

**Netflix on International Markets: Executive Articulations
of Netflix's China Strategy**

CGTS 464
4/13/2021
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In January 2016, Netflix announced an expansion to 130 countries, but China, the world's second largest economy, was not part of that. International subscribers have been key to Netflix's growth strategy and closely followed by Wall Street investors.¹ In the next few years, the streaming giant has repeatedly expressed interest in finding ways to break into the Chinese market. The company's directions for the Middle Kingdom are strategically obscured and revealed for various reasons by Netflix's executives to maintain the speculative fiction which the company is built upon (Further reference appear as Crawford in text).²

In this paper, I set out to analyze the ways that Netflix's leadership such as co-CEOs Reed Hastings and Ted Sarandos and CFO David Fells articulate the company's plan for the Chinese market to a variety of the company's stakeholders with a focus on investors. Furthermore, the paper will also look into how the articulations style has

¹ Alex Sherman, "Netflix Just Missed Hard on the Only Number That Matters - International Subscriber Growth," CNBC (CNBC, July 17, 2019), <https://www.cnbc.com/2019/07/17/netflixs-big-problem-worse-than-expected-international-growth.html>.

² Colin Crawford, "Act III & Coda," in *Netflix's Speculative Fictions: Financializing Platform Television* (Lexinton Books, 2020), p. 1-12.

changed based on the progress they made and the obstacles they faced from 2016 to 2021.

2016 Global Expansion

On January 6, 2016, CEO Reed Hastings announced at the CES tech show in Las Vegas:

While you have been listening to me talk, the Netflix service has gone live in nearly every country of the world, except China, where we hope to also be in the future.³

China is not included because the local government rejected Netflix's request for operation. The rejection marks the company's first unsuccessful attempt to reach the Chinese market, yet in an interview with Vox, Reed Hastings did an excellent job at playing the discourse around in the company's favor. When being asked about the obstacles to enter China, Hastings answered:

You need government approval...We are talking to SARFT, which is the main regulator of Internet media. To be a long-term player in China, you want to just take your time and be patient and develop the relationships, and that's what we're doing.⁴

³ *Netflix CES 2016 Keynote | Reed Hastings, Ted Sarandos - Highlights [HD] | Netflix, YouTube* (YouTube, 2016), <https://www.youtube.com/watch?v=5TR-NRpkW9I>.

⁴ Peter Kafka, "Netflix CEO Reed Hastings on China, HBO and the Surprise Success of 'Making a Murderer' (Q&A)," Vox (Vox, January 6, 2016), <https://www.vox.com/2016/1/6/11588564/netflix-ceo-reed-hastings-on-china-hbo-and-the-surprise-success-of>.

Hasting revealed Netflix's actionable plan of possibly becoming a long-term player and argued that the wait for now is for long-term benefits. It is clear that he made such a statement with the investors in mind. He downplayed the challenges of government regulations but emphasized upon how the company was working ways around, which denotes Netflix's confidence and determination to enter China. Hasting's statement also provided a vision for stakeholders—a future of Netflix in China. Projecting visions has been a major characteristic of Netflix's industrial discourse according to Crawford, "in the eyes of Netflix's executives and investors, [the] futures and worlds are malleable and potentially wildly profitable if they are able to bring into being the visions they project." The same characteristic recurs in another statement made by Hastings:

We still have a long-term desire to serve the Chinese people directly, and hope to launch our service in China eventually.⁵

⁵ Charles Riley, "Netflix Admits Its Plan for China Has Failed," CNNMoney (Cable News Network, October 18, 2016), <https://money.cnn.com/2016/10/18/technology/netflix-china/index.html>.

This quote exemplifies Hastings' rhetorical emphasis on projecting the company's vision and future. Although Hastings employed the future to assure investors, it was not enough to make his audiences firm believers as he and CFO Davis Wells have not yet fulfilled their promise made in 2015. They informed shareholders in a letter that the goal was to:

successfully operate a small service in China centered on [their] original and other globally-licensed content.⁶

Hastings and Wells advised investors that the plan for China was largely on the local regulators' call. Since Netflix has failed on investors once already, this time Hastings were even more cautious about articulating the plan for China in case unexpected situations arise:

We are doing a very modest investment, and we're mostly focused on the rest of the world. The Philippines will be huge for us. India will be huge for us. Saudi Arabi will be quite substantial for us. We want China, but it's not the center of what we're doing.

He toned down about getting into China, trying to lower investors' expectation on the Chinese market. Meanwhile, he

⁶ Janko Roettgers, "Netflix's China Expansion Could Take 'Many Years,' CEO Reed Hastings Cautions," Variety (Variety, January 19, 2016), <https://variety.com/2016/digital/news/netflix-china-expansion-1201683349/>.

brought the many other lucrative markets around the world into the conversation to convince investors that Netflix were going to make substantial progress in the upcoming years.

2017 & 2018 From local partnerships to No China Strategy

Just as Hasting said China is not a center of what Netflix is doing, so a year later, instead of providing services in the Chinese market directly as it originally planned, the technology giant signed an original content licensing deal with iQiyi, one of the local market's largest streaming services.⁷ When the deal was first announced, the company declined to give out much detail about it to the media.

Nonetheless, investors thought highly of the partnership and believed that the collaboration would possibly lead Netflix to launch its service in China, but the deal ended just a year later for two main reasons. According to iQiyi CEO Gong Yu, the partnership ended as the results were not as great as they expected and that so

⁷ "IQIYI and Netflix Sign Licensing Agreement," About Netflix (Netflix, April 28, 2017), <https://about.netflix.com/en/news/iqiyi-and-netflix-sign-licensing-agreement>.

many of Netflix's originals couldn't pass government regulations.⁸ Netflix's adult animation *Bojack Horseman* was pulled just two days after launching on iQiyi because of censorship issues. The unexpected situation propelled Netflix's executives to remain quite on such information as the vision of conquering the Middle Kingdom went in vain again.

Moving on to August 2018, the entertainment provider announced that it would stream new Mandarin series *The Rise of Phoenixes* in over a dozen languages. Rob Roy, Netflix Vice President of Content, Asia said:

We're excited to offer a top-quality title like *The Rise of Phoenixes* to our members around the world. We look forward to growing our Mandarin title catalog with more stories that bring to life the intriguing heritage of Chinese culture.⁹

There were not much actions taken to tackle the Chinese market in 2018 besides licensing content, but the company was busy focusing on growing its brand in other parts of the world where regulations are not as strict as

⁸ Patrick Brzeski, "Filmart: IQiyi's Tim Gong Yu on Netflix, Expanding Globally and Why the Chinese Market Is 'Unpredictable,'" *The Hollywood Reporter*, March 22, 2019, <https://www.hollywoodreporter.com/news/iqiyi-ceo-tim-gong-yu-netflix-expanding-globally-why-chinese-market-is-unpredictable-1195599>.

⁹ "THE RISE OF PHOENIXES TO STREAM ON NETFLIX," About Netflix (Netflix, August 30, 2018), <https://about.netflix.com/en/news/the-rise-of-phoenixes-to-stream-on-netflix>.

in China. During the UBS 46th Annual Global Media and Communications Conference, co-CEO Ted Sarandos said that the streamer is unlikely to look to expand business in China, and the work with the nation has been, for the most part, “frustrating distraction.”¹⁰

2018 exemplifies the change of both Netflix’s China strategy and its executives’ articulation style of China. From Hastings’ long-term player to Sarandos’ frustrating distraction, it is obvious that Netflix’s plan to serve the Chinese population has failed entirely. Furthermore, the company has failed on the speculative fiction it sells to investors and users who firmly believe in a valuable future the streaming giant entails. Luckily, the progress they made in other parts of the world can be served as evidence of a promising future Netflix represents. In the same conference, Sarandos stated:

We don’t have much of a China strategy, but we also don’t have any China exposure...It’s not baked into our business much at all.

¹⁰ Kaltrina Bylykbashi, “Netflix’s Sarandos: ‘We Don’t Have a China Strategy,’” TBI Vision, December 7, 2018, <https://tbivision.com/2018/12/04/netflixs-sarandos-we-dont-have-a-china-strategy/>.

The new strategic rhetoric is to make China seem less important in the conversation.

2019-2021 Project Mandarin & The Exit-China Strategy

Although Sarandos claimed that they don't have much of a China strategy, Netflix is always preparing for itself to ultimately launch in the world's most populous market via licensing deals and creating more original content. In recent years, Netflix have been bringing more Chinese content aiming to appeal to international audiences and Chinese-speaking diaspora outside of China, which is what Sarandos calls the "Exit-China strategy" in his class visit last Tuesday.

The streaming giant has launched six new licensed Chinese titles including *Nowhere Man*, *Triad Princess*, and *The Ghost Bride* which are produced in partnerships with studios in Taiwan and Hong Kong.¹¹ Over the past year, Netflix also has acquired Chinese-language content including films and TV series including *Dear Ex*, *Meteor*

¹¹ Patrick Frater, "Netflix Expands Chinese Content With Series, Film Additions," *Variety* (*Variety*, July 11, 2019), <https://variety.com/2019/digital/asia/netflix-expands-chinese-content-series-film-additions-1203261955/>.

Garden, Us and Them, and sci-fi hit film *The Wandering Earth*.

At this point, providing service directly in China remains unlikely for Netflix. However, it is interesting to note a slight adaptation of how executives deliver speech on China and Chinese content. As the competition of SVOD in the domestic market are getting fiercer than ever, Netflix's wants to position itself as an industry even when it comes to its unsuccessful entry to China. Leaderships like to mention the competitors along when being asked about China, for example, at a MIPCOM Online + session, Sarandos said:

A lot of folks in the industry, I think, have been running into walls trying to change that.¹²

Similarly, Sarandos mentioned that Netflix, nor would any other Western media companies would break into the Chinese market anytime soon during the in-class Q&A session.

Throughout the years, Netflix's China strategy has drastically changed, from direct reach to local partnership to present Exit-China strategy; the style and tones of communicating to audiences, especially investors, have

¹² Mark Layton, "Netflix Not Breaking into China 'Any Time Soon', Says Co-CEO Sarandos," TBI Vision, October 13, 2020, <https://tbivision.com/2020/10/12/netflix-not-likely-to-break-into-china-any-time-soon-says-co-ceo-sarandos/>.

shifted as well, from initial confidence to frustration to current downplayed importance. However, the industry discourse pattern remains the consistent. Netflix executives always talk about the future even if there seems to be no future for Netflix in China anytime soon.

Word Count: 1680