MAY 18
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Netflix's newest round of layoffs prompts backlash

Article

The news: **Netflix**'s latest round of layoffs is receiving strong reactions online. The company laid off an additional 150 full-time employees this week as part of its ongoing cost-cutting efforts after losing 200,000 subscribers in Q1, per Variety.

- The layoffs represent 2% of Netflix's total workforce and included approximately 26 employees hired recently to work on the company's behind-the-scenes blog initiative **Tudum**. Several other workers on the project were laid off last month.
- An additional 70 part-time animation employees were laid off.

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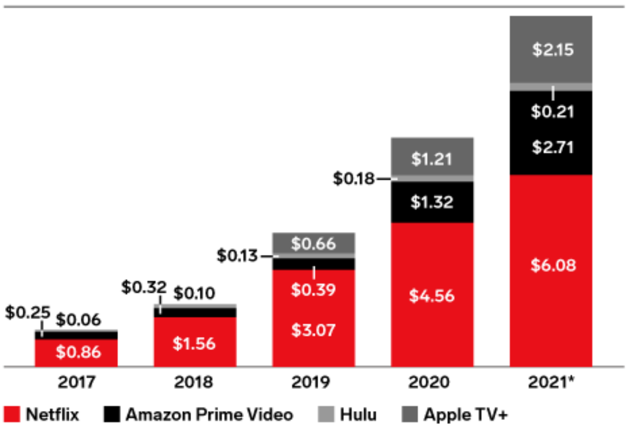
More on this: The rapid growth of the last few years fueled by the pandemic is slowing down and interest rates are rising. Like many companies, Netflix is having to reel in aggressive spending which is coming under scrutiny.

- Original content is key in the streaming wars, but Netflix's strategy of shotgun blasting originals in the hopes that one sticks—Netflix produced over 500 originals last year, per The Wall Street Journal, many of which were canceled after one season—hasn't been effective compared with competitors.
- Netflix's big spending has gone toward its few successful original franchises like "Stranger Things," which reportedly had a budget of $30 million per episode for its new season.
- The company's blog initiative, Tudum, also had unclear designs. The project was intended to produce exclusive content related to Netflix originals but struggled to get off the ground due to changing goalposts and struggles securing interviews, per The Verge.
- "We're pulling back on some of our spend growth across both content and non-content spend, but still growing our spend and still investing aggressively into that long-term opportunity," CFO Spencer Neumann told investors during the company's earnings call.

Original Content Spending of Select US Streaming Video Services, 2017-2021
billions



Note: *2021 figures are estimates
Source: Ampere Analysis as cited by The Wall Street Journal, Jan 31, 2022
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What this means: Between layoffs, the announcement of advertisements, and subscriber losses, some of the biggest damage Netflix has taken—other than its stock, which is down 70% year-to-date—has been to its consumer and employer brands.

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- Internal company affairs now exist in the public sphere: Several tweets about Netflix's layoffs have gone viral online. Many of those laid off from Tudum were queer or non-white employees, prompting jokes and accusations of discrimination. One former Tudum employee said he was mistakenly re-offered a job only to be notified the offer was intended for someone else with the same first name.
- Netflix has also struggled to produce originals that make a splash with viewers or can be rolled out into franchises. Even shows that do find success—like last year's "**Squid Game**," which was the most-streamed show in history—have left behind little cultural footprint. A quick Google Trends search shows that discussion about the show is nearly non-existent and that it has failed to build an enduring fandom.

The big takeaway: The launch of ad-supported tiers, cracking down on password sharing, and entering categories previously left to competitors makes sense for Netflix's future. But as it enters a new and difficult chapter, Netflix is having to redefine its brand image—an effort that isn't helped by public fallout.

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