How Netflix does it

How localization is driving Netflix’s global domination strategy
Introduction

Netflix is trudging forward towards world domination. They have found a formula that seems to work for them for international expansion. The higher ups within the company have made international expansion a priority. Having just received USD $1.6B in funding, there is no chance that Netflix will slow down now. So how do they do it?

The information contained within this report has been gathered from various sources inside and outside the Language Services Industry. The insights are valuable whether you are a localization manager interested in learning from how Netflix does it, or an eager LSP who would like to understand the needs of this unique customer.

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We know you are busy! That’s why each of our reports are formatted so that information can be quickly and easily digested. For those in a hurry, we provide the TL;DR (Too long; didn’t read!) section in the beginning of each report. At the end of each report we also summarize key points with our own Insights.

For those that think the devil is in the details, we have you covered, too! In the body of the report we go into as much detail as possible about each topic discussed. Still not satisfied? Never hesitate to reach out to us directly to request additional information. We’re here to help!
TL;DR – Executive Summary

Employees

>4,700 total employees

There are 50-60 team members working on localization, split between the Los Gatos and Los Angeles offices in California.

Founded

1997

Netflix was originally founded in 1997 by previous CEO, Marc Randolph and current CEO, Reed Hastings.

Headquarters

Los Gatos, California, USA

The Netflix Headquarters is in California’s Silicon Valley in the upscale city of Los Gatos.

Locations

12 Locations worldwide

Including the HQ in Los Gatos, Netflix also has locations in Los Angeles, Brazil, Netherlands, Taiwan, United Kingdom, Philippines, India, New York, Singapore, and two offices in Japan.
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Vendor model

*Multiple specialized vendors, for now...*

Netflix is very transparent about their vendor relations. Currently there has been a push to bring more processes in-house at Netflix, but this initiative has had mixed success.

Budget

*Estimated USD $75M*

Of the estimated USD $75M in budget includes all aspects of localization, with a large portion going towards dubbing. Budget is expected to continue to grow as Netflix continues growing international.

Languages

*22-24 Languages*

Netflix is currently localizing into 22-24 languages and provides streaming service in 100 countries. New languages are being added.

TMS and Tech

*No centralized TMS*

There is no standard deployed TMS, but Netflix is prioritizing on developing a tool internally to bring more efficiency to the end-to-end localization process.
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Machine Translation

No Machine Translation

Due to the creative nature of the content, Machine Translation is not used as a standard part of the translation process.

Challenges

Scalability, “Tech first”, Turnover, Control

The top challenges faced by the Netflix are scalability, technology strategy, high turnover, and maintaining control over the localization process.
Organization and culture

Project Hermes

For context, we need to explain Project Hermes right from the beginning, because we will be referring to it throughout this report. Let’s keep it simple. Hermes is the name of a testing platform that has been designed by Netflix to vet individual vendors and freelancers so that they can work directly with their resources. While it is the official name of the testing platform, Hermes also refers to what is basically an in-sourcing movement within the company. Basically, Netflix is looking to gain more control by engaging directly with their supply chain. This goes against the industry norm of working with a longer supply chain that includes layers of LSPs and freelancers. However, you don’t have to take our word for it. More information on Hermes is publicly available online directly from Netflix.

Culture and enthusiasm for localization

Netflix has certainly been making headlines recently with their international expansion. They are a company that is hellbent on taking over the world. Based upon the amount of resources they are throwing at the international expansion, world domination doesn’t seem too far out of reach.

Netflix is a technology company that has decided to expand into original content. But it is still a technology company, which gives it significant advantage over some competitors when it comes to agility and speed.

Global presence

While Netflix continues to expand into more territories worldwide, they maintain a relatively small global presence, with 12 offices worldwide. The central localization effort is driven from Netflix’s two California offices. There is the headquarters in Los Gatos (“LG”) office, located next to other tech giants in California’s Silicon Valley and the Los Angeles (“LA”) office, where the original content is produced.
Localization work for Netflix is generally managed by one of these two offices. In theory, these two offices work together on localization projects. In reality, there is often friction between the two offices, driven sometimes by competing priorities and sometimes by a clash between the strong Silicon Valley vs Hollywood cultures.

**LA office**

LA Office has about 35-40 people there. Half of these are known as "dubbing specialists" and they are only going to do dubbing. These are split from "subtitling specialists" who only focus on subtitles. Their role is to manage these processes.

**LG office**

There are 15-20 people working out of Los Gatos on localization, a high percentage of which are managers. This team focuses on product localization, UI, and anything that is text form such as synopses, website, etc. They also do the episodic titles, because they are represented in the UI, but this is a grey area because it overlaps with the subtitle localization.
Previously, they've taken people from their countries and plucked them into Los Gatos and made them "experts". This meant that there is one person in charge of the entire experience for Chinese, Brazil, etc. These people were also being asked to do some translations.

International strategy and decision makers

As with most large LSB’s (Language Services Buyers), there are many stakeholders involved in the process of setting international strategy, and, therefore, which languages to localize. The Accounting and Finance teams weigh in on potential ROI, the Business Development team understands demand, Engineering teams have a seat at the decision-making table as well. Even the CEO, Reed Hastings, has been known to get excited about a certain language or region and make a mandate.

The localization team is unfortunately often the last team to the table when discussing international strategy. The Localization Team will be consulted when it comes time to estimate the costs associated with localization.

A number of factors that are taken into account when deciding which markets to localize into.

- Broadband Household (BBHH) Studies done on the general population to determine whether the internet is good enough to support streaming.
- Purchasing power of local population (can they afford the service).
- Estimated costs of localization to perform ROI analysis.
- Cultural factors such as local preferences and viewing habits. For example, Asian markets are accustomed to very different content than what is typically offered in the United States, so viewer preferences are taken into account.

Lots of excitement about Localization

Typically, in the Language Services Industry, we face the problem of lack of excitement about international programs from senior management. Localization programs, it seems, are always fighting for legitimacy and budget. This is not the case at Netflix. Quite the opposite, actually.

“International is the hot new thing at Netflix. Everybody wants a piece of it. This has led to some interesting developments.”
Netflix not only has a healthy respect for their international supply chain, but also their international customers. Titles are released simultaneously to international audiences, with very few exceptions. There have even been times when release dates were pushed back in order to allow more time to prepare the international content for release.

A healthy respect for translation

Perhaps because of the prevailing enthusiasm for the translation process, perhaps because of the nature of the creative content being translated, Netflix has a healthy respect for the translation process.

Netflix is one of those rare buyers of localization services that actually wants to make sure that translators are paid more. Rather than working to drive down price at all levels of the supply chain, Netflix is more focused on making sure that their supply chain is healthy, stable and (most importantly) scalable.

Even with Project Hermes, cost savings were not the driving force. Netflix was seeking to gain more control over their supply chain. The original intent of the project was to have more visibility into who were their top performers and who were the bottom performers, so that additional training and attention could be invested into developing the lower performers. The idea was that if Netflix had more control over the supply chain, they would be in a better position to provide this support.

Supply Chain Distribution

It is well known by this time that Netflix has been pushing hard to bring more and more localization services in-house. At a time when many in the industry are pushing more responsibility onto their vendors, Netflix is building out their in-house team through Project Hermes. The driving force behind this in-sourcing push is not to save money, though, but rather to gain more control over the supply chain.

Localization Budget

Localization budget for Netflix is estimated at USD $75MM per year, which includes all translation, localization and dubbing activities associated with supporting an international release.

Netflix is careful not to spend their budget all in one place, though. By using a wide range of vendors and freelancers, they are able to ensure that scalability is not
dependent on any single vendors. When choosing where and how to spend their budget, Netflix chooses the suppliers that are most qualified for each specialized job.

**Project Management**

By all accounts, Netflix has hired a lot of very intelligent and capable people to work on the localization team. This strategy, coupled with their inherent corporate agility, has allowed them to grow very fast. However, competence and experience of team members is competing with a relatively high level of instability of the team, driven at least in part by two factors: high turnover and conflict between those with localization background and those who are relatively new to localization.

These team members have years of experience in the localization industry and are pushing for best practices to be adopted, especially in the areas of project and vendor management.

These team members bring a fresh perspective to the international team and encourage “outside the box” thinking. While this can drive innovation, it also means that sometimes generally accepted localization best practices may be ignored, which sometimes is for the better.

Healthy conflict drives innovation. The challenge for Netflix’s localization teams will be to make sure that the conflict remains healthy and team members work together towards best practices. Innovation means improving on standard best practices, not ignoring them.

**Quality Control**

Netflix has an international brand to look after, so quality is of high importance to them. There is increasing market competition for customer mind share and time. So far, Netflix has proven to be more flexible than their international competition, and has enjoyed a
strong first mover advantage in international markets, but without a commitment to quality, the competition could still easily close this gap.

The focus on quality is second only to their focus on scalability. As Netflix sees it, scalability and quality are not competing priorities, rather they are complimentary. Netflix feels that a strong commitment to quality is the best way to attract the talent that they need to scale globally. This may be true when attracting the right translators, but it has also proven to be a challenge for Netflix when engaging with service model vendors.

LSP’s with a factory production mentality have proven to not be a great fit for Netflix. These vendors have struggled to produce acceptable quality, meaning that the translations require extensive quality control steps and many fixes.

Despite Netflix’s strong commitment to quality, there is no separate QC (Quality Control) group within Netflix to own quality. The official reason for this is because at Netflix everybody owns quality. In theory, this is a great ideal, with a focus on quality at each stage in the process, from content creation to final sign off. In practice, though, if everybody owns quality, then essentially nobody owns quality.

If anybody can pull of the “everybody owns quality” approach to localization, though, it would be Netflix. Their strong commitment to attracting the top talent, supporting and training them means that they will be facing less quality issues. Their willingness to allocate budget where it is needed is also helpful. Usually, when international teams at global companies are facing budget constraints, quality control is one of the first things to get cut. Netflix does not worry about this for two reasons. Firstly, there is no defined QC group to make cuts to, as the quality function is spread across the whole team. Secondly, Netflix shows no sign of reducing investment and is committed to making sure that the international teams are getting the support they need.

**Vendor Management**

**Current vendors**

Netflix has a surprising level of transparency when it comes to their supply chain. It is not uncommon for Language Service Buyers such as Netflix to closely guard their list of preferred suppliers, but Netflix has taken another approach. All of Netflix’s preferred suppliers, which they call “Badged Vendors” are listed online by Netflix’s Media Engineering and Partnership team, which manages the supply chain.

Vendors are categorized under 5 categories of services offered:
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1. Media processing
2. Text localization
3. Master quality control
4. Originals localization
5. Originals master fulfillment

Each vendor also lists the following information:

1. Company name
2. Description
3. Location
4. Service type(s)
5. Eligible subtitle creation languages
6. Primary region
7. Website
8. Vendor contact information

A review of the list shows that there are dozens of vendors with different areas of specialization. Netflix chooses to work with multiple specialized vendors rather than pursue the single-sourced “one stop shop” solution that has been increasingly common in the localization industry, so they need a diverse vendor base. Even with their desire for specialization though, there are certainly vendors that provide more than a single service to the Netflix international team.

Vendor selection

The Localization Team works closely with the Media Engineering & Partnerships Team to manage the supply chain.

The individual project managers and teams within Netflix are free to work with any vendors in the Badged Vendor list for each project. In theory, there is no commitment to any single vendor to provide a certain level of type of work, though in practice, project managers tend to keep coming back to the same vendors. A top criterion for selecting vendors will be whether or not there is an established relationship. For example, a team working on a particular Netflix Original such as House of Cards or Stranger Things will certainly try to use the same vendors from season to season.

Besides established relationships with vendors, the most important criteria for Netflix when selecting a vendor to work with are as follows, in descending order of importance:
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1. Scalability
2. Quality
3. Cost

Although not the preferred method, it is also possible for Netflix Project Managers to reach outside of the approved vendor pool, if needed. In order to do so, they would need approval, it is usually not incredibly difficult to get the go-ahead to work with a vendor that has not been officially onboarded as a preferred vendor.

For vendors looking to apply to become a preferred vendor, Netflix has made this process incredibly accessible and transparent, providing a public portal for vendor companies to apply directly. Though, getting on the preferred vendor list does not necessarily mean that there will be work, as the allocation of actual projects is decided by the individual project managers.

Technology

Netflix is very committed to a technology strategy. However, they are not quite there yet.

There are a few existing tools that are used. Content Hub serves as their DAM (Digital Asset Management) system, and there is a terminology tool for managing key names and phrases, but the extent of technology and automation doesn’t extend much further.

Netflix is aware of this and is strongly committed to developing their own end-to-end workflow management system. They are preferring to develop this internally for the same reason they have been pushing to bring the vendor management function in house – to increase the level of security and control they have over the process. The end goal is to have an entire localization process managed only by exception.

By all reports, there seem to be some very committed and capable people working on this initiative. Given time, they will pull it off. But for now they will have to rely upon supplier technology. Netflix strongly encourages their vendors to be tech-capable, or at a minimum, tech-willing, in the following areas:

- Tech-centric ordering, tracking, and updates
- Exception based workflows
- Openness to to machine translation and machine assisted translation
- Top-notch API-capable software
- Eschew the idea of “that’s the way we’ve always done it”
- Heavy investment in engineering, software development
- Engineering partners for the engineers on the customer side
TMS implementation

Netflix does not have a centralized Translation Management System, though vendors are certainly using tools (both third party and proprietary) while performing the translation. The current process is that translations are more often than not done in spreadsheets, which are then processed and translated by the assigned vendors.

Workflow management

Neither is there currently an advanced process for managing the localization workflow. Excel spreadsheets are sent back and forth to vendors via email. There have been some discussions around adopting a third party project management tool, but no final decisions. The strategy seems to wait until their developers finish the new system that they are working on.

Machine Translation

While Netflix currently doesn’t have a universal policy or strategy on Machine Translation, they are much more open to the idea of MT. Netflix has a very progressive view of technology, and this includes machine translation. Vendors that work with Netflix are encouraged to be equally open to Machine Translation and machine assisted translation.

Top Challenges

Scalability

The number one challenge that Netflix faces is that they do not have enough resources in some markets to handle the demand everything. When Netflix chooses to go into a market, they bring with them a ton of content that needs to be translated. High volumes, coupled with the stringent translator vetting discussed above, mean that the main challenge is simply finding enough bodies to perform the work.

“Tech first” strategy

Netflix has plans to build out their own end-to-end technology solution. Building their own tools allows Netflix to maintain control over the development and to make sure that it works for their specific needs. There are a lot of really smart people dedicated to this initiative, but there has been struggle to define a plan and stick to it.
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Turnover – burning bridges

Netflix seems to be burning through experienced people fast. This is not just an issue at the project manager and developer level, but also at the leadership level. Netflix looked at the localization market and realized that there are probably 30 localization directors in the world that could be good candidates to hire. The problem is, they have already hired and fired a good portion of these, and so they are going down that list fast. It will be hard for Netflix to keep consistently taking steps forward if talented people are leaving the localization team after a little more than a year.

Maintaining control

In everything they do, Netflix has been seeking to define a process that gives them more control. They are developing their own technology, they have developed their own vetting process, they are taking more control over the supply chain. Control is very important to Netflix.

However, the vendors are of course resistant to giving back the control. With Hermes, Netflix essentially announced to the world that they were planning to start working directly with translators, cutting out the LSP middle-man. Essentially, they have told their vendors that they want to work directly with their translators, and the vendors are of course pushing back. With the LSP’s refusing to give up their supply chains, Netflix will have to look for new resources that are not already working on their content through the vendors, and this only strengthens the aforementioned challenges with scalability.

Nimdzi’s summary and insights

Information is meaningless without insights. What does all of this mean? Based on Nimdzi’s analysis of the information collected while preparing this report, we can offer the following insights.
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Technology will take longer than expected

Netflix’s technology roadmap are ambitious, but not impossible. End-to-end translation management and workflow management systems have been deployed by other technology companies with varying degrees of success, so it is not unheard of. However, experience shows that this will not be as smooth of a process as Netflix is hoping for. Developers will have to work with the localization team very closely in order to make this happen.

First mover advantage

Netflix is already available around the globe, and will continue to be localized into more and more languages. They have shown a level of agility that will not be matched by those of their competitors that are more traditional entertainment companies, who have grown sluggish and bureaucratic in the age of cable television distribution networks.

Netflix is a technology that also does entertainment. Many of their competitors are entertainment companies that now also do technology. The closest thing we can see to competition for Netflix are companies like Hulu, Amazon, and other technology-first companies that may choose to compete in the same markets.

Scalability

It is not a coincidence that Netflix’s problems with scalability are coming at the same time as they are pulling the supply chain more and more in-house. There are many reasons why clients work with LSPs to perform translation, and scalability is high on that list of reason.
Scaling internal teams

Netflix will face challenges growing and maintaining a stable internal team due to two factors. Firstly, the turnover rate internally is relatively high on the localization team, making it difficult to retain experienced team members. Secondly, Netflix sets the bar very high for their employees. Only the most qualified and experienced candidates get a chance to work for Netflix, and therefore it will continue to be difficult to attract the industry’s top talent away from other employers.