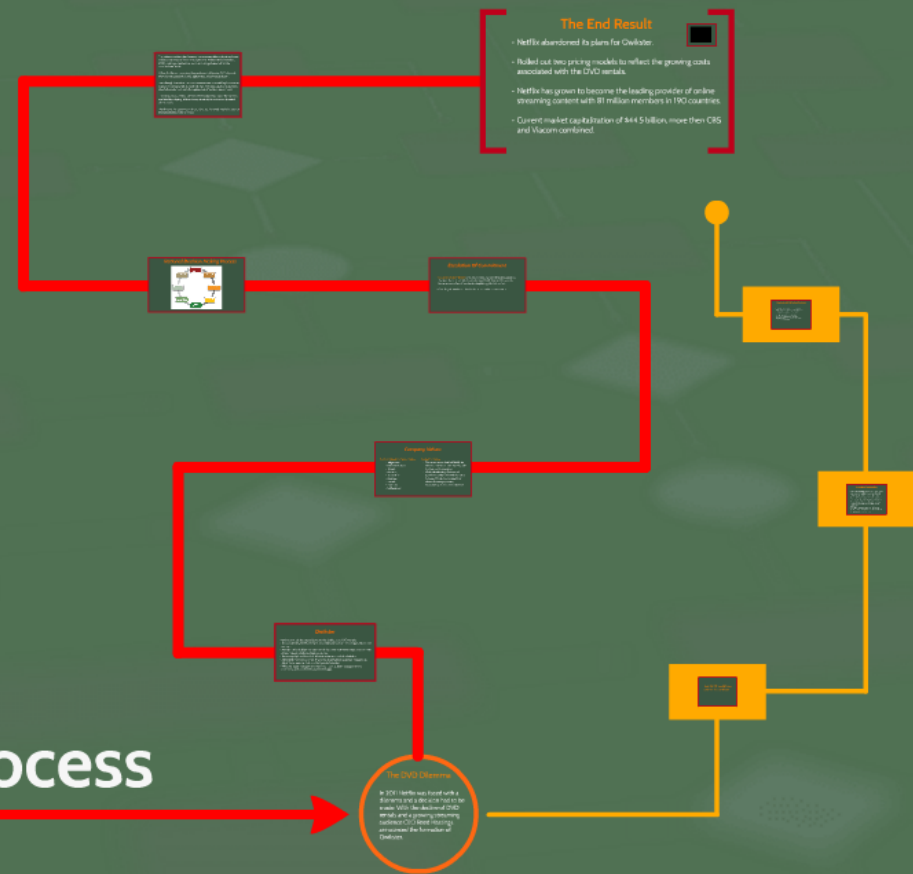


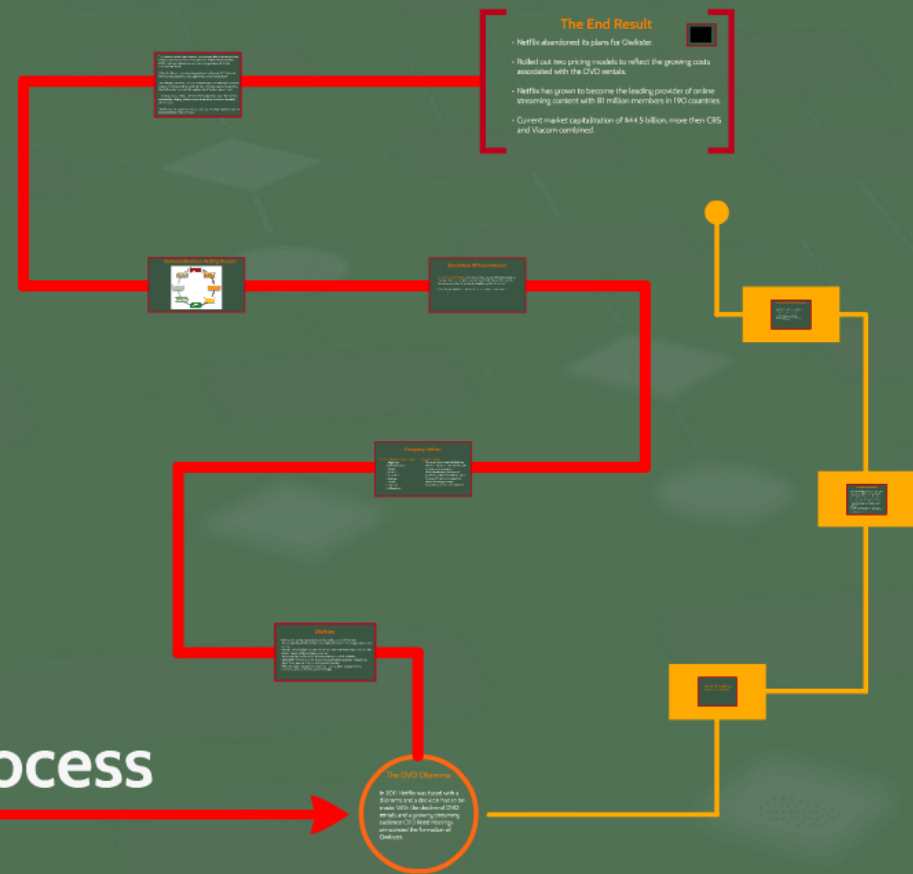
Netflix: A Decision Making Process

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The DVD Dilemma

In 2011 Netflix was faced with a dilemma and a decision had to be made. With the decline of DVD rentals and a growing streaming audience CEO Reed Hastings announced the formation of Qwikster.

Qwikster

- Qwikster would be a stand alone service dedicated to DVD rentals.
- This would allow Netflix to focus on and grow its online streaming platform and content.
- Members who had both services would have to create two unique accounts with different log ins, bills, and rating systems.
- The company faced backlash from its customers and shareholders.
- 800,000 members left Netflix and the shareholders voted on measures to allow them more control over the board of directors.
- While no upper management was fired, it sent a clear message that the customers and shareholders were not happy.

Company Values

Netflix's Stated Company Values

- Judgement
- Communication
- Impact
- Curiosity
- Innovation
- Courage
- Passion
- Honesty
- Selflessness

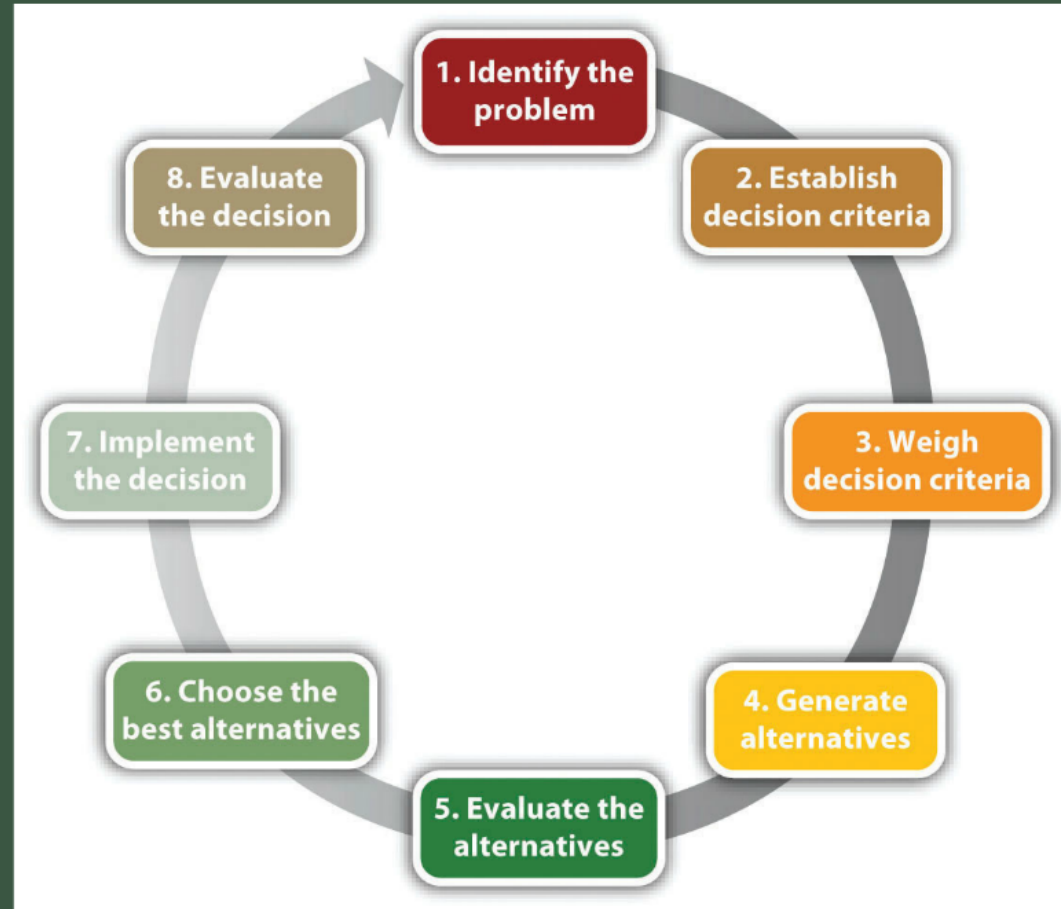
Guided By Values

- The same values that led Netflix to introduce Qwikster also helped guide them out of this decision.
- While abandoning Qwikster all together, Netflix stuck with the price increase. This demonstrated their values of courage, impact, innovation, passion, and judgement.

Escalation Of Commitment

- **Escalation of commitment** refers to an increasing commitment to a previous decision when a rational decision maker would withdraw, which means he increased commitment to a decision despite negative information.
- Canceling the Qwikster roll out broke the escalation of commitment.

Rational Decision Making Process



The rational decision plan bases on more reasonable analysis and lower risk by using steps in the Rational Decision-Making Model (Ketchen, 2012), making consistent values, maximizing choices within the specified constraints.

When Netflix was analyzing the problem of delivering DVDs by mail, they did not cancel this rental option totally (defined problem).

Even though this option was an inconvenience and with high expensive costs, the company still considered that there was a part of customers who felt comfortable with this option (identified decision criteria).

The company gave the customers the freedom to choose their option and tried developing different ways to satisfy its customers (created alternatives).

Netflix gave the customers rights to choose the rental method that they like (selected best alternatives)