

RGM NEWSLETTER

RITA GUNTHER | MCGRATH

Netflix and the Battle for Your Disposable Time

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Dear colleagues,

In my forthcoming book, *Seeing Around Corners* (now available for pre-orders), one of the primary themes is that a major blind spot for organizations is a tendency to see the world through the lens of their existing industry. There are a lot of good reasons for this, but it can cause otherwise smart organizations to stumble.

Instead, I argue that we need to be thinking in terms of arenas. An arena represents a pool of resources that is important to sustaining our business. Different players in the arena try to appeal to customers thereby offering solutions to what Clayton Christensen has famously called “jobs to be done.” The jobs theory suggests that rather than thinking of people buying goods and services, think of them in terms of helping you get jobs done in your life. In effect you “hire” them, not buy them. The

important point is that similar jobs can be done by actors from many different industries.

To explore this, let's look at Netflix's pivotal role in the media landscape.

Netflix sort of snuck into the TV business, with the allure (for content producers) of finding new audiences (and therefore new revenues) for older content. Up until that point, the way in which content was released into the wild had a distinct sequence, all based on the idea that those who wanted the content most badly would pay the most for it. So it began with movie theaters, then first-run on television, then eventually became available for home viewing, and then re-runs. The first disruption of this formula came with the advent of large-scale at-home viewing (remember Friday nights at Blockbuster?), when some content was made available for home viewing in a somewhat more rapid pace.

By 2010, Netflix had surpassed 20 million subscribers, gone full bore into the streaming business, found itself competing with Amazon Prime Video, and learned that its powerful recommendation algorithms gave it a real edge in learning exactly what customers were looking for in streaming content. The big-media content companies gradually became aware that what they thought was just another revenue stream for low-value old content had created a fast-growth monster that was not only putting the traditional model at risk, but training an entire generation of viewers to consume television in an entirely different way. By making whole series available at once, binge-watching became easy and convenient (and a spontaneous decision). And the company entered the cultural vernacular—"chilling with Netflix" became a thing.

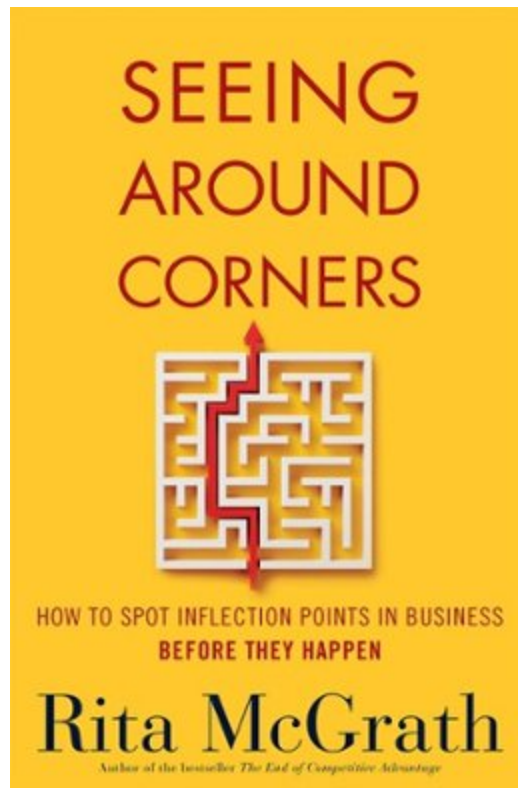
The incumbents tried to fight back—one floated the idea of creating a platform that would make TV episodes available to anyone at anytime. Called TV Everywhere, it was a thought to slow Netflix down. But investors wanted more of that Netflix cash. And the creative talent that was behind the shows could easily have sued if they didn't make as much from the TV Everywhere deal as they did when their shows went to Netflix. By 2015, the investors had changed their tune, with [one analyst](#) saying that the incumbents would have been worth from \$45 billion more if they had refused to do business with Netflix.

And of course, the big media companies that used to be pretty much the only game in town when it came to original content are now finding that given sufficiently large budgets, Netflix, Amazon, and their contemporaries can also produce original content. Award-winning, must-see content at that.

Netflix in particular has also made a very interesting declaration with respect to its own competitive arena. It wants nothing less than an ever-larger portion of viewers' disposable time. It's competing against books, against walks in the park, against magazines, and of course against other media companies counting on soaking up your free time to fuel their business models. The company is also going where established media companies can't—for instance, introducing the [first interactive shows](#), in which viewers themselves decide what happens next.

Today, movies, TV, and streaming are all battling for our attention. As industries blur, you must think more broadly about what arena you are really competing for.

[Read more](#)



Available for Pre-Order

Though seemingly sudden, inflection points are not random nor unexpected. Every “overnight” shift is actually the final stage of a process that has been subtly building over time. Armed with the right strategies and tools, smart business leaders can learn to spot inflection points before they hit—and use them to gain a competitive advantage.

[Pre-order now](#)

Reading List

A curated roundup of interesting books and articles to get you thinking:

- **The Prosperity Paradox: How Innovation Can Lift Nations Out of Poverty.** A new book from Clay Christensen, Efosa Ojomo, and Karen Dillon reveals why so many investments in economic development fail to generate sustainable prosperity, and offers a solution for true and lasting change. ([HarperCollins](#))
- **When hierarchy is not an option.** At the Human Resources Directors Conference earlier this month, I gave a talk about how easy it is for executives to get trapped into an old way of thinking—and the new type of leadership model that is required in today's highly transient advantage contexts. ([Blog](#))
- **The Big Nine: How the Tech Titans and Their Thinking Machines Could Warp Humanity.** Amy Webb's forthcoming book explores how nine powerful corporations are controlling the future of artificial intelligence. ([PublicAffairs](#))
- **Will half of all colleges really close in the next decade?** The business model of traditional higher education is broken. ([Forbes](#))
- **The Right It: Why So Many Ideas Fail and How to Make Sure Yours Succeed.** Based on his experiences at Google and as an entrepreneur, Alberto Savoia offers a proven formula for avoiding market failure. ([HarperOne](#))
- **America is suffering from a decline of historical thinking.** Rising "intellectual inequality" and a steep decline in history graduates are leaving fewer citizens with the resources to understand our society. ([The New Yorker](#))

Upcoming Events

- **March 4:** [BRITE Conference](#) (Columbia Business School)
- **April 3:** [Innovation Roundtable](#) (Newark, DE)
- **April 11-12:** [Parliament PowerShift](#) (Los Angeles, CA)
- **April 15-19:** [Digital Business Leadership Program](#) (Columbia Business School)
- **April 24-26:** [Penrose Lectures](#) (London, UK)
- **April 28 - May 24:** [Advanced Management Program](#) (Columbia Business School)
- **May 6-10:** [Leading Strategic Growth and Change](#) (Columbia Business School)
- **May 22:** [Best Practices Institute Webinar](#) (Virtual)

Interested in having Rita speak at your organization or event?

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In the Press

- Using Culture to Go Beyond Hierarchy ([HRD Connect](#))
 - How to Convert Your Setbacks into Powerful Building Blocks for Growth ([Ladders](#))
 - Who Is Getting Rich Off You? The Insidious Big Data Economy ([Big Think](#))
 - People are the Last Competitive Advantage ([HR Magazine](#))
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Where there is uncertainty, there is also opportunity.



Here's to your next advantage! - Rita

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