Case Study: Netflix

The beginning

In 1997, the gigantic media-services provider Netflix was born. At this stage the model offered customers monthly subscriptions to have DVDs posted to their door. This meant they could avoid the late fees, which traditional movie rental business imposed upon customers. From the beginning, Netflix proved to be a disruptive organisation, which has likely contributed to its capability to transform and adapt to the digital world.

Streaming began in 2007 for the business and this meant that subscribers no longer needed to wait for DVDs to come through the mail. Netflix successfully implemented change management, to meet the needs of the consumers that would begin to watch content online.

Netfix's global growth

Netflix's global growth is a big factor in the company's success. By 2017, it was operating in over 190 countries and, today, close to 73 million of its 130 million subscribers are outside the United States of America. Netflix's globalisation strategy, and many of the challenges it has had to overcome, are unique. Netflix secures content deals region by region, and sometimes country by country. It also had to face a diverse set of national regulatory restrictions, such as those that limit what content can be made available in the different local markets.

Netflix did not try to enter all markets at once: rather, it carefully selected its initial adjacent markets in terms of geography and psychical distance, or perceived similarities between markets. For example, its earliest international expansion, in 2010, was to Canada, which is geographically close to and shares many similarities with the United States. Netflix has worked with, and responded to, its new markets. The company has partnered with key local companies to forge win-win relationships. In some cases, it has joined with cell phone and cable operators to make its content available as part of their existing video-on-demand offerings. For example, when Vodafone launched a TV service for its customers in Ireland, it included a dedicated Netflix button on its remote controls.

“Netflix believes that great storytelling transcends borders,” said Ted Sarandos, Netflix’s CEO, while speaking at a recent luncheon for technology driven companies. Despite its very rapid internationalisation, Netflix implemented the same customer-centric model of operations, which had been key to its success in the United States, in all its markets. Netflix experiments with customer usage data to determine which offerings work best. Because it operates in so many countries, Netflix is able to try different approaches in different markets. As the number of its international subscribers grows, the performance of its predictive algorithms continues to improve. The system constantly monitors which shows are watched by which account, all over the globe.

Netflix South Africa

Netflix first started streaming in South Africa in 2016. With a diverse population and many cultures in South Africa Netflix adjusted their algorithms to provide a wide variety of shows and movies that would suit most demographics and cultures. Decisions are taken by Mark Gavill, South Africa’s content engineer, and his team to ensure the most watched content are continued, with similar content being added. Mr Gavill relies heavily on the opinions of his team when conferring and deciding which content should be added to the Netflix South Africa server. The system has been developed in such a way that data received by each active account can easily be sorted and organised at a push of a button, leading to easier decision-making. Each week, Gavill and his team receive statistical information on the content, based on the number of views as well as views per province. The information is grouped and presented in such a way that a holistic view of the content can be deduced at a glance, preventing the overwhelming task of having to read through all the statistics on a weekly basis. Gavill and his team then write a memo, with instructions for which content to add, and it is distributed to the different content departments. There are five content departments, each with different genres of content to locate, purchase - if necessary - and upload to the Netflix South Africa server. The manager of each content department then reports back to Gavill when the instructions have been completed. On a monthly basis Gavill writes a detailed report of actions taken to the Chief Content Engineer of Netflix International, Mrs Samantha Greeves to ensure the content being added is still in line with Netflix’s missions and goals, “to transcend through storytelling”. Each engineer in the different countries report to Mrs Greeves. She is said to be an organised person,

a very reliable and hard-working manager and is well respected by those who report to her. She strives to create team spirit and gives guidance as to what is expected of her employees. Although she encourages employees to work hard, she is always available to lend a helping hand should an employee have a work or personal crisis.

Netflix during lockdown

Almost 16 million people created accounts in the first three months of 2020, according to the firm. However, the streaming service, which is behind some multi-million-dollar productions since 2019, reports that national shutdowns have halted "almost all" filming around the world. In addition, sharp declines in the value of many currencies has meant new subscribers outside of the US, where Netflix is based, are not worth as much to the company as they would have been before the crisis, and this has damaged its international revenue growth.

The bigger question for Netflix is, can it retain those paying customers after Covid-19 lockdown measures are eased? The company is facing increasing competition from the likes of Disney Plus and Amazon Prime, which both boast large archives of content, to attract new subscribers. In the streaming world, content is king, and more rivals mean Netflix will need to shore up its line-up; however, big brands like NBCUniversal and Disney, are also pulling popular shows they had leased to Netflix and showing these on their own services instead.

Source:
Adapted from: https://insights.profitand.com/blog/real-life-examples-of-successful-change-management-in-business
https://hbr.org/2018/10/how-netflix-expanded-to-190-countries-in-7-years
https://www.bbc.com/news/business-52376022