are completely changing the rules of competitive struggle, and render previous competitive advantages becomes irrelevant. Typically, disruptive innovations bring new companies with a new type of business model to the market that «blocks» the value of previous models [11]. Disruptive

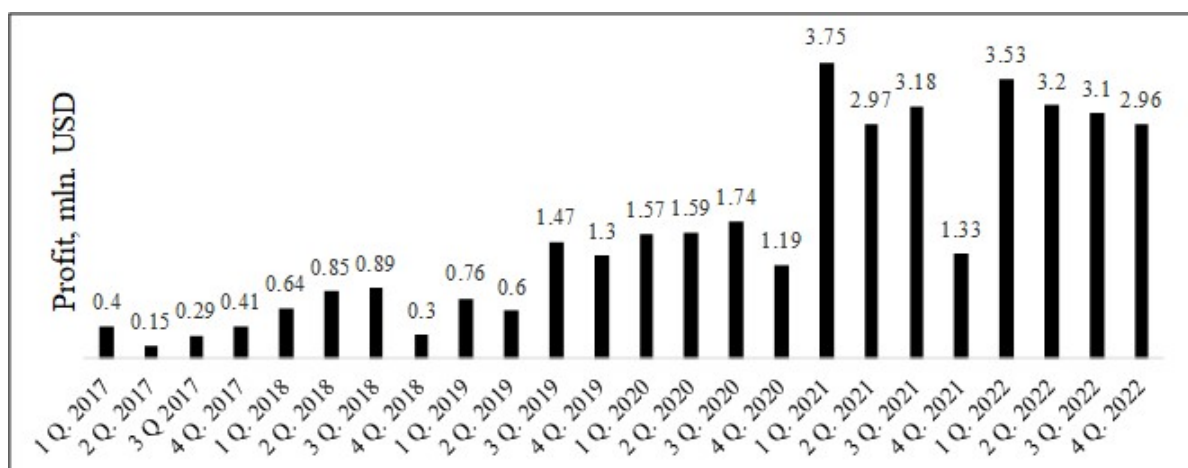
innovations often arise in enterprises with advanced digital technologies, which not long ago were something “distant” for one enterprises, and were able to be used by others. It can be said that the disruption of the market by some companies and the exit of others is the “price” for avoiding innovation and refusing to changes. This led for decline such companies as Kodak, Sears, Borders, Radio Shack, and Toys R Us, and the growth for others such as Google, Uber, Lyft, Amazon, Airbnb, SoFi, Warby Parker, and Bloom Energy [12]. Among the companies that did not avoid innovation, but instead used these opportunities to win in competitive battles and change the values, one can highlight the company Netflix. It is might be mentioned that Netflix was not initially created as an innovative or market-disruptive company, as is most often the case with companies that disrupt the market. Netflix became innovative as a result of competitive battles.

Netflix was founded in 1997, and at that time it was not a disruptive innovation company, although it brought some novelty to the market. The company specialized in renting movies by mail, customers received the desired movie by delivery to home; but providing movies in this format had many disadvantages, as the cassettes were large sized, and it was impossible to do these services cheap and fast delivered by mail. The possible solution in such situation could be the sale of DVD discs, and the problem was that the DVD video rental market was just beginning to appear, and therefore a very small number of consumers used DVD [9, p. 395]. Nevertheless, Netflix tried to enter the DVD market,

where it’s main competitor was Blockbuster [9, p. 396]. Netflix struggled for a long time to compete in the market but it was unable to avoid pressure from Blockbuster. It could be said that during this phase, Netflix was focused on one direction of its development; and a breakthrough could only happen when the company stepped back from traditional methods of competing in the market. The first shifts in the company’s self-perception goes to 1999, when Netflix started to use a modified business model and offered a subscription for its services for the first time [9, p. 396]. However, at that time, the company was not able to take all advantage from the subscription model, as it appeared before technologies that allows it’s mass usage. But in 2007 the company introduced the first video streaming for its customers, as a result of the company’s predicted decline in the DVD video market [13, p. 7]. At the end of 2008, for the first time in history, Netflix launched only streaming service for \$7.99 per month, thereby leading the video streaming market, and the DVD market finally was left the past [13, p. 8]. Even after Netflix disrupted the traditional movie rental market, it continued to fight for it’s place in the competitive struggle, but this time with different competitors.

Analysis and forecasting of a company’s profit are very important for effective management and developing a business strategy aimed on ensuring a stable level of profit over a long period of time.

The profit obtained by Netflix from Q1 2017 to Q4 2022 (in millions of US dollars), is presented in Figure.



Netflix Profit from Q1 2017 to Q4 2022, in million USD

Source: authors’ development, based on data from [14]

For better interpretation of the Figure, we’ll present data in a Table 1.

### The role of Netflix’s business model in disruptive innovations formation on the video steaming market

Table 1

## Netflix profit for 2017–2022 (in million USD)

| Quarter   | Profit, mln. USD | Year | Profit, mln. USD | Change        |             |
|-----------|------------------|------|------------------|---------------|-------------|
|           |                  |      |                  | Absolute, +/- | Relative, % |
| 1 Q. 2017 | 0.4              | 2017 | 1.25             | –             | –           |
| 2 Q. 2017 | 0.15             |      |                  |               |             |
| 3 Q. 2017 | 0.29             |      |                  |               |             |
| 4 Q. 2017 | 0.41             |      |                  |               |             |
| 1 Q. 2018 | 0.64             | 2018 | 2.68             | 1.43          | 114.40      |
| 2 Q. 2018 | 0.85             |      |                  |               |             |
| 3 Q. 2018 | 0.89             |      |                  |               |             |
| 4 Q. 2018 | 0.3              |      |                  |               |             |
| 1 Q. 2019 | 0.76             | 2019 | 4.13             | 1.45          | 54.10       |
| 2 Q. 2019 | 0.6              |      |                  |               |             |
| 3 Q. 2019 | 1.47             |      |                  |               |             |
| 4 Q. 2019 | 1.3              |      |                  |               |             |
| 1 Q. 2020 | 1.57             | 2020 | 6.09             | 1.96          | 47.46       |
| 2 Q. 2020 | 1.59             |      |                  |               |             |
| 3 Q. 2020 | 1.74             |      |                  |               |             |
| 4 Q. 2020 | 1.19             |      |                  |               |             |
| 1 Q. 2021 | 3.75             | 2021 | 11.23            | 5.14          | 84.40       |
| 2 Q. 2021 | 2.97             |      |                  |               |             |
| 3 Q. 2021 | 3.18             |      |                  |               |             |
| 4 Q. 2021 | 1.33             |      |                  |               |             |
| 1 Q. 2022 | 3.53             | 2022 | 12.79            | 1.56          | 13.89       |
| 2 Q. 2022 | 3.2              |      |                  |               |             |
| 3 Q. 2022 | 3.1              |      |                  |               |             |
| 4 Q. 2022 | 2.96             |      |                  |               |             |

Source: authors' development, based on their own research

Netflix is a profitable company that consistently generates income for its owners. In 2018, compared to 2017, the company's income increased by \$1.43 million or 114.40%. In 2019, compared to 2018, the company's income increased by \$1.45 million or 54.10%. In 2020, compared to 2019, the company's income increased by \$1.96 million or 47.46%. In 2021, compared to 2020, the company's income showed a record increase of \$5.14 million or 84.40%.

Netflix's services used the opportunities from lockdown, while other businesses got losses. In 2020, the company changed its business model by shifting from a traditional media company to a technology company model. The key change was focusing on creating its own content instead of buying third-parties' content. This allowed the company to reduce costs on licensing and increase control over content quality. Netflix also opened its own film studio and began developing its own TV shows and movies. Additionally, the company changed its marketing approach by focusing on personalized advertising offerings. Netflix also closed possibility of free trial period for new

users, focusing on developing loyalty programs and increasing satisfaction for existing users. The company's business model is perfectly suited for a situation where most people around the world are staying at home. The demand for the service increased, and the number of subscribers grew by 15.8 million since the beginning of the year, which led to such a rapid increase in the company's income.

In 2022, compared to 2021, the company's profit increased by \$1.56 million or 13.89%. There is a trend towards a constant increase in profit. Reasons for the decrease in the relative change of profit in 2022 by 70.51% were the loss of subscribers after exiting from the Russian market and the increase in prices in the main markets, namely Canada and the USA. However, this did not lead to a loss for the whole year, the company continues to make a profit.

Profit forecasting is important for financial planning and management, which allows companies to determine expected revenues and expenses for the future period, make relevant decisions related to investments, budgeting, and strategic planning. Profit

forecasting allows to determinate how a company’s profit could be increased in the future, which helps to make decisions regarding increasing production, business expanding, creating new products, etc. In addition, profit forecasting allows companies’ management to control financial risks and make solutions regarding reducing or optimizing expenses. Therefore, profit forecasting is an important management tool for business that helps companies make correct decisions based on expected future results.

The accuracy of the forecast largely depends on the correctness of chosen method. We had choose the middle group point method, which is actual when there is insufficient data for forecasting, and the use of more complex methods is not feasible. Therefore, these results serve as a vector for future development, and can be correct with the attention for the factors. This approach can be used to obtain both long-term and short-term forecasts.

The model of average group points is calculated using formulas (1–3) [19 p. 77]:

$$y = b_0 + b_1 \times t, \quad (1)$$

$$b_1 = \frac{y_n - y_1}{t_n - t_1}, \quad (2)$$

$$b_0 = y_1 - b_1 \times t_1, \quad (3)$$

where  $t_1$  - is the average meaning of T for 2017–2019,  $y_1$  is the average profit for 2017–2019,  $t_2$  is the average meaning of T for 2020–2022, and  $y_2$  is the average profit for 2020–2022:

$$t_1 = 1;$$

$$t_2 = 4;$$

$$y_1 = 2,69;$$

$$y_2 = 9,84;$$

$$b_1 = (9,84 - 2,69) / (4 - 1) = 2,38, \text{ mln. USD}$$

$$b_0 = 2,69 - 2,38 \times 1;$$

So, the forecasting equation is:  $Y = 0.303 + 2.38 \times T$ ;

The data forecasting based on the middle group point method we’ll present in Table 2.

Table 2  
**Data forecasting based on the middle group point method**

|             | Year | Profit, mln. USD | T |
|-------------|------|------------------|---|
| Actual data | 2017 | 1.25             | 0 |
|             | 2018 | 2.68             | 1 |
|             | 2019 | 4,13             | 2 |
|             | 2020 | 6.09             | 3 |
|             | 2021 | 11.23            | 4 |
|             | 2022 | 12.19            | 5 |
| Prediction  | 2023 | 14.60            | 6 |
|             | 2024 | 16.99            | 7 |
|             | 2025 | 19.37            | 8 |

Source: authors’ development, based on their own research

The forecasting results show a trend of increasing profit for the company Netflix. The profit will be 14.6 million dollars in 2023, it will be 16.99 million dollars in 2024, and up to 19.37 million dollars in 2025.

To make these forecasting data actual it is necessary to continue developing and improving service; it will increase the competitiveness of the company. As Netflix is one of the most popular streaming platforms in the world, it still has a great potential for growth in the future.

We have formulated scenarios for company’s growth, Netflix level, in digitalisation of economy conditions:

- content development: to continue to invest in creating own original content, which will allow to become more visible on the market and to attract new users. To continues to invest in big studios to gain access to their films and serials;

- geographical availability: to expand the geographical availability can help the company to attract new users and increase revenue;

- technology development: to improve streaming technologies, which will provide the best quality video and audio and reduce playback delays. It might attract new clients and improve the user experience for existing clients;

- development of new formats: to develop interactive content, which will allow to influence to the scenario and to the ending by viewers. This can be a key advantage over other streaming platforms.

The company Netflix created a disruptive innovation which completely destroyed it’s competitors and created a new market. Nevertheless, its struggle continues; new competitors appear, and the one who created a new market can quickly exit from it. However, Netflix is doing everything to remain the



market leader, and its profitability is constantly growing. The history of Netflix is not a story about a company that won once and continued to enjoy the result; it is a story of constant struggle and improvement. The experience of this company is unique, and few companies can disrupt a market, even less to stay in that market. The most important question is how it managed to do so. There are many innovative companies, but not all of them become disruptive, and many companies fail due to not estimating or late recognition of disruptive innovations. Netflix became one of the few companies that succeeded; and understanding how Netflix reached to disruptive innovations can be useful for business, both innovative companies and those who fear not to notice the disruptive innovations of their competitors in time.

Measurement framework for assessing disruptive innovations [15] has three groups of indicators: technological uniqueness, market dynamics, and external environment. However, it cannot be said that Netflix can be evaluated only by one of these groups, as its innovation is not in the technological breakthroughs. Many industries are shaken due to the incorrect implementation of business models. Netflix uses an innovative business model through digital technologies [16, p. 1]. Therefore, it becomes clear that the main reason for appearance disruptive innovations in Netflix is the company's shift to the new business model. Netflix uses a new type of business model, namely, a digital one. Company never tried to copy other companies' business models. In case of choice those routes, it could also be destroyed by another competitor with a completely new business model. Instead, the company always tried to improve its own activity in a distinctive way. This can be traced back to when the company used to mail DVD disks and when it digitized movies for transmission over the Internet [17, p. 63].

To explore the main reasons and «success story» of Netflix, it is necessary to determine the dynamics of changes in its business model canvas.

Dynamics of Netflix's business model changes allows to make recommendations regarding transformation business models of other companies. We'll highlight such specifics presented dynamics of changes of business-model:

a) system approach for business model transformation. The company did not change only a certain component of the canvas, but almost all its elements – from key areas of activities and key partners to customer segments. This suggests that companies that want to switch to a new, innovative business model need to completely change their existing business model, across its entire structure;

b) changing customer segments when changing a product. Netflix did not make the mistake that is common among many other companies that did not change consumer segments with the offer of completely different products. This should be taken into account by innovative companies: changing the product, you need to decide who exactly will buy it;

c) creating a completely new value for consumers, which became possible only with the further development of information and communication technologies. Netflix's competitors were focused on developing the traditional direction of this business and did not notice the new opportunities that digital technology brought. The company moved to digitize movies and video streaming, which allowed users to watch any movie from the comfort of their homes;

d) never try to copy the business model of other companies. Netflix has always tried to improve its own activities in its own great way. This can be traced even when transferring DVDs by mail, as well as when digitizing films to transfer them over the Internet.

Thus, we can highlight that Netflix has always been an innovative company that was often ahead of its time, and it fought a struggle before becoming a company with disruptive innovations that created a new market. To these transformations too influenced the company's newly developed business model, which was based on digital technologies. But most importantly, even after creating a new market and meeting new competitors, Netflix does not stop using innovation to maintain its leadership image. The company receives a steady profit and, according to the received results, will continue to receive it, which means that it brings to the market what is really valuable to the consumer.

#### ***Conclusions and prospects for further researches***

Digital technologies provide the greatest business KPIs when successfully implemented in the relevant digital business models. One of the most best examples of the application of a digital business model that has helped to effectively use technological innovations and become the creator of a new industry is Netflix.

The results of the research of the dynamics of changes in the company's business model, its history indicate that the most innovative component of the development of Netflix was that the approach to building a business model ahead of its time, even before the all relevant technologies appeared. The history of Netflix shows, to what a breakthrough in the market can be reached in case of the use of a correctly created business model at the appropriate time with a focus on consumer needs; and this opens up new opportunities for development for other enterprises, where the basis is not so much business

Table 3

**Dynamics of changes in Netflix’s business model canvas**

| Phase 0<br>(1997–1999)  | Phase 1<br>(1999–2007)   | Phase 2<br>(2007–2012)  | Phase 3<br>(2012 March 2020)  | Phase 4<br>(Since the beginning of<br>lockdown)  |
|---|--|---|---|--|
| 1   | 2  | 3   | 4   | 5  |
| <b>Key partners</b>   |  |   |   |  |
| U.S. Post; DVD distributors; Manufacturers                                | U.S. Post; DVD distributors; Manufacturers                               | Telecommunication providers; Content producers; Electronic companies                    | Telecommunication providers; Content producers; Electronic companies; Television                    | Representatives of creative industries; Film industry; Animated film studios; Big data companies   |
| <b>Key areas of activity</b>  |  |   |   |  |
| Marketing; Innovative products  | Marketing; Innovative products; Data analysis                            | Marketing; Innovative products; Data analysis   | Marketing; Data analysis; Production; Licensing   | Production of films and serials; Development of technologies for streaming content; Marketing activities; Cooperation with producers of various content and buy the right to show it |
| <b>Key resources</b>  |  |   |   |  |
| Mail and mailing service  | Mail and mailing service Algorithms                                      | Algorithms; Streaming; Content  | Algorithms; Streaming; Content; Brand; Clients  | Cloud services; Brand; Content; Big Data analysis technologies; Artificial intelligence  |
| <b>Value proposition</b>  |  |   |   |  |
| Price; Innovation; Fast and easy DVD delivery system                      | Price; Innovation; Variety of content; Fast and easy DVD delivery system | Price; Innovation; Variety of content; Availability                                     | Price; Innovation; Variety of original content; Availability  | Access to new content; Availability; Inclusivity   |
| <b>Customer Relationships</b>   |  |   |   |  |
| Self-service  | Self-service   | Self-service  | Self-service  | Self-service; Updated system of recommendations; Social networks; Chatbots   |
| <b>Promotion channels</b>   |  |   |   |  |
| U.S. Post; Email  | U.S. Post; Email   | Set-top box for video games; Website  | Website; Any device   | Website; Social networks; Instant messengers   |
| <b>Customer segments</b>  |  |   |   |  |
| Movie lovers who are open to innovation and technology                    | Movie lovers who are open to innovation and technology                   | Film lovers who are open to innovation and technology; Early admission to the EU        | Global movie lovers; Brands   | Movie lovers who were forced to stay at home due to lockdown; Brands   |
| <b>Cost structure</b>   |  |   |   |  |
| Marketing; Licensing; Newsletter; Management and administration; Research | Marketing Licensing Management and administration Research Newsletter    | Marketing; Licensing; Servers and technologies; Research; Management and administration | Marketing; Licensing; Servers and technologies; Production; Management and administration; Research | Production of own content; Marketing; Licensing; Servers; Technology and development   |
| <b>Revenue streams</b>  |  |   |   |  |
| Rental of films; Delivery; Free for long-term rental                      | Subscription   | Subscription  | Subscription; Promotional fees  | Subscription; Promotional fees   |

Source: authors’ development, based on data from [17, pp. 66-73; 18]

plans, but the client and the value he receives. Without customer loyalty, no company can win on a competitive market, much less disrupt one market and create another, such as disruptive innovations formation on the video streaming market; and the model chosen by Netflix gave customers another value – freedom of choice.

Netflix's business model will continue to be one of the factors for further creating disruptive innovations not only in terms of forming them on the video streaming market, but also in other markets. Without updating business models, companies will not be able to see new value for the consumer and realize this value. This once again proves the importance of the need for each company to create a business model, which will be adequate time and demands.

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Received 10.05.2023.

Revised 20.05.2023.

Accepted 10.06.2023.

Published 25.12.2023.

The paper is developed in the framework of ERASMUS+ CBHE project "Digitalization of economic as an element of sustainable development of Ukraine and Tajikistan" / DigEco 618270-EPP-1-2020-1-LT-EPPKA2-CBHE-JP. This project has been funded with support from the European Commission. This document reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained there in.



## РОЛЬ БІЗНЕС-МОДЕЛІ КОМПАНІЇ NETFLIX У ФОРМУВАННІ РУЙНІВНИХ ІННОВАЦІЙ НА РИНКУ ВІДЕОПЕРЕГЛЯДУ

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У статті проаналізовано процеси формування руйнівних інновацій на ринку відеоперегляду на прикладі компанії Netflix. Визначено роль бізнес-моделі компанії у формуванні руйнівних інновацій та розглянуто динаміку її змін, запропоновано її аналізувати через поділ на чотири етапи. Четвертий етап бізнес-моделі був виокремлений саме авторами і дозволив дослідити зміни бізнес-моделі Netflix під час локдауну 2020 року, яка дозволила компанії залучити ще більшу кількість клієнтів та спростила перехід компанії до нового етапу ведення бізнесу в умовах всебічної цифровізації суспільного життя. У статті досліджено еволюцію становлення компанії Netflix, починаючи із її заснування та конкурентної боротьби проти Blockbuster, та переходом Netflix до руйнівних інновацій на ринку відеоперегляду; автори звернули особливу увагу на продовження функціонування компанії після значних змін конкурентного ландшафту на ринку. Одночасно з цим досліджено динаміку прибутковості компанії Netflix, визначено взаємозв'язок між зміною її бізнес-моделі та зміною прибутку. Знайдено залежність між оновленням бізнес-моделі компанії та зростанням її прибутку. За допомогою методу середніх групових точок побудовано прогнозоване значення прибутку компанії Netflix до 2025 року та надано рекомендації щодо подальшого розвитку компанії. В результаті дослідження автори прийшли до висновку, що саме бізнес-модель компанії Netflix дозволила їй стати інноваційною компанією, з руйнівними інноваціями, адже створила нову ціннісну пропозицію клієнтам, якої не існувало до того часу і якої не могли запропонувати конкуренти, які діяли в рамках "традиційного" погляду на ринок відеоперегляду. Такою цінністю для клієнтів стала свобода вибору, коли клієнти самі змогли обирати, що їм дивитися і коли, залишаючись вдома, – унікальність підходу до створення цінності інновацією створило імпульс для змін на ринку.

**Ключові слова:** цифрові бізнес-моделі, цифрові технології, руйнівні інновації, модель підписки, Netflix.

## THE ROLE OF NETFLIX'S BUSINESS MODEL IN DISRUPTIVE INNOVATIONS FORMATION ON THE VIDEO STEAMING MARKET

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In the article the analysis of the processes of formation of disruptive innovations in the video streaming market on example of Netflix has been done. The role of the company's business model in the formation of disruptive innovations has been determined, as well as the dynamics of its changes, which has been proposed to analyze though divided into four stages. The fourth stage of the business model was highlighted exactly by the authors, and let to research the changes in the Netflix business model during the 2020 lockdown, which allowed the company to attract more customers and to make easier the company's transition to a new stage of doing business in the conditions of comprehensive digitalisation of social life. The evolution of rising of the Netflix company has been researched, since its foundation and the competitive struggle against Blockbuster, and the transition of Netflix to disruptive innovations in the video steaming market; the authors have paid special attention to the continued functioning of the company after huge changes of the competitiveness landscape of the market. The dynamics of profit of the Netflix company has been investigated, and the dependence of changes of it's business model and changes of it's profit has been determined. The dependence between renewing of the company's business model and the growth of it's profit has been found. By middle group point method, the forecast of the profit of the Netflix until 2025 has been made, recommendations for the further development has been given. As the result of the research, the authors have made to the conclusion, that the Netflix's business model allowed company to become innovative, with disruptive innovations, because it's business model allowed the company to offer a new value proposition to customers that did not exist before and which could not be offered by competitors, who acted within the framework of the "traditional" view of the video streaming market. Freedom of choice became such a value for customers, when customers were able to choose what to watch and when, staying at home – the uniqueness of the approach to creating value by innovation created an impetus for changes in the market.

**Keywords:** digital business models, digital technologies, disruptive innovation, subscription model, Netflix.

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