

Lessons from the Business person of the year Reed Hastings

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Netflix

- Stock of the year
- Up more than 200% since Jan Vs 7% for S&P 500
- Has expanded internationally
- Now virtually every movie deal includes an on-line distribution component , thanks to Netflix

What's special about Reed Hastings?

- Cannibalizes his own business
 - Retooling his company as a streaming-video company , disrupting his own business of DVD by mail
- Always ahead on technology curve
- Has amazing foresight
- Tries new things all the time
 - Like the offer of \$1m to anyone who can make Netflix's movie recommendations algorithms better

Critics

- Wedbush securities stock analyst Michael Pachter called Netflix 'a worthless piece of crap' in Jan 2005.
- Hastings uses such critical comments to motivate and spark new ideas
- A black poster emblazoned with Pachter's photo and his 'piece of crap' comment hangs outside a kitchen at Netflix today

What helped?

- Start up culture
 - Making the company a place he enjoyed coming to every day
 - People who pushed him intellectually
 - A company of which he could be proud
 - Complete trust between one another
 - No vacation policy – take as much leave as you want!
 - No compensation rules
 - Few formal titles
 - No beer bashes

Objective and how they do it?

- **Objective:** Offer customers something so incredible that it would woo them to the new technology before anyone else to reach as many screens as possible
- **How do they achieve this?:**
 - Buy bandwidth in bulk from AT&T and others
 - Hire companies like Akamai to help deliver data efficiently
 - Result: streaming of movies at 5c a film (compared to \$1 for a round trip DVD!)

Where the business is now?

- 66% of subscribers used streaming service for at least 15 mins in III qr
- Service now available in 200 electronic devices- ipads, smart TVs, smart phones ...
- Deal worth \$1 B with Epix helps stream NEW movies from Paramount, Lions Gate and MGM



Source:

- Fortune Dec 6, 2010