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Shelf Life

CEO Reed Hastings on how Netflix beat Blockbuster

Reed Hastings

Sep 8, 2020



Netflix CEO Reed Hastings delivers a speech in Paris earlier this year. Christophe Archambault/AFP via Getty Images

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from a new book Hastings co-wrote called “[No Rules Rules: Netflix and the Culture of Reinvention.](#)”

Reed Hastings: “Blockbuster is a thousand times our size,” I whispered to Marc Randolph as we stepped into a cavernous meeting room on the twenty-seventh floor of the Renaissance Tower in Dallas, Texas, early in 2000. These were the headquarters of Blockbuster, then a \$6 billion giant that dominated the home entertainment business with almost nine thousand rental stores around the world.

The CEO of Blockbuster, John Antioco, who was reputed to be a skilled strategist aware that a ubiquitous, super-fast internet would upend the industry, welcomed us graciously. Sporting a salt-and-pepper goatee and an expensive suit, he seemed completely relaxed.

By contrast, I was a nervous wreck. Marc and I had cofounded and now ran a tiny two-year-old start-up, which let people order DVDs on a website and receive them through the US Postal Service. We had one hundred employees and a mere three hundred thousand subscribers and were off to a rocky start. That year alone, our losses would total \$57 million. Eager to make a deal, we’d worked for months just to get Antioco to respond to our calls.

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We all sat down around a massive glass table, and after a few minutes of small talk, Marc and I made our pitch. We suggested that Blockbuster purchase Netflix, and then we would develop and run Blockbuster.com as their online video rental arm. Antioco listened carefully, nodded his head frequently, and then asked, “How much would Blockbuster need to pay for Netflix?” When he heard our response—\$50 million—he flatly declined. Marc and I left, crestfallen.

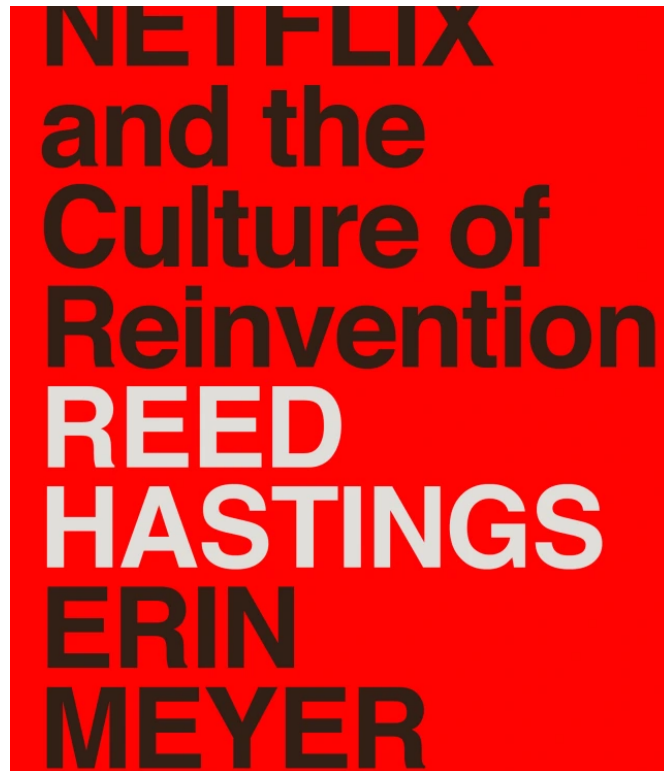
That night, when I got into bed and closed my eyes, I had this image of all sixty thousand Blockbuster employees erupting in laughter at the ridiculousness of our proposal. Of course, Antioco wasn’t interested. Why would a powerhouse like Blockbuster, with millions of customers, massive revenues, a talented CEO, and a brand synonymous with home movies, be

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But, little by little, the world changed and our business stayed on its feet and grew. In 2002, two years after that meeting, we took Netflix public. Despite our growth, Blockbuster was still a hundred times larger than we were (\$5 billion versus \$50 million). Moreover, Blockbuster was owned by Viacom, which at that time was the most valuable media company in the world. Yet, by 2010, Blockbuster had declared bankruptcy. By 2019, only a single Blockbuster video store remained, in Bend, Oregon. Blockbuster had been unable to adapt from DVD rental to streaming.

The year 2019 was also noteworthy for Netflix. Our film *Roma* was

nominated for best picture and won three Oscars, a great achievement for the director Alfonso Cuarón, which underscored the transformation of Netflix into a full-fledged entertainment company. Long ago, we had pivoted from our DVD-by-mail business to become not just an internet streaming service, with over 167 million subscribers in 190 countries, but a major producer of our own TV shows and movies around the world. We had the privilege of working with some of the world's most talented creators, including Shonda Rhimes, Joel and Ethan Coen, and Martin Scorsese. We had introduced a new way for people to watch and enjoy great stories, which, in its best moments, broke down barriers and enriched lives.



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I am often asked, "How did this happen? Why could Netflix repeatedly adapt but Blockbuster could not?" That day we went to Dallas, Blockbuster held all the aces. They had the brand, the power, the resources, and the vision. Blockbuster had us beat hands down.

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Netflix is different. We have a culture where No Rules Rules.

Excerpted from “No Rules Rules: Netflix and the Culture of Reinvention” by Reed Hastings and Erin Meyer, reprinted courtesy of Penguin Press.

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