**What Is The Netflix Effect?**

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When’s the last time you saw a movie in theaters? How about the last time you watched a movie or show on Netflix? If you’re like most consumers, you’ve done the second thing more often. Even as movies bring in record amounts of money at the box office, Netflix grows its number of subscribers by around [10% a year](https://www.barrons.com/articles/netflix-will-keep-growing-because-none-of-us-can-stop-watching-screens-51548950332) and now has an estimated more than 59 million subscribers in the U.S. alone. There’s no doubt Netflix is the definitive modern media company, and its impact is felt in a number of industries. It’s what experts call the Netflix Effect.

[The Netflix Effect](https://www.radiotimes.com/news/on-demand/2019-06-25/the-netflix-effect-streaming-stars/) is when a new series catapults an unknown actor to fame - overnight - a result of millions of people binge watching a show.

**Changing How Consumers View Content**

Before Netflix, consumers went to the movies, rented VHS tapes or DVDs and watched whatever was on live TV. Now, consumers can stream content instantly to any device, anywhere. Netflix has changed how consumers access film and TV. They’re no longer tied to the TV and forced to sit through commercials. Instead of paying for cable plans, a growing number of Americans are cutting the cord and only using streaming services. In 2018, the number of people who cut the cord [increased by nearly 33%](https://phys.org/news/2018-07-netflix-effect-cord-cutting.html), to 33 million people. At the same time, Netflix users are increasing. Consumers prefer the flexibility of being able to watch what they want when they want to.

One of the biggest factors for consumers deciding how to view content is the programming. Consumers don’t want to pay for content they won’t watch. Netflix spent a staggering [$13 billion on content](https://www.forbes.com/sites/danafeldman/2018/07/09/netflixs-content-budget-is-updated-to-13b-in-2018/#f7025ec2b8c9) in 2018, with around 85% of that going to original shows. Original content is what stands out to viewers. They can watch most network shows in multiple places, but they can only get original content straight from Netflix. The content creation side of the company seems to be hitting on all cylinders. The Netflix original movie *Bird Box* was [watched by 45 million accounts](https://www.forbes.com/sites/sophiecharara/2018/12/31/netflix-bird-box-views-45-million/#1365ab9e1037) its first weekend. When translated to box office dollars, the movie would smash anything currently in theaters.

**Updating Internet Business Models**

Netflix was one of the first companies to use new internet technology to drive nearly its entire business model. The service started as a mail-order DVD company, but now just a sliver of its customers actually get their DVDs by mail. Instead, Netflix relies on the internet to share its products with customers around the world.

The online business model has also allowed Netflix to collect huge amounts of data on its customers. Netflix’s AI-powered algorithm creates personalized recommendations for each user based on their preferences, watch history, ratings and demographics. The recommendations are usually incredibly accurate. According to Netflix, [80% of watched content](https://mobilesyrup.com/2017/08/22/80-percent-netflix-shows-discovered-recommendation/) comes from recommendations. In an age where brands across all industries are trying to predict what customers want next and create personalized recommendations, Netflix is setting the bar. Netflix also understands the need to constantly be innovating. The company has changed drastically from its original form of a DVD service. Looking for new technology and staying ahead of trends helps it define and disrupt the industry.

**Impacting Film And TV Industry**

Netflix affects many industries, but the greatest impact is felt in film and TV. Netflix’s content is put right in front of customers for easy marketing. Netflix recently made a move into the independent film category, where traditional movies in theaters typically face an uphill battle being seen. Now, even small films can easily be seen on Netflix.

Netflix is also in direct competition with traditional TV. The company used to be a boost to traditional shows and would draw users to existing shows that were still airing on TV. But since 2013, Netflix has been creating its own original content that puts it in direct competition. Essentially, for every show Netflix creates, it’s taking away viewers from a traditional show on network TV. After all, users can only watch so many things. Film and TV companies have to adjust their processes and content to keep up with Netflix.

What is the Netflix Effect? It’s a move towards more convenient, personalized content. The success of Netflix shows that consumers want products that are easy to use and tailored to match their preferences. Every company, no matter the industry, can learn from Netflix and apply the principles of innovation, disruption and personalization. If they don’t, they run the risk of being disrupted by the growing media giant that is Netflix.

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