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Netflix Goes to Bollywood

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For the first fifty years of television, broadcasters determined what viewers could watch and when they could watch it. Consumers faced limited choices, had to arrange their schedule to watch a show when it was broadcast, wait a week for the next episode, and sit through frequent commercials breaks. Streaming video pioneers Netflix, Hulu, and Amazon Prime Video shifted the power to the viewers: they assembled large libraries of content and made these shows, movies, and documentaries available over the Internet, so that audiences could watch what they wanted, when they wanted, for as long as they wanted, without commercial interruptions. By 2019, 40% of Americans watched multiple episodes of TV shows in sequence (known as binge-watching) every week.[1]

Since its founding in 1997, Netflix evolved from a mail-order DVD rental company to the world's leading streaming video on demand (SVOD) provider. By 2019, Netflix was the dominant SVOD platform, with 167 million paid subscribers around the world and an enterprise value of $157 billion (see the tab **N summary** in the case data supplement for an overview of Netflix operating and financial data). Viewers voraciously consumed the company's content—the average number of hours subscribers spent watching Netflix each day increased four-fold between 2010 and 2015.[2]

Unlike Disney or NBC Universal, Netflix did not enter streaming video with a large library of content (tab **movie franchises**). Instead, Netflix rose to industry leadership by successfully seizing a series of opportunities to grow its business.[3] To transition from DVD rentals to online streaming, Netflix licensed popular content, including Disney's Marvel *Avengers*, NBC's *The Office* and Warner's *Friends,* from major media companies.[4] In 2013, Netflix launched its first major original series, *House of Cards,* and later built an in-house studio to ramp up the number of original TV series and movies it could produce. In 2019 alone, Netflix invested $15 billion to produce original series and [5]movies, outspending any TV

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network or Hollywood studio.[6] Netflix also expanded beyond its domestic market to 190 countries, and by 2019, 60% of paid members were outside the US and Canada.

Netflix's executives attributed its growth, in large part, to a corporate culture that promoted agility and innovation.[7] A 127-page presentation, knowns as the "Netflix Culture Deck," explained the company's culture and why it mattered for success. By 2017, the Netflix Culture Deck had been viewed 15 million times.[8] Facebook COO Sheryl Sandberg said it "may well be the most important document ever to come out of [Silicon] Valley."[9] Netflix co-founder and CEO Reed Hastings, published a book, entitled *No Rules Rules: Netflix and the Culture of Reinvention,* celebrating Netflix's culture.

The rise of Netflix came at the expense of established entertainment firms and cable networks. Streaming video induced millions of viewers to dispense with traditional pay TV packages, especially younger viewers (**US TV market** and **US media generation**). But the incumbents fought back, consolidating media properties through mergers and acquisitions, terminating their licensing contracts with Netflix, and launching their own streaming services (**SVOD competitors**). By 2019, AT&T, Disney, and Comcast had completed acquisitions collectively valued at $215 billion (**US media conglomerates**).[10] Analysts estimated that TV series and movies licensed from these three media giants accounted for approximately 40% of the viewing time on Netflix (**N most viewed**).[11] Meanwhile, Apple unveiled its streaming-video subscription service, backed by a multibillion-dollar investment in original content (**US competitor financials**).

The Walt Disney Company's streaming video service, Disney+, launched in the U.S. in November 2019, signing up 10 million customers on the first day. Within five months it had surpassed 50 million subscribers, including eight million in India, where the service launched in early April 2020.[12] By comparison, Netflix, which entered India in 2016, had just over two million subscribers. Netflix viewed India, with a population of 1.3 billion, as the source of its "next 100 million" subscribers.[13] Netflix had increased its investment in India at a faster rate than any other market. And, in July 2019, Netflix introduced its cheapest, mobile-only subscription plan for Indian users, priced at just $2.85 per month, in an attempt to make inroads into the country.[14]

How could Netflix acquire its next 100 million subscribers in India? Despite its large size, India remained a price-sensitive market, and leading players relied on advertising to subsidize low subscription fees. Through 2020, Netflix had targeted well-educated, well-off consumers in large cities who primarily watched international content in English and Hindi.[15] The majority of Indian consumers, however, resided in smaller cities and preferred content in their local language (**Indian population**). To win in the Indian market, Netflix might need to revisit past strategic choices including premium pricing, avoiding mergers and acquisitions, and its pledge never to include advertisements in its programming.

A Brief History of Netflix

Netflix was founded in 1997 by Marc Randolph, a tech-marketing executive, and Reed Hastings, a computer programmer. The pair wanted to create "the Amazon.com of something" and, after researching products suitable for e-commerce, they settled on DVDs.[16] Randolph and Hastings initially conceived of Netflix as an online DVD retailer, but added a rental service before launch as they realized Netflix could not beat large retailers like Amazon and Wal-Mart.[17] Netflix launched its service in May 1998, with 30 employees and a library of 925 movies to rent.[18] To improve its fledgling rental business, Netflix piloted a subscription plan in 1999. For $22 a month (and no late fees), subscribers could rent an unlimited number of DVDs, one at a time, for as long as they wished, and could save lists of movies they wanted to see.[19] The subscription service was an immediate hit. Analyzing user data revealed that subscriber growth was highest near distribution centers, because customers valued overnight delivery.[20]

By 2000, Netflix had some 300,000 subscribers, but it was not yet profitable. In spring, Randolph and Hastings, who served as the company CEO, flew to Dallas to meet with Blockbuster senior leaders and propose a deal. "We offered to sell a 49% stake [for $50 million] and take the name Blockbuster.com… We would be their online service," Hastings recalled.[21] Blockbuster's CEO immediately rejected the deal.[22] Blockbuster, which at the time had 20 million active store users renting mostly VCR tapes, did not see what Netflix offered that the company could not do itself.[23]

When Netflix went public in 2002, the IPO prospectus described Netflix as "the largest online entertainment subscription service in the United States, providing more than 600,000 subscribers access to a comprehensive library of more than 11,500 movie, television and other filmed entertainment titles." Two years after the Netflix IPO, Blockbuster launched its own online subscription service, but could not overtake Netflix's which grew to over four million subscribers.[24] By the end of 2006, Netflix was valued at $1.5 billion, more than twice Blockbuster's market capitalization.

By 2007, Internet broadband had reached over 50% of American households, although it was still expensive and slow (it could take two hours to download a high-resolution movie).[25] Although the market for digital delivery of video content was small, it attracted large retailers including Amazon and Wal-Mart. Even Disney launched a short-lived movie-rental service, which required consumers to buy a $200 set-top box and pay up to $3.99 to rent a movie for 24 hours.[26] Netflix, in contrast, developed a virtual player that streamed content in real-time rather than force users to wait for a complete download, and launched its streaming service in 2007.

When Blockbuster filed for bankruptcy in 2010, Netflix was able to accelerate subscriber acquisition, adding nearly 40 million U.S. streaming subscribers by the end of 2014 (See **N annual subs, N quarterly subs** and **N sub growth**). The company also began a steady program of international expansion (**N international**). As part of its growth, Netflix ramped up the number of licensing deals it inked with major media companies (**N content license**). By increasing its subscriber base, Netflix became an attractive distribution channel for media companies. At the same time, the company's breadth of TV series and movies made it easier to sign up new users and pull ahead of competitors including Hulu (a joint venture among NBC, Fox and ABC), Time Warner's HBO Now, and Amazon Prime Video.

To further differentiate its content and reduce its reliance on licensed content, Netflix began to invest in original programming (**N original most viewed**). Its first exclusive series, *House of Cards*, cost $100 million and was released in 2013. Chief Content Officer Ted Sarandos summarized the company's approach: "The goal is to become HBO faster than HBO can become us." [27] Breaking with media-industry norms, Netflix made the entire first season of *House of Cards* available immediately, a practice it would repeat with all of its original content.[28] By 2017, Netflix spent more money on scripted original content than any streaming provider, and most traditional major media companies.[29] The company spent a record $13 billion in 2018, $15 billion in 2019, and planned to spend $17 billion in 2020. Analysts predicted that Netflix would invest $26 billion per year on content around the world by 2028. [30]

Building the Netflix Culture

Prior to Netflix, Hastings founded Pure Software, which doubled in revenues every year until it went public in 1995.[31] Hastings experienced the challenges of rapidly scaling a company[32] "We got more bureaucratic as we grew," Hastings recalled. He vowed to avoid the same problems in his next venture.[33] He commented:

> *[In] my first company—we were very process obsessed… every time someone made a mistake, we tried to put a process in place to make sure that mistake didn't happen again… we were trying to dummy-proof the system. And then, eventually, only dummies wanted to work there. Then the market shifted and the company was unable to adapt […] so with Netflix, I was super-focused on how to run with no process but not have chaos.*[34]

To avoid bureaucracy as Netflix scaled, Hastings worked with Chief Talent Officer Patty McCord to define the culture they wanted to build (**N culture**). They created a PowerPoint presentation—the Netflix Culture Deck—that explained the company's values and expected behaviors, which McCord and Hastings would walk through with every new employee (**N culture deck**).[35] In 2009, the deck was posted online so potential employees could assess their fit with the Netflix culture before deciding whether to apply for a job. One executive said hiring decisions were "based 50% on cultural fit and 50% on hard skills, versus 80% on hard skills at other companies" where he had worked.[36]

"Like all great companies," the Netflix culture overview explained, "we strive to hire the best and we value integrity, excellence, respect, inclusivity, and collaboration."[37] Netflix executives, however, believed their corporate culture was differentiated by five specific values:[38]

- Encourage independent decision making by employees (freedom & responsibility)
- share information openly, broadly, and deliberately (transparency)

- are extraordinarily candid with one another
- keep only our highly effective people (dream team)
- avoid rules

Keep only our highly effective people. When the dot.com bubble burst in 2001, Netflix was forced to lay off one-third of its workforce, keeping only the most talented employees.[39] When business picked up again later that year, Hastings was amazed to see that the company got more work done with fewer employees, and that morale was higher than it had been before the layoffs (**N employees** and **N executives**). "This was my road to Damascus experience," Hastings later said.[40] Keeping mediocre performers, he believed, demotivates leaders; keeps them from cultivating their star performers; lowers the quality of group decision-making; reduces efficiency; causes top performers to quit; and signals that mediocrity is acceptable.[41] Netflix executives believed that the best employees were twice as productive as average workers on routine work, but 10 times more effective when it came to creative work.[42] Hastings observed:

> *Stunning colleagues accomplish significant amounts of important work and are exceptionally creative and passionate. Jerks, slackers, sweet people with non-stellar performance, or pessimists left on the team will bring down the performance of everyone.*[43]

The company sought new hires who would “raise the bar for the team” and increase the company's "talent density."[44] To attract the best candidates, Netflix managers made “a good-faith estimate of the highest compensation each employee could make at peer firms, and pay them that maximum.”[45] Netflix did not offer annual bonuses. "The last thing we want," Hastings said, "is our employees rewarded in December for hitting some goal fixed the previous January."[46] Employees could choose the percentage of their compensation they would receive in salary and stock options each year.[47] Stock options vested monthly so employees were not bound to the company by “golden handcuffs.”

Netflix executives emphasized the company was not a "family," but a “dream team,” where “*all* of your colleagues are extraordinarily effective at what they do and are highly effective collaborators.”[48] "Just as great sports teams are constantly scouting for new players and culling others from their lineups," McCord said, "our team leaders need to reconfigure team make-up.”[49] Netflix did not use forced rankings, because they undermined collaboration. Instead, leaders regularly evaluated their team members using the “keeper test,” where they considered whether they would fight to keep a team member who was planning to leave the company. Employees whose manager would not fight hard to keep them were promptly let go with a severance package equivalent to four to nine months of annual salary.[50] On average, 12% of Netflix employees left the company every year, compared to 11% for the media industry and 13% in the technology sector.[51]

Freedom and responsibility. Netflix empowered employees throughout the company to make decisions unencumbered by structured processes, committees, or managerial oversight. “I pride myself,” Hastings said, “on making as few decisions as possible in a quarter.”[52] Netflix executives believed giving employees freedom to make decisions concentrated accountability, led to more experimentation, and created an environment where people thrived. The flip side of freedom was that employees were expected to take personal responsibility for solving problems and delivering results, a combination that Netflix called "freedom and responsibility." The company's culture statement explained its rationale:

> *We don't buy into the lore of CEOs, or other senior leaders, who are so involved in the details that their product or service becomes amazing. The legend of Steve Jobs was that his micromanagement made the iPhone a great product… The heads of major networks and studios sometimes make many decisions in the creative process of their content. We do not emulate these top-down models because we believe we are most effective and innovative when employees throughout the company make and own decisions.*[53]

Freedom, at Netflix, did equate to unilateral decisions. Prior to making a decision, employees were expected to "farm for dissent" by actively soliciting different points of view from colleagues.[54] For minor decisions, dissent-farming could be done by email or discussions, but for more consequential issues employees were expected to systematically collect input. Employees would circulate a spreadsheet asking colleagues to rate their proposal from -10 to 10 and explain the rationale for their rating. "This sounds a lot like consensus building, but it's not," Hastings argued, "with consensus building the group decides; at Netflix a person will reach out to relevant colleagues but does not need to get anyone's agreement before moving forward."[55]

Once a decision was made, the company tracked progress, and made mid-course corrections as necessary. "In general, freedom and rapid recovery is better than trying to prevent error," according to the Netflix description of its culture. "We are in a creative business, not a safety-critical business. Our big threat over time is lack of innovation, so we should be relatively error-tolerant." Hastings encouraged employees to experiment by framing decisions as bets:

> *We want all employees taking bets they believe in and trying new things, even when the boss or others think the ideas are dumb. When some of those bets don't pay off, we just fix the problems that arise as quickly as possible and discuss what we've learned. In a creative business rapid recovery is the best model.*[56]

Extraordinarily candid with one another. "We want people to speak the truth," Hastings explained. "It's not okay to let a decision go through without saying your piece. We're very focused on trying to get to good decisions with good debate."[57] The company placed particular emphasis on openly discussing failure. Employees were encouraged to "sunshine" their failed initiatives by writing a short memo outlining what went wrong and what they learned from the failure, and circulating the memo widely throughout the company.[58] At semi-annual product meetings, Hastings asked managers to classify their recent bets into those that paid off, those that didn't, and open initiatives, discuss the bets, and consolidate lessons learned from failures.[59] Hastings explained the benefits of these discussions:

> *This exercise reminds everyone that they are expected to implement bold ideas and that, as part of the process, some risks won't pay off. They see that making bets is not a question of individuals' successes and failures but rather a learning process that, in total, catapults the business forward. It also helps newer people get used to admitting publicly that they screwed up on a bunch of stuff--as we all do.*[60]

Employees were expected to provide their colleagues with frank feedback on a regular basis. Every year, employees were asked to provide feedback on as many colleagues as they liked at any level in the organization, and sign their name. The average employee provided feedback on at least ten colleagues, but it was common to provide feedback to more than thirty.[61] Hastings shared the feedback he received with his direct reports, who did the same with their teams.[62] This level of candor was uncomfortable but useful, according to one Netflix employee:

> *In most situations, both social and work, those who consistently say what they really think about people are quickly isolated and banished. We work hard to get people to give each other professional, constructive feedback—up, down and across the organization—on a continual basis. Leaders demonstrate that we are all fallible and open to feedback. We believe we will learn faster and be better if we can make giving and receiving feedback less stressful and a more normal part of work life.*[63]

Share information openly. Within Netflix, even sensitive information was widely shared, including the number of new subscribers, the details of content-production deals, and a four-page describing the company's "strategy bets" posted on the home page of the Netflix intranet.[64] Unlike most public companies, Netflix distributed financial results internally before the quarter closed, and made senior executives' salary data viewable by their colleagues.[65] Transparency of information allowed employees to make decisions aligned with the company's strategy without top-executive oversight or micro-management."[66]

"The leader's job at every level," according to the Netflix official culture statement, "is to set clear context so that others have the information to make generally great decisions."[67] Hastings contrasted this emphasis on transparency with other companies. "We're like the anti-Apple," he said, "They compartmentalize, we do the opposite. Everyone gets all the information."[68] Ketan Duvedi, an engineering manager at Netflix, explained:

> *Netflix has a memo-based culture (inspired by Amazon) and uses gDocs to put down ideas, solicit feedback, track meeting notes, etc. This, and the openness in sharing, results in a trove of historical and current information that is readily available to each employee in domains that are related as well as unrelated to theirs…This enables employees to have a more well-rounded understanding of the business and the challenges, and stretches them to think beyond their immediate domain to solve problems for Netflix.*[69]

Avoid rules. Netflix executives avoided unnecessary rules and structured processes to remain agile as the company grew. Rather than impose detailed travel, vacation, or parental-leave policies, for example, it encouraged employees to use their judgment. The Netflix official culture statement elaborated on the company's "anti-rules, pro-freedom philosophy."[70]

> *Many organizations have freedom and responsibility when they are small… As they grow, however, the business gets more complex. The informal, smooth-running organization starts to break down, pockets of chaos emerge, and the general outcry is to "grow up" and add traditional management and process to reduce the chaos. As rules and procedures proliferate, the value system evolves into rule following… and creative thinkers are told to stop questioning the status quo. This kind of organization is very specialized and well adapted to its business model…[but] the business model inevitably has to change, and most of these companies are unable to adapt.*

There were exceptions to "no rules" approach, and the company had strict policies in place for a small number of "edge cases," including harassment, insider trading, and keeping user information secure. The tab **N culture benchmarking** compares Netflix's performance on key cultural values to rivals.

In June 2017, Netflix published a major update to its culture slide deck to include a stronger commitment to diversity and inclusion (**N diversity**).[71] Specifically, the company encouraged current and potential employees to be "curious about how our different backgrounds affect us at work, rather than pretending they don't affect us... You recognize we all have biases, and work to grow past them...You intervene if someone else is being marginalized."[72] At a time when sexism in the tech industry was in the headlines, Netflix emphasized its longstanding commitment not to hire jerks: "On a dream team, there are no 'brilliant jerks.' The cost to teamwork is just too high. Our view is that brilliant people are also capable of decent human interactions, and we insist upon that."[73] In June 2018, Hastings fired the head of communications after the executive used a racial slur in a company meeting.[74] In a companywide email, Hastings said the comment showed a "deep lack of understanding" and also apologized for not acting sooner.[75]

Netflix's Strategy

In contrast to diversified competitors such as Amazon, Apple, and the large media conglomerates, Netflix focused exclusively on its streaming-video business. The company summarized its strategy:

> *Netflix is a global Internet entertainment services network offering movies and TV series commercial-free, with unlimited viewing on any Internet-connected screen for an affordable, no-commitment monthly fee. Netflix is a focused passion brand, not a do-everything brand: Starbucks, not 7-Eleven; Southwest, not United; HBO, not Dish.*[76]

Netflix streamed TV series, movies, documentaries, and stand-up comedy, but did not broadcast sports, news, or user-generated content. It offered a large and diverse selection of content, including an average of 1,300 television series and 3,000 movies in the countries where it operated in 2018.[77] The Netflix user interface allowed for multiple users, each with their own history and personalized recommendations. In contrast to pay TV providers, Netflix did not lock users into long-term contracts and made it easy to cancel a subscription (or resubscribe) at any time. Industry expert Matthew Ball reported that approximately 2% of Netflix subscribers cancelled their membership in July 2020, compared to 5% for Hulu and Disney+, and 7-8% for CBS All Access, HBO Now, and Starz.[78]

Industry analysts estimated that Netflix could generate more than $1 billion per year in additional revenue by offering a free service running advertisements, but the company denied it would ever carry advertising. [79] "We believe we will have a more valuable business in the long term by staying out of competing for ad revenue, and instead entirely focusing on competing for viewer satisfaction," according to a company letter to shareholders.[80]

Despite intensified competition in the streaming-video industry, Netflix executives believed the company had significant room to grow. They noted that Netflix accounted for only 10% of all U.S. television viewing in 2019, and predicted it could ultimately grow to between 60 and 90 million members in the U.S. market.[81] To drive growth in new subscribers, Netflix invested heavily in new content. The company spent $15 billion to produce, purchase, and license content in 2019, up from $9 billion in 2017. Netflix funded its investment in content largely with debt (**N LT obligations**).[82] The company produced over 2,000 hours of original content in 2018, more than four times the volume created by HBO (**US new shows**).[83] Between 2015 and 2020, Netflix series were nominated for 23 Primetime Emmy awards, while HBO garnered 20 nominations **(US awards**).

In addition to producing original content, Netflix dramatically accelerated the pace and size of production deals it signed with major Hollywood producers and directors, including Ryan Murphy (*Glee*, *American Horror Story*), Kenya Barris (*Black-ish*, *Grown-ish*), D.B. Weiss and David Benioff (*Game of Thrones*), and celebrities such as Beyoncé and Ricky Gervais, as well as former U.S. President and First Lady Barack and Michelle Obama (**N production deals**). Original content was produced, in part, to offset losses of licensed content. Between 2014 and 2019, the company's catalog of licensed content shrank by approximately 50%.[84]

Netflix set itself apart from Hollywood studios in its approach to content production. Since launching its original programming in 2011, Netflix had streamlined the production process, commissioning new shows without asking for a pilot episode. [85] Its "straight-to-series" approach helped sign up some of the best creative talents, allowing them to produce a full season of episodes without being micromanaged by Netflix executives. In the case of *Orange Is the New Black*, Netflix approved the series before any scripts were written.[86] Head of Original Content Cindy Holland explained the rationale for the straight-to-series approach:

> *Our straight-to-series strategy was born out of a few things: one, being necessity because I was a department of one when we licensed House of Cards; two, out of wanting to show our commitment*

> *to being serious about this business; and three, when we had the opportunity as outsiders coming into a new business to take a look at what the best practices are at different networks, we were able to try on what works for us and what doesn't.*[87]

Breaking with industry norms, Netflix adopted a "cost-plus" model for its original content. The company bought TV shows at the full cost of production plus a premium of about 30% of production costs, yet it retained the shows' full global rights. In contrast, traditional TV networks only covered 60% to 70% of production, leaving the majority share of the licensing rights to the production company, which could make money in the future if the show became a hit.[88] The structure of the deals also differed. Whereas TV networks typically paid for a show on delivery, Netflix stretched the payments out over several years.[89]

Netflix initially relied on outside studios and production companies for its original content, such as *House of Cards* and *Orange is the New Black*. Over time the company shifted towards owning the intellectual property of its content and developing its own studio and production infrastructure. Netflix had made only a few acquisitions, which according to informed sources, were too small to impact the company's financial results.[90]

Netflix spent $1.5 billion on technology (including staff costs, software, and hardware) in 2019 to improve its product, enhance the user experience, and attract new viewers. Researchers at Netflix were not centralized in a single department, but instead worked with teams across the company to improve the quality of recommendations to users, inform decisions on which content to license and produce, optimize streaming and other aspects of the user experience, and grow the company's user base.[91] According to Matthew Ball, "Netflix has built a vast set of technologies for its business," including video-compression algorithms, distribution across different devices, skipping trailers, and auto resume, "and each is arguably best in class."[92]

At the end of 2019, Netflix equity was valued at $142 billion, and the company booked revenues of $20 billion and EBIT of $2.6 billion, but generated a negative free cash flow of $3.3 billion (**N income statement**, **N balance sheet**, **N cash flow** and **N stock interactive**). At the end of that year, it had 61 million subscribers in the United States. The Walt Disney Company's entry into the streaming industry and the arrival of new domestic streaming entrants such as NBCUniversal's Peacock (launched in April 2020) and AT&T's HBO Max (expected in May 2020) altered the industry's competitive dynamics.[93] Disney+ started strong in November 2019, signing up 10 million customers on its first day and racking up over 26 million by the end of the year. The Disney+ launch might have dented Netflix's domestic growth, as it slightly missed its subscription forecast in the third quarter of 2019 (**N forecast vs actual**). The company reported 68 million paid memberships in the U.S. and Canada at the end of 2019, and 99 million internationally (**N regional**).

These subscriptions figures underscored Netflix's status as a global player. Overseas markets were a key driver of growth for Netflix, and the company planned to continue its international expansion. It first ventured outside the U.S. in 2010 when it entered the Canadian market. By 2016 it was available in almost every country except China, Crimea, North Korea, and Syria. To spur international growth, it started licensing content globally and developing non-English language content in France, Italy, Japan, Brazil, and Mexico. Some of Netflix's non-English shows, including *How to Sell Drugs Online* (Germany) and *The Rain* (Denmark), attracted more than 12 million viewers globally.[94] To make global content more accessible across languages, Netflix invested heavily to improve the quality of dubbing by recruiting actors and filmmakers to find innovative ways improve voiceovers.[95]

The SVOD Battle in India

By the second half of 2017 Netflix had more international than domestic subscribers.[96] But the company did not consider all international markets equally important. Its experience showed that growth in Internet connectivity, for example, was a leading indicator of potential video-streaming viewership.[97] As a result, Netflix staggered its international rollout and entered India only in 2016. At launch, its offering in India consisted of all of its original series, along with a host of Hollywood movies and TV shows, and approximately 100 Bollywood titles.[98] After entering the market, Hastings and dozens of Netflix executives regularly visited India.[99] "Given the consumer base, the next 100 million [subscribers] for us is coming from India," Hastings noted, adding India is "the most phenomenal example anywhere in the world of low Internet costs, expansion of 4G. We didn't see that coming and we just got lucky on that one.[100]

Netflix's change of heart on India was largely triggered by the so-called "Jio effect." In late 2016, Jio Platforms (a subsidiary of Reliance Industries), launched Jio 4G and broadband services at rates up to 75% cheaper than incumbent carriers, providing millions of Indian consumers access to fast data for the first time, and also forcing competitors to lower their prices.[101] In just six months, Reliance Jio signed up 100 million subscribers, and by the end of 2018 it had become the third-largest telecom operator in India, with over 280 million subscribers and a 24% market share.[102] With easy access to data and availability of budget smartphones, Internet users in India began consuming more digital media content (including gaming, films, music and television), estimated at five hours per day on average.[103]

Although Netflix did not disclose its user figures by country, analysts estimated that, at the end of 2017, it had just over 500,000 subscribers in India, 2.6 million in Australia and New Zealand, and about 2.4 million elsewhere in the Asia-Pacific region.[104] In 2019, the company reported 16 million paid memberships in the Asia-Pacific region, and was estimated to have approximately two million users in India.[105] Netflix's subscription prices in India had ranged from $7.16 to $11.46 per month, which Hastings said was "about what a movie ticket would cost." He explained: "We would like consumers to compare it with that [rather] than what they pay for cable TV." India had an estimated 155 million pay TV subscribers in 2017.[106] In the second half of 2019, Netflix announced the launch of a mobile-only subscription plan exclusively in India (priced at $2.85 per month).[107] The plan restricted users from accessing the service from their computer or TV, and reduced quality to standard definition. [108]

In just a few years, India became a battleground for video streaming—a market with an estimated potential of $5 billion in revenues by 2023.[109] Netflix's new offer was part of an effort to challenge Hotstar, Amazon and a growing number of streaming services competing on price in the Indian market.[110] The number of players in the Indian SVOD market increased from nine in 2012 to 32 in 2018 (**Indian SVOD competitors**).[111] Disney-owned Hotstar led the pack, with 129 million active users in March 2019, a nearly ten-fold increase from its users a year earlier. TV shows and movies made up 80% of Hotstar's viewing hours, with the remainder coming from sports.[112] Hotstar had a record 11 million concurrent viewers during the India vs New Zealand T20 live cricket match in February 2019. Hotstar captured a 70% share of streaming-video app downloads in the Indian market.[113] Its ad-supported service offered more than 80% of its catalog free of charge and charged $4.29 per month (or $14.33 per year) for its premium subscription.[114] Amazon Prime Video, which also charged $14.33 per year in India, remained a distant second, although it grew its number of unique users from 7 million in 2018 to 26 million by the end of 2019.[115]

The Indian SVOD ecosystem comprised a wide range of players, pursuing different strategies.

Large broadcasters in India, such as Hotstar, Sony Liv, Sun NXT, Voot, and ZEE5, had already launched their own SVOD services. Indian broadcasters enjoyed a content edge in terms of both consumer awareness and size of their TV and movie libraries, which they regularly supplemented by adding licensed and original content. Their "freemium" model entailed a combination of advertising (users had free access to some content with ads) and subscription (users paid a monthly subscription for access to the entire catalog without ads).[116]

One of the fastest-growing broadcasters' SVOD service in India was ZEE5. Formed in 2018, the platform amassed 26 million unique visitors by 2019, and projected rapid growth in the future.[117] At launch it had eight original shows, which increased to 87 by mid-2019. Its content was available in Tamil and Hindi and nine other regional languages (Bengali, Malayalam, Telugu, Kannada, Marathi, Oriya, Bhojpuri, Gujarati, and Punjabi) plus English.[118] Leveraging its parent's international presence, ZEE5 expanded to 190 territories, offering Indian content in 17 languages (including Malay, Thai, Bahasa, German and Russian) besides 12 Indian languages.[119]

International streaming video players, such as YouTube and Amazon Prime Video, entered India and gradually added local content. An early entrant in 2008, Google-owned YouTube remained the most popular video-streaming app measured by time spent on the site.[120] By March 2019, it boasted an audience of 274 million monthly users in India.[121] According to Google, 97% of the content consumed on YouTube was in regional languages.[122] HOOQ (a joint venture of Singtel, Sony Pictures and Warner Bros) invested significantly in local Indian content, but ceased operations in early 2020.[123]

Indian telecommunication companies such as Reliance JioTV and JioCinema, Airtel Xstream, and Vodafone Idea, bundled content across multiple broadcasters and online video platforms, and provided customers with a centralized payment interface. None offered original content. Streaming video was combined with data, voice and text messages services in customers' plans. These players attempted to attract and retain customers by aggregating content.[124]

Indian streaming video players, such as ErosNow, ALTBalaji, and YuppTV, focused on original, local content.[125] Launched in 2015, ErosNow had the most extensive catalog of movies and music in regional languages (Hindi, Tamil, Punjabi, Malayalam, Telugu, Kannada, Marathi, Gujarati and Bengali). In 2019, it premiered over 40 original movies, and reported 16 million paid subscribers and 142 million registered users.[126] The ErosNow basic plan offered limited movies and TV series and unlimited music streaming without ads for free, and its premium plan included unlimited content, HD streaming, and off-line viewing for $1.42 monthly or $13.63 annually.

Launched in 2017, ALTBalaji was an independent SVOD platform squarely focused on original content in regional languages (Bengali, Gujarati, Hindi, Punjabi, Telugu, and Tamil). It differentiated itself from its family-friendly sister company Balaji Television, by offering edgy and erotic content.[127] In 2018, it signed a partnership with YuppTV to expand its viewership to Indian expats around the world. In 2019, it was voted Best OTT Platform of the Year at the Video Media Awards and Summit. ALTBalaji's user base skyrocketed to 13 million subscribers, a tenfold increase on 2018.[128] The company, which claimed to be the cheapest in the market, offered a three-month subscription at $1.43 and an annual subscription at $4.30, both with unlimited access from up to five devices.[129]

Traditional TV distributors, such as Tata Sky, DishTV and Sun NXT, began exploring different models to remain relevant in digital media.[130] In October 2019 Tata Sky discontinued its video-on-demand service from set-top boxes and asked its customers to transition instead to mobile apps and web services.[131] Around the same time, Indian satellite operator DishTV announced a collaboration with Amazon Prime Video to bring the Prime Video app and original content to TV and direct-to-home subscribers for its new hybrid set-top box, aligning linear programming and online streaming content. [132]

Against the backdrop of the cheapest mobile and broadband Internet in the world and brisk competition in the digital media and entertainment sector, Indian consumers' appetite for online video continued to accelerate. Out of a population of 1.3 billion in 2019, India had over 600 million Internet subscribers and over 300 million online video viewers **(**see **Indian users by service** for selected SVOD platforms between 2018 and 2019**)**.[133] Indians mainly consumed content on mobile devices. A 2019 study revealed that 87% of the time spent online watching videos by Indians was on their mobile phones. It also found that Indians spent over 70% of their mobile data on entertainment services.[134] A separate study showed that over 80% of Indian consumers had up to three video apps on their smartphones; however, they uninstalled 50% of these apps within the first seven days of installation (**Indian buying factors** lists the most common reasons for not subscribing, for paying and for switching between video platforms).[135]

A 2019 survey of 1,458 SVOD users across 16 Indian cities in different tiers showed that the average consumer subscribed to 1.1 paying services but used 2.4 services in total (including free services supported by advertisements).[136] Users spent about 70 minutes per day on online video platforms on average, with a viewing frequency of 12.5 times per week.[137] The survey results revealed remarkable consistency in consumption patterns across gender, age groups, location, and income brackets.[138] Only 6% of respondents preferred consuming online video content in English (lower than the English-speaking population in India, estimated at 13%). Approximately 30% of respondents favored content in one of the country's 22 official regional languages.[139]

Dubbing in multiple regional languages emerged as a practical way for players to expand the appeal of their content across the country.[140] SVOD platforms also invested to produce original TV series and movies in regional languages. Analysts estimated that in 2019 Hotstar spent about $17 million to produce seven original shows, while ErosNow spent about $50 million on its India business to create 100 new original shows (these figures did not include licensed content expenses).[141] Netflix, which had initially targeted the English-speaking audience in India, planned to spend $420 million by the end of 2020 to produce and license local content, versus $70 million the company invested in Indian local content in 2017.[142] Netflix VP of Global Innovation Michael Spiegelman explained:

> *It's been the fastest investment we have ever made in any country since we launched. This really reflects the richness of content creators we can draw on—the best of Indian storytellers to create high-quality original series and movies.* [143]

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Attracting 100 million subscribers in India raised fundamental strategic questions for Netflix. Which elements of its strategy should Netflix stick to and which should it be willing to change to grow in India? Should Netflix reconsider its premium pricing approach in the country to attract cost-conscious consumers? In a market where most competitors relied on some form of advertising to drive profitability, should Netflix re-examine its pledge to stay ad-free? Netflix had not broadcast live sports or user-generated content in the past, but the company could potentially revisit those choices to attract viewers in the Indian market. Should Netflix continue to operate in the Indian market alone, as it had in all other countries, or work with a local partner? Historically Netflix had avoided large acquisitions, but buying or merging with a local player might accelerate its growth in the Indian market. Was it worth the risk? Should Netflix allow leaders of the Indian business to make these choices locally, which would be in line with the company's culture of decentralized decision making? Choices that make sense for the Indian market, however, might undermine the company's overall global strategy. As Netflix leaders grappled with these questions, the competitive landscape continued to evolve and one overarching question loomed large: Could Netflix become Bollywood faster than Bollywood could become Netflix?

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