

Yeah, communications do matter

Netflix has just lost 800,000 customers and has seen its share price drop. Why? Because Netflix's CEO is a terrible communicator. It is that simple.

I am not going to rehash the whole price hike, Qwikster debacle here. You can read more and find some really good analysis by Nick Wingfield and Brian Stelter on the New York Times (Netflix Lost 800,000 Members, and Good Will).

The article says this:

Like many other companies built in Silicon Valley, Netflix prides itself on its analytical, data-driven approach to making decisions. But it made a classic business misstep. In its reliance on data and long-term strategy, the company underestimated the unquantifiable emotions of subscribers who still want those little red envelopes, even if they forget to ever watch the DVDs inside.

It seems to me that Reed Hastings is probably very good at forecasting and trend analysis and has decided, purely on an analytical basis, that streaming is the future. He then proceeded to move his company full force into that future, *while steamrolling over his existing customers*. Because he didn't view those clients as PEOPLE, he viewed them as revenue sources. And thus, he communicated to them as if he were communicating to inanimate objects.

You see, revenue sources should not have any kind of emotional reaction to news. But people do. People not only react to news, they SHARE their emotions with others. And you add amplifiers such as social media into the mix, and pretty soon lots of people (also known as customers) are sharing in the

bad emotions and being persuaded to act. Which in Netflix's case ends up in lost membership.

Communications starts with the premise that you are connecting with other people, as I said in this post. If you fail to connect, you also fail to communicate, and in Netflix's case, the damage adds up in monetary losses and hits to your reputation.