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The Role of Behavioral Economics in Shaping User Experience: A Case Study of Netflix

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Abstract

Behavioral economics argues that human decision-making is influenced not only by rational choices but also by emotional and social factors, highlighting the role of psychology in shaping behavior. In line with this perspective, various techniques are employed in User Experience (UX) Design to guide, or even manipulate, users' decisions by leveraging principles of behavioral economics. This study examines how principles of behavioral economics are applied in UX Design to influence user behavior, focusing on design strategies used on the Netflix platform to steer user interactions. The findings suggest that these principles have played a significant role in Netflix's ability to captivate a worldwide audience, fueling its rapid growth and success.

Keywords: User Experience Design, Behavioral Economics, Digital Engagement Platforms

1. Introduction

The human drive to make decisions has always been a subject of curiosity. Before psychology was recognized as a formal science in the 20th century, it was widely assumed that decision-making mechanisms were purely rational. However, even before psychology gained scientific recognition, many early economists, including Adam Smith, acted as psychologists in their studies of human behavior (Do, 2011). Behavioral

economics argues that rationality is not a universal explanatory factor but rather an exception in decision-making processes. This perspective challenges the mainstream economic tradition, which assumes that individuals consistently make rational choices. Factors such as limited options, cognitive or physical constraints, insufficient information, and intuitive tendencies often lead individuals to make irrational decisions (Kamber, 2018).

Human behavior is deeply influenced by emotions and psychological processes, with automatic responses, cognitive biases, and subconscious habits playing a crucial role in shaping how individuals think and act. These psychological factors are often the underlying drivers of decision-making, influencing reasoning and behavior without individuals being fully aware of their impact. (Kahneman, 2003) On the other hand, traditional economic theories view individuals as entirely rational agents, often ignoring these limitations or claiming that they can be overcome through rational efforts. (Kamber,2018)

At the core of behavioral economics lies the distinction between intuitive and controlled thinking. Intuitive thinking represents actions that are often unconscious and based on experience, while controlled thinking involves an analytical process dependent on an individual's abilities. The key point here is leveraging the principles of behavioral economics in UX design to activate the user's intuitive side, thereby subtly guiding their behavior. (Interaction Design Foundation, n.d.)

A prominent example of this is Netflix, a global platform for streaming movies and TV shows. Netflix effectively incorporates many principles of behavioral economics, utilizing strategies that influence user decision-making and engagement. In this study, the application of three key principles of behavioral economics through Netflix is analyzed, demonstrating how the platform achieves success by influencing user behavior.

2. Literature Review

Behavioral economics, as a field, finds its roots in early economic theories, marking a convergence of psychology and economics after years of disciplinary separation. In its infancy, psychology was not yet an established field, and early economists, including Adam Smith, implicitly acted as psychologists in their exploration of human behavior. In The Theory of Moral Sentiments, Smith highlighted principles like loss aversion, which align closely with modern behavioral economics. Similarly, figures such as Jeremy Bentham and Francis Edgeworth introduced psychological insights into utility and bargaining that have only recently gained recognition. (Smith, 1759/1892; Do, 2011)

The neoclassical framework in economics, despite its limitations, provides a robust structure for analyzing both economic and non-economic behaviors. It focuses on predictive models that can be empirically tested. Behavioral economics builds on this foundation, addressing the constraints of rationality, self-control, and self-interest with evidence-based models. By integrating psychological principles, this approach aims to refine traditional economic models and better reflect real-world decision-making. (Camerer, Loewenstein, and Rabin, 2006; Kamber, 2018)

Standard economic models have historically assumed that individuals are fully rational, possess boundless willpower, and act purely out of self-interest. However, these assumptions overlook the cognitive limitations and heuristics that guide human decision-making. Scholars such as Herbert Simon and Conlisk argued for the inclusion of "bounded rationality," suggesting that humans often rely on simplified strategies to make decisions, which can lead to systematic errors. Kahneman and Tversky's research further illustrated how these cognitive shortcuts, or heuristics, lead to biases such as overconfidence, optimism, and anchoring in judgments and choices. (Simon, 1955; Conlisk, 1996; Mullainathan and Thaler, 2000)

According to Laibson and List (2015), the principles of behavioral economics can be outlined as follows: People try to choose the best feasible option but may sometimes fail, they care about how their circumstances compare to reference points, and they face issues of self-control. Furthermore, while individuals primarily focus on their own material outcomes, they also consider the actions, intentions, and payoffs of others. In market exchanges, psychological factors still play a significant role, even though they might not always be relevant. Limiting choices theoretically protects individuals from biases, but paternalistic interventions often face mixed reactions (Laibson & List, 2015).

In the modern digital landscape, the rise of smart technologies has amplified the importance of behavioral economics, particularly within the "attention economy." In contemporary contexts, users are often subjected to distractions arising from multiple competing digital devices and platforms. UX designers apply principles derived from behavioral economics and behavioral design to craft experiences that foster emotional engagement and enhance user interaction. These strategies often exploit cognitive habits and emotional triggers, encouraging users to engage with technology while sometimes overlooking usability flaws. Positive emotional connections can make users more tolerant of issues, while negative emotions can deter engagement. (Verhulsdonck and Shalamova, 2020) This interplay between behavioral economics and technology underscores its relevance in understanding both individual decision-making and broader societal trends.

With the rapid advancement of technology, a comprehensive process of digital transformation has been unfolding. This transformation requires companies to adapt swiftly to technological changes in order to remain competitive. A prominent example of this process is the digital streaming platform Netflix. As one of the pioneering companies that has successfully navigated digital transformation, Netflix stands out not only through its growing subscriber base but also through its global impact on the way entertainment content is consumed and experienced. (Nelsa *et al.*, 2025)

Founded in 1997 as a DVD sales and rental service, Netflix launched a website in 1998 and transitioned to a subscription-based model in 1999. In response to the increasing demand for digital content, the company evolved into today’s subscription video-on-demand (SVOD) platform (Figure1.) (Schaffner et al., 2025). This transition created an ecosystem in which users could consume films and series by downloading or streaming them directly, positioning Netflix as a true game changer in the sector. Beyond reshaping industry practices, Netflix has also transformed television culture by enabling the emergence of global communities that interact through a shared platform (Nelsa et al., 2025).

Figure 1. NETFLIX website in 2004 (Business Insider,2016)

This transformation positioned Netflix as a true game changer in the entertainment industry, fundamentally reshaping established sectoral dynamics. Beyond its impact on business models, Netflix has also transformed television culture by creating a global platform that enables communities across different regions to interact and engage with the same content (Nelsa et al., 2025). As of 2024, the platform had reached 301.6 million subscribers worldwide (Statista, 2024). Two of its most distinctive appeals are the possibility of binge-watching entire series or films in one sitting, and its diverse, extensive content catalog (Nelsa et al., 2025). By continually adapting to technological trends and applying behavioral economics principles, Netflix has solidified its position as one of the most popular and influential streaming platforms globally.

3. A Case Study of Netflix

User interfaces are increasingly designed not only to facilitate interaction but also to manipulate user behavior in subtle ways. These manipulations occur across diverse activities such as online purchasing, privacy-related decision-making, and navigation through settings. For instance, design strategies that deliberately distract users, impair decision-making, or foster compulsive engagement are categorized as attention capture damaging patterns (ACDPs). One of the most widely recognized examples is the autoplay function. On Netflix, autoplay serves as a dark pattern that captures and sustains users' attention, nudging them toward continued consumption of content, often beyond their initial intention. Modern digital platforms tend to eliminate so-called stopping cues that would otherwise encourage users to pause or disengage, thereby reinforcing continuous media consumption (Schaffner et al., 2025).

Netflix's success lies not only in such interface strategies but also in its ability to leverage data analytics to examine user habits and preferences. Through advanced recommendation algorithms, Netflix highlights personalized content that maximizes engagement and retention, ensuring that users spend extended periods on the platform (Nelsa et al., 2025).

Camerer and Loewenstein (2006) argue that behavioral economics provides valuable insights into the constraints of rational decision-making and the role of psychological factors in economic behavior. This perspective is particularly valuable in the context of digital platforms such as Netflix, where user decisions are not purely rational but are continuously shaped by design strategies that leverage cognitive biases and behavioral tendencies. Building on this foundation, the following sections analyze how Netflix employs three core principles of behavioral economics—anchoring, social proof, and scarcity—to influence user experience. Each principle will be discussed with reference to specific design strategies and content practices that exemplify Netflix's approach to shaping user behavior.

3.1.Anchoring in User Decision-Making

The principle of "anchoring" in behavioral economics is a strategy used to influence decision-making. It involves presenting a more expensive option alongside a less expensive one, making the latter seem like a better deal. (Interaction Design Foundation, n.d.) Netflix utilizes this technique in its subscription model by offering multiple pricing plans, with the most expensive plan acting as an anchor to make the mid-tier subscription seem more reasonable and appealing to users. (Figure 2.) This strategy leverages the cognitive bias where consumers base their decisions on relative comparisons.

Figure 2. Netflix subscription

Additionally, Netflix has expanded its services to mobile games and interactive content, such as Black Mirror: Bandersnatch, in response to changing entertainment consumption trends (Figure 3.) (Nelsa et al., 2025). Such content presents an example of the "anchoring" principle, where users' initial choices or preferences shape their follow-on behavior.

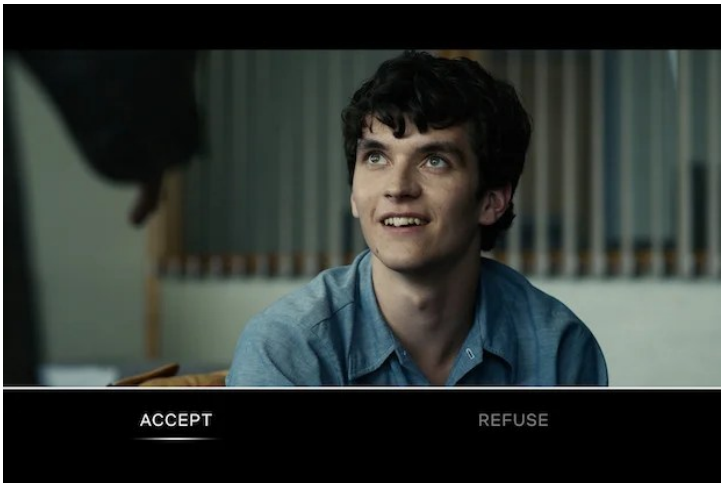

Figure 1. Making a selection while viewing

3.2.Social Proof and Collective Influence

Another key element in behavioral economics is "social proof," which suggests that individuals are more likely to make a decision if they believe others are doing the same. This principle creates a sense of security and belonging, as users feel more comfortable when they see that a product or service is popular (Laibson & List, 2015). Netflix utilizes this concept by showing categories like "Top 10 in [Your Country]" or "Trending Now." (Figure 4.) This comparison influences users to select shows they perceive as popular, aligning with the principle of relative comparison.

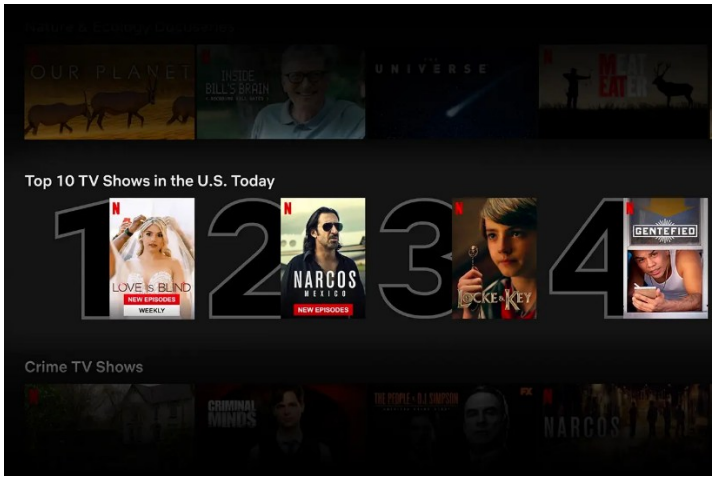

Figure 4. Netflix TOP 10 screen

A further aspect of social proof is the type of content that is “Only on Netflix”. (Figure 5.) This type of content has played a significant role in increasing the number of subscribers. As part of its strategy, the company has shifted from licensing content to producing original content. This content is designed to be tailored to each region where the platform operates, ensuring cultural relevance and local appeal, thereby strengthening user loyalty. (Nelsa et al., 2025)

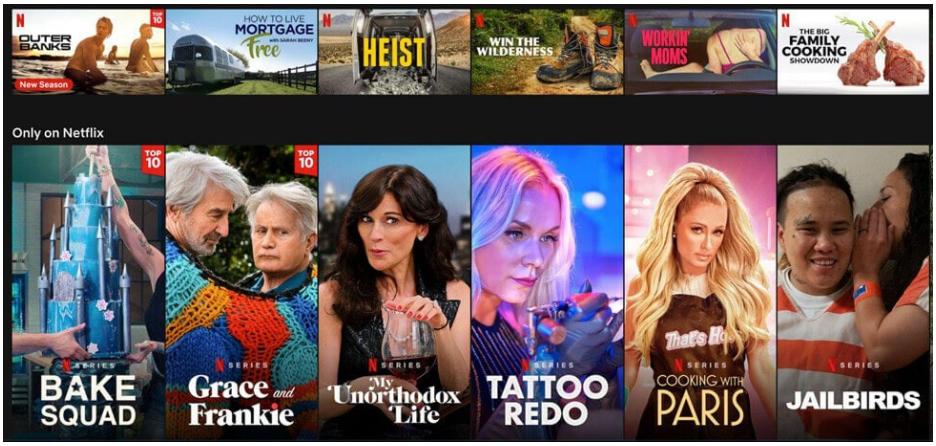

Figure 5. Only on NETFLIX

3.3.Scarcity Strategies

The mention of "Only on Netflix" affects not only social proof but also the scarcity aspect. The principle of "scarcity" is often used to prompt users to interact with content more quickly. For example, Netflix may display a notification like "Last day to watch on Netflix" creating a sense of urgency and encouraging users to consume the content before it's no longer available (Figure 6.) This strategy encourages people to make decisions more quickly by exploiting the psychological effect that people place greater value on something when they perceive it to be limited. By highlighting limited-time availability, Netflix motivates users to watch content they might otherwise delay.

Figure 6. Last day to watch on Netflix

4.. Conclusion

In conclusion, the application of behavioral economics principles within Netflix's User Experience (UX) design has played a crucial role in its success as a leading streaming platform. By incorporating strategies such as anchoring, social proof, and scarcity, Netflix effectively influences user decision-making and enhances user engagement. These techniques guide users towards making quicker and more confident

choices while increasing content consumption and satisfaction. Netflix's personalized recommendation system, leveraging behavioral insights, has not only helped maintain user interest but has also contributed to the platform's global expansion. Ultimately, Netflix exemplifies how behavioral economics principles can be seamlessly integrated into digital design, proving essential for shaping user experiences and achieving business success in the digital age.

By continuing to adapt to technological trends and applying psychological principles, Netflix has positioned itself as a leader in the entertainment industry. As the platform continues to evolve, further research and analysis of these behavioral techniques will provide valuable insights into the ongoing relationship between behavioral economics and UX design.

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