

Netflix Splits in Two

Written by Marco Attard
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CEO Reed Hastings splits Netflix into separate businesses: "Netflix" dedicated to streaming video and "Qwikster" to handle DVD-by-mail.



The announcement follows the unpopular recent change in pricing where subscribers don't get automatic access for both mail and streaming services-- an announcement some customers describe as a "confusing mess".

Other customers simply cancelled their accounts in anger.

Hastings explains the change as evolution, saying "companies rarely die from moving too fast, and they frequently die from moving too slowly".

By isolating the cost structure in the DVD-in-the-mail business, Hastings can prepare for a worst case scenario of the Blockbuster-variety, protecting the family jewels in a separate ring-fenced company. Public controversy about the move asks if Hastings is being hasty? Either he is a genius or an idiot, declare some of the blogs.

But no one knows which it is. At the core of the controversy is a very important question: are these two different customers (DVDers vs streamers) or the same consumer who just uses different priority for different video usage?

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No mention yet if Netflix will use separate names once it (eventually) arrives in Europe--something it should be doing in 2012, at least in Spain and the UK. But based on this decision, you might expect the DVD-in-the-mail model might get left behind.

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