Distribution Agreement

In presenting this thesis as a partial fulfillment of the requirements for a degree from Emory University, I hereby grant to Emory University and its agents the non-exclusive license to archive, make accessible, and display my thesis in whole or in part in all forms of media, now or hereafter now, including display on the World Wide Web. I understand that I may select some access restrictions as part of the online submission of this thesis. I retain all ownership rights to the copyright of the thesis. I also retain the right to use in future works (such as articles or books) all or part of this thesis.

Ross Slutsky 4/12/13

"Netflix: Tales from Television's Digital Frontier"

by

Ross Slutsky

Allen Tullos
Adviser

History Department

Allen Tullos

Adviser

Tanine Allison

Committee Member

Eric Goldstein

Committee Member

2013

Netflix: Tales from Television's Digital Frontier

By

Ross Slutsky

Allen Tullos

Adviser

An abstract of
a thesis submitted to the Faculty of Emory College of Arts and Sciences
of Emory University in partial fulfillment
of the requirements of the degree of
Bachelor of Arts with Honors

History Department

2013

Abstract

Netflix: Tales from Television's Digital Frontier
By Ross Slutsky

This thesis argues that Netflix has reconceptualized television. It bases this claim on the fact that the company helped promote the growth of the DVD standard that popularized associated "binge-viewing" behaviors, pioneered the deployment of streaming media for television and film content, and introduced new data-intensive greenlighting strategies and distribution systems for original programming. After establishing that Netflix reconceptualized television, this thesis analyzes some of the cultural implications of this reconceptualization.

Netflix: Tales from Television's Digital Frontier

By

Ross Slutsky

Allen Tullos

Adviser

A thesis submitted to the Faculty of Emory College of Arts and Sciences
of Emory University in partial fulfillment
of the requirements of the degree of
Bachelor of Arts with Honors

History Department

2013

Table of Contents

Introduction:

While it may not feel as though it has been all that long, the late nineties were a different time. In 1997, "short shorts" were still a popular form of attire, The Spice Girls dominated the charts, Asia went through a systemic financial crisis, Bill Clinton was still in the midst of an illicit affair, and Lady Di tragically passed away. For the purposes of this thesis, however, one of the more relevant aspects of this period was the constraints on Internet access and functionality. For millions of Americans, going online meant sitting patiently and listening as their dial-up connections made weird noises before eventually logging them on to AOL. During this same period, in Scotts Valley, California, something magical was in the works. Though it took the management team several weeks to agree on a proper name for their startup, they ultimately decided to call it Netflix, and it eventually changed the way Americans think about television.[1]

Though the founders of Netflix knew they were onto something, they could not have anticipated the tremendous scope and cultural impact their enterprise would eventually produce. If a prophet walked in on one of Blockbuster's board meetings in 1997 and warned upper management that their company would soon face an existential threat from some website built by a former mail order catalogue designer and an education policy grad student, the prophet would have been laughed out of the room.[2] Ultimately, however, the prophet would have been right.

---

[1] Gina Keating, *Netflixed: The Epic Battle for America's Eyeballs* (London: Portfolio/Penguin, 2012), [29-30].

[2] The former designer and grad student are respectively Marc Randolph and Reed Hastings.

Fast-forward a decade to 2007, and Blockbuster found itself in a rather different predicament. In the course of that year, its CEO John Antioco would step down, a decision he made in no small part due to prolonged disagreements with other members of the board over how best to compete and survive vis a vis that bedeviled California startup.[3] In 2007, Blockbuster was waging a war of attrition against Netflix and would ultimately lose.[4][5]

However, Netflix was not satisfied with simply leading in the online DVD-by-mail rental market that it invented. Even after Netflix vanquished Blockbuster and accelerated the decline of physical rental locations, some media magnates still refused to take Netflix seriously. At one point, when asked about the future prospects of Netflix, Jeff Bewkes, the CEO of Time Warner, the parent company of HBO, responded by claiming, "[Being asked about Netflix is] a little bit like [being asked], is the Albanian army going to take over the world? I don't think so."[6] Fast-forward another half-decade from 2007 to 2012, and Netflix had outbid HBO for the rights to produce a 100 million dollar original series that would be directed by David Fincher and star Kevin Spacey.[7] In

[3] Keating, *Netflixed*, [207-208].

[4] Blockbuster's business was in a war of attrition because it was using an unsustainable business model to try to combat the Netflix offering.

[5] Keating, *Netflixed*, [200].

[6] Tim Arango, "Time Warner Views Netflix as a Fading Star," *The New York Times*, last modified December 12, 2010, accessed April 3, 2013, http://www.nytimes.com/2010/12/13/business/media/13bewkes.html?_r=3&ref=business&, [1].

[7] Paul Bond, "Netflix Outbids HBO for David Fincher and Kevin Spacey's 'House of Cards,'" *The Hollywood Reporter*, last modified March 15, 2011, accessed April 3, 2013, http://www.hollywoodreporter.com/news/netflix-outbids-hbo-david-fincher-167882, [1].

the space of 15 years, Netflix grew from an idea to a revolutionary multi billion dollar company with over 27 million domestic subscribers.[8]

This thesis draws on the existing literature in media theory and the history of television. *The Columbia History of Television* effectively analyzes the impact of cable television upon expanding consumer choice in the nineties but limits its scope to broad generalizations about the impact of the Internet on television. Amanda Lotz's *The Television Will Be Revolutionized* chronicles the history of the television programming industry prior to and in wake of regulatory changes in the early eighties and late nineties. Lotz accurately identifies the challenges web-based distribution poses to prior conceptions of television, but her book came out before the implications of such changes could be understood.[9] Henry Jenkins' *Convergence Culture* identifies the various elements that contribute to technological convergence and provides the critical insight that changes in cultural interaction with media depend as much on changes in consumer behavior as on technological innovation. Finally, Gina Keatings' *Netflixed* sheds light on the tendencies of Netflix's management team and presents a comprehensive account of the company's triumph over Blockbuster but stops short of analyzing the implications of Netflix's recent foray into original content production. Building on the aforementioned works, this thesis provides a comprehensive account of Netflix's role in a changing media landscape and attempts to analyze the cultural significance of the shift to streaming media.

[8] Adi Robertson, "Netflix Announces 27 Million US subscribers, Posts Unexpected Profit," *The Verge*, last modified January 23, 2013, accessed April 3, 2013, http://www.theverge.com/2013/1/23/3907424/netflix-announces-q4-2012-earnings, [1].

[9] *The Television Will Be Revolutionized* came out late in 2007. At that time, Netflix had been offering streaming functionality for less than a year, and, Hulu, Netflix's distinguished rival, had not even launched yet.

In the pages that follow, there is but one central and cohesive claim- Netflix reconceptualized television. Chapter 1 will contextualize Netflix's efforts within the broader history of the technological convergence of the Internet and television. Chapter 2 will hone in on Netflix's corporate history. Finally, Chapter 3 will build on the previous chapters, specifically address the claim that Netflix reconceptualized television, and examine the broader implications of the reconceptualization**.** This thesis will chronicle and analyze Netflix's role in ushering in what noted television critic Alan Sepinwall has referred to as "a new golden age" for television.[10]

[10] Alan Sepinwall, *The Revolution Was Televised: The Cops, Crooks, Slingers and Slayers Who Changed TV Drama Forever* (New York, NY: Simon & Schuster, 2012), [Back cover].

Chapter 1. Netflix's Context: The Convergent Histories of Internet and Television

In order to understand how Netflix came to reconceptualize television, I will first examine the historical context in which Netflix operated. This chapter shall chronicle the evolution of television and the Internet in the 1990s, the convergence of the two media in the 2000s, and where Netflix fits into these developments.

Internet Video in the 1990s: Trials and Tribulations

While Netflix would eventually pioneer the streaming of television content online, the Internet in the 1990s was incapable of effectively supporting such functionality. However, the developments in online video during this period are still worthy of examination. Throughout the course of the nineties, numerous startups such as Pseudo.com, Wirebreak.com, and the Digital Entertainment Network ("DEN") attempted to break into the online television space.[11] Today, many start-ups must develop air-tight pitches and go to great lengths to attract the attention of venture capitalists. The nineties, however, were a different time. In spite of his peculiar personality and lack of managerial focus, Pseudo.com founder Josh Harris was still able to attract 25 million dollars in venture capital.[12] Similarly, in spite of having a rather limited and unproven product, the founders of Wirebreak Entertainment were able to attract sponsorship from

[11] Jennifer L. Rewick, "Pseudo Programs' Rapid Expansion Produces Unexpected Growing Pains," *The Wall Street Journal*, last modified December 13, 1999, http://online.wsj.com/article/SB944842219604291025.html, [1].

[12] Xeni Jardin, "Josh Harris: 'Pseudo was a fake company.,'" *Boing Boing*, last modified June 26, 2008, accessed April 3, 2013, http://boingboing.net/2008/06/26/josh-harris-pseudo-w.html, [1].

Compaq, Gillette, and Showtime.[13] Finally, DEN, which became emblematic of the corporate mismanagement of the dot com bubble, was able to attract 60 million in venture capital funding.[14] All three of these endeavors were unmitigated failures that left important lessons for future entrepreneurs in the online video space.

While the approaches of these start-ups were not identical, there are similar problems that contributed to the failure of each. Early video start-ups often took a top-down, curatorial approach to content production in which they tried to produce content for niche audiences- a practice they referred to as “microcasting.”[15] Unfortunately, although narrowcasting and niche audience content production can be economically viable, it has to be implemented in a manner completely different from the approach of the nascent online video start-ups. Although the multi-million dollar venture capital investments provided the early start-ups enough money to produce shows of a higher caliber than amateur video, the budgets were still not large enough to enable these start-ups to produce content that would rival the caliber of broadcast or cable television.[16]

Furthermore, even when these start-ups were able to produce relatively compelling programming, they still faced daunting technical limitations. In the mid to late nineties, online video media players were still fairly primitive, connection speeds

---

[13] Karen Kaplan, "Internet Company Is Serving Up Digital Coffee Break Alternative," *The LA Times*, last modified September 13, 1999, accessed April 3, 2013, http://articles.latimes.com/1999/sep/13/business/fi-9738, [1].

[14] "DEN tells staff it's out of money," *CNET*, last modified May 18, 2000, accessed April 3, 2013, http://news.cnet.com/2100-1023-240741.html, [1].

[15] David Kirkpatrick, "Suddenly Pseudo," *New York Magazine*, last modified December 20, 1999, accessed April 3, 2013, http://nymag.com/nymetro/news/media/internet/1703/, [5].

[16] Karen Kaplan, "Coming Soon to a Monitor Near You," *The LA Times*, last modified October 7, 1999, accessed April 3, 2013, http://articles.latimes.com/1999/oct/07/business/fi-19656, [2].

were relatively slow, and latency was a serious concern. As a *LA Times* reporter explained in an article late in 1999, “The [online] video windows tend to fill less than a quarter of the computer screen, and the picture is often slightly jerky. Even with high-speed Internet connections via digital subscriber line or cable modem, they can take several minutes to load. Accessing the films with a standard dial-up modem is often so time-consuming that it's not worth the effort.”[17]

Creative and technical limitations aside, another limitation of the early video start-ups was their conservative, top-down approach to content production. Rather than letting site users upload their own content (which would later prove successful for sites like YouTube and Vimeo), many start-ups retained control over content production.[18][19] The best way to understand the flaws with an overly controlling curatorial approach is to look at the modern example of YouTube. While the average YouTube video is usually low quality and does not receive many views, due to the massive quantity of amateur videos that are uploaded, a small percentage of the videos end up being highly popular at no cost to YouTube other than the cost of hosting video.[20][21] In light of this, the aforementioned video startups found themselves in an undesirable middle ground where their shows were

---

[17] Kaplan, "Coming Soon to a Monitor Near You," *The LA Times*, [2].

[18] Granted, curatorial dominance was not always complete. Pseudo did make some limited allowances for user-generated content, but overall retained creative control and could not accurately be considered an effective generative platform in the same sense as a modern video sharing site such as YouTube or Vimeo.

[19] Kirkpatrick, "Suddenly Pseudo," *New York Magazine*, [1].

[20] I am obviously oversimplifying YouTube’s business model, but the central point stands.

[21] Richard Waters and Kevin Allison, "Why YouTube Succeeded Where So Many Others Failed," *The Financial Times*, last modified October 9, 2006, accessed April 3, 2013, http://www.ft.com/intl/cms/s/0/1311658c-5733-11db-9110-0000779e2340.html#axzz2PShh1akY, [1].

of a higher caliber than most amateur content but of a lower caliber than shows available on broadcast or cable networks.

In spite of all of the limitations, nineties online video had its proponents. A college student from USC told the *LA Times*, "'I can watch it on demand... I don't have to schedule it or tape it on my VCR.'"[22] The practice of either watching shows on demand or recording them to be watched at a time more convenient for the consumer became known as time shifting. As that college student's comment makes clear, even though the technical infrastructure for high quality online video had not yet fully scaled, early adopters of online video already valued having the ability to time shift. This behavior would grow as a mainstream consumer expectation throughout the course of the naughts. Having discussed the nascent period of online video, it is time to turn attention to the structure of the television industry in the 1990s.

The TV Industry in the 1990s: The Triumvirate of Broadcast, Cable, and Satellite

In economic terms, the nineties was an important decade for the television industry marked by a significant increase in the total amount of television content produced and by growth in various systems of content delivery.[23] This was also a traumatic time for broadcast networks facing rapidly growing competition from cable and satellite companies. Carrying momentum from the mid eighties, the cable industry continued to grow and thrive. By 1999, 65 million US households (7 in 10 US TV

[22] Kaplan, "Coming Soon to a Monitor Near You," *The LA Times*, [2].

[23] "Television in the United States," *Encyclopædia Britannica Online*, accessed April 4, 2013, http://www.britannica.com/EBchecked/topic/1513870/Television-in-the-United-States/, [27].

households), had cable subscriptions.[24] Whereas broadcast networks often greenlighted programs they hoped would maximize ratings and ad revenue, due to the fact that cable bundles come in subscription packages, cable channels were somewhat less beholden to mass advertising and were able to build channels with content that would appeal to niche markets. Cable channels could focus on specific viewer interests, such as comedy (Comedy Central), history (The History Channel), and cooking (Food Network).[25] Due to this comparative advantage- the ability to focus on niche interests that could be more compelling for audience members than mass content- many predicted cable would eventually kill off broadcast television. However, broadcasting proved more resilient than many expected.[26]

Although multiple factors contributed to the prolonged vitality of broadcast networks, one of the most crucial elements was the repeal of the Financial and Syndication ("fin-syn") Rules in 1993. From 1971 to 1993, the fin-syn rules limited the number of shows that networks could own, forcing them to purchase syndication rights from production studios.[27] The eventual repeal of these rules significantly changed the financial prospects for broadcast networks. Absent fin-syn restrictions, networks were free to produce shows themselves and profit off of selling rerun syndication rights to

---

[24] Satish K. Moorthy, "The U.S. Cable Television Industry: The Multi-Service Operator Organizational Structure as a Bundle of Competencies," *MIT Sloan School of Management*, last modified May 8, 2009, accessed April 4, 2013, http://dspace.mit.edu/bitstream/handle/1721.1/49770/457057912.pdf?..., [8].

[25] "Television in the United States," *Encyclopædia Britannica Online*, [27].

[26] "Television in the United States," *Encyclopædia Britannica Online*, [27].

[27] Amanda D. Lotz, *The Television Will Be Revolutionized* (New York, NY: NYU Press, 2007), [99-100].

various programmers.[28] This instance of deregulation incentivized direct production by the networks.

In addition to the repeal of the fin-syn rules, another important factor which contributed to the sustainability of the broadcast model in the face of competition from the cable industry was the Cable Television Consumer Protection and Competition Act of 1992. This act forced cable companies to stop freeriding off of the broadcast content they were including in their cable packages and forced them to negotiate with the broadcast networks for the right to carry such content.[29] Hence, after 1993, broadcast networks possessed two new revenue streams- they could produce content with valuable syndication rights and could collect retransmission consent fees from cable providers. In light of these developments, rather than slowly dying off, ABC, CBS, and NBC, the big three broadcast networks, expanded into larger media conglomerates. Furthermore, the broadcast market expanded, as was demonstrated by the prolonged growth of FOX and the 1995 births of The WB and UPN.[30] The experts were incorrect- broadcast television remained formidable in the nineties and beyond.

While cable and broadcast television might have been the largest players in the television market, satellite television also grew into a formidable entity in the late nineties. The two largest firms in this market were, and still are, DirecTV and Dish Network. In spite of the fact that they did not have their initial public offerings until 1997, both firms experienced impressive year-over-year growth, and, by the end of the

---

[28] "Television in the United States," *Encyclopædia Britannica Online*, [27].

[29] Sharon Strover, "United States: Cable Television," *The Museum of Broadcast Communications*, accessed April 4, 2013, http://www.museum.tv/eotvsection.php?entrycode=unitedstatesc, [5].

[30] "Television in the United States," *Encyclopædia Britannica Online*, [27].

1999 fiscal year, DirecTV and Dish Network had 8 million[31] and 3.4 million US subscribers respectively.[3233]

In sum, in the 1990s, the US television market experienced significant growth in cable, broadcast, and satellite.

1990s TV Content: Sitcoms and Serialization[34]

While there were various disparate developments in television content in the nineties, certain important trends are still discernible. In terms of content delivery, during their active season, most shows would air one episode per week at a set day and time. Shows that stayed on air long enough to produce 100 or more episodes could be syndicated elsewhere- other broadcast networks or cable channels could pay for the rights to air reruns and enable the producers to profit off of syndication.[35] On the broadcast networks, the nineties was a strong decade for episodic sitcoms, with *Seinfeld* (1989-1998) arguably serving as the gold standard of the genre. In addition, *Friends* (1994-2004), *Frasier* (1993-2004), *Roseanne* (1988-1997), *Everybody Loves Raymond* (1996-2005), *The Fresh Prince of Bel Air* (1990-1996), and many other sit-coms enjoyed

---

[31] "DirecTV 1999 Annual Report," *DirecTV*, last modified 1999, http://files.shareholder.com/downloads/DTV/2404505960x0x154815/3A3C79DF-8DEA-4307-996A-CF476356FDB6/AR1999.pdf, [6].

[32] For those unfamiliar with the term, an initial public offering is a stock market launch during which a formerly private company becomes a public company by selling shares of its stock on a securities exchange.

[33] "DISH Network 1999 Annual Report," *DISH Network*, last modified March 7, 2000, accessed April 4, 2013, http://files.shareholder.com/downloads/DISH/2404517742x0x95360/E338A2AE-0DF5-47AC-9EC0-9B8CDB8F8452/EchoStar_1999_Annual_Report.pdf, [1].

[34] Please note that this treatment is by no means exhaustive. Among other limitations, I will not examine developments in TV news or sports over the course of this decade or the next one, since Netflix has steered clear of those segments of television.

[35] Lotz, *The Television Will Be Revolutionized*, [97].

successful runs followed by prolonged and lucrative syndication.[36] Furthermore, there were important developments in the teen-drama category, with shows such as *Beverly Hills 90210* (1990-2000), *Buffy The Vampire Slayer* 1997-2003), and *Dawson's Creek* (1998-2003).

While these developments occurred on broadcast networks, in the realm of premium cable, HBO expanded on previous efforts to break into original content. Though HBO first started experimenting with producing its own content in the early eighties, its first program of note was the eleven episode mockumentary miniseries *Tanner '88* (1988).[37] HBO continued to build on this success in the original comedy domain, subverting the late-night talk show genre by means of *The Larry Sanders Show* (1992-1998), which received considerable critical acclaim.[38] Later in the nineties, HBO expanded into darker subjects in both comedy and drama, with shows like *Oz* (1997-2003), *Sex and the City* (1998-2004), and *The Sopranos* (1999-2007).[39] Although the impact was somewhat contained in the nineties, the prolonged growth of this "high quality television" would eventually force broadcast networks to take on more ambitious creative projects in order to retain viewers.[40]

The final relevant trend from the nineties is content serialization. Serialized shows tend to build on themselves in a manner such that in any given episode, except for

[36] "Television in the United States," *Encyclopædia Britannica Online*, [34].

[37] Gary R. Edgerton, *The Columbia History of American Television* (New York, NY: Columbia University Press, 2007), [364].

[38] "Television in the United States," *Encyclopædia Britannica Online*, [29].

[39] Edgerton, *The Columbia History of American Television*), [364].

[40] Please note that the issue of what constitutes "quality television" is a fairly contentious topic. "Quality television" often involves issues such as narrative complexity and the ability to challenge existing conventions. I will address the subject in depth later in this chapter.

the pilot, viewers must have viewed previous episodes in order to fully understand what is going on. On the other hand, episodic shows tend to be more self-contained and enable viewers to tune in at any time and understand what is going on without any prior familiarity. Serialized television has existed for a long time, dating back decades in the form of soap operas and telenovelas.[41] However, the popularity of serialized television such as the aforementioned HBO shows in the late nineties and naughts spurred other programmers to follow suit. Quality serialized programming expanded outward as other television programmers attempted to replicate some of the success of the premium cable channels. For example, as Michael Idov of *New York Magazine* observed, AMC, a basic cable station, "followed the model of HBO, another channel that was once known primarily for its movies" and found success with highly regarded serialized programs such as *Mad Men*, *Breaking Bad*, and *The Walking Dead*.[42] This growth in popular serialized content played an essential role in the growth of the "high quality television" category, enabling shows to build on themselves and take on greater artistic ambitions.

Before discussing Netflix's place in the context of the nineties, there are a few serialized shows from the nineties worth acknowledging. Long before he assumed his post as CEO of Disney, in 1990, as president of ABC's entertainment division, Robert Iger commissioned two seasons of *Twin Peaks*, a serialized mystery drama created by acclaimed film director David Lynch.[43] *Twin Peaks* was ahead of its time and

---

[41] Edgerton, *The Columbia History of American Television*), [95].

[42] Michael Idov, "The Zombies at AMC's Doorstep," *New York Magazine*, last modified May 15, 2011, accessed April 4, 2013, http://nymag.com/arts/tv/upfronts/2011/amc-2011-5/, [1].

[43] Dennis Kneale. "Risk Taker: Which TV Executive would be so Bizarre as to Air `Twin Peaks'? --- ABC's Robert Iger Shakes Up the Industry with shows that Break all the Molds --- about those Singing Police." *Wall Street Journal,* Apr 26, 1990. http://search.proquest.com/docview/398121477?accountid=10747, [1].

encapsulates many of the challenges that Netflix and related technologies would later address. As a high level TV executive told *The New York Times*, "[*Twin Peaks* is] a demanding show... People can't follow it easily if they haven't been watching all along."[44] This was not a show for a casual viewer seeking light entertainment after a long day at work- it required viewers to watch all episodes in sequence and play close attention to subtle details. While serialized programs have arguably had a greater capacity to produce culturally or artistically important works than episodic shows, in the linear TV programming world, where the audience flips through channels on their TV's, *ceteris paribus*, episodic shows possess a comparative advantage over serialized shows.[45]

Twin Peaks ran for only two seasons and experienced a relatively swift demise that it might not have suffered if viewers had had greater time shifting capacities. While the largest ratings decline occurred midway through the second season, ironically, this mainly occurred because network executives concerned about maintaining ratings were worried that Lynch's audience would grow impatient and hence pressured him to prematurely resolve a central story arc.[46] However, *Twin Peaks* possessed an extremely dedicated fan base, with fans actively discussing the show in online forums while it aired, and developed a cult following in the years after it left the air.[47] In spite of being poorly

---

[44] Bill Carter, "'Twin Peaks' Clouded By Decline in Viewers," *The New York Times*, last modified April 28, 1990, accessed April 4, 2013, http://www.nytimes.com/1990/04/28/business/twin-peaks-clouded-by-decline-in-viewers.html, [1].

[45] Admittedly, my view is predicated on disputable and possibly problematic assumptions about what it means for a show to be culturally or artistically important.

[46] Jeff Jensen, "David Lynch: Climbing the 'Peaks,'" *Entertainment Weekly*, last modified October 26, 2007, accessed April 5, 2013, http://www.ew.com/ew/article/0,,20154190_2,00.html, [2].

[47] Henry Jenkins, III, *Textual Poachers: Television Fans and Participatory Culture* (New York, NY: Routledge, 1992), [113].

configured for the broadcast network ratings game, *Twin Peaks* demonstrated that high quality serialized programming could draw in highly dedicated, engaged, and loyal niche fan bases.

While a number of other shows contributed to the development of serialization in the nineties, the other pertinent example for this inquiry is *Buffy the Vampire Slayer* (1997-2003). While many shows arguably combine various degrees of both elements, *Buffy* was an important purveyor of a hybrid episodic/serialized model of content.[48] Though *Buffy* started out as a primarily episodic show, in time, Joss Whedon, the show's creator, increased the serialized elements of the show in order to increase the depth of the characters and to engage dedicated members of the fan base by rewarding them for paying attention.[49] Throughout the seven seasons of *Buffy*, Whedon sought to strike a balance between engaging *Buffy* loyalists and enabling casual viewers to flip to the show while it was on and involve themselves in the current episode.[50] This hybrid model that enables casual viewing while rewarding the core fan base grew more common in the naughts and became an absolute staple of programming on the USA Network, discernible in programs such as *Monk* (2002-2009), *Psych* (2006-Present), *Burn Notice* (2007-Present), *Royal Pains* (2009-Present), *White Collar* (2009-Present), and *Suits* (2011-Present). These developments in the nineties were essential components of a landscape Netflix would come to dominate.

---

[48] Granted, *Buffy* was not the first show to make use of this hybrid serial/episodic model. At the very least, this hybrid model had previously been used on *The X-Files*.

[49] Rob Cover, "From Butler to Buffy: Notes Towards a Strategy for Identity Analysis in Contemporary Television Narrative," *Reconstruction: Studies in Contemporary Culture* 4, no. 2 (Spring 2004): [12].

[50] Jason Mittell, "Narrative Complexity in Contemporary AmericanTelevision,"*The Velvet Light Trap* 58, no. 1 (Fall 2006): [33].

Netflix in the 1990s or: How Studios Learned to Stop Worrying and Love the DVD

While this survey has sketched the growth of online video and television in the nineties, I have yet to detail the role of Netflix. That is because Netflix escapes clean categorization- it placed itself in a separate position between Internet and television and left an indelible mark on both media. Though the next portion of this thesis shall provide a detailed account of the history of Netflix, I will first contextualize the history of Netflix.

Netflix was a beneficiary of crucial developments in the home video market that altered the history of television. One essential development was a change in the attitude of Hollywood studios toward the home video market. As I will subsequently discuss, throughout the course of the eighties and the early nineties, TV producers saw home video as detrimental to their margins and tried to kill off the market in court.[51] Their fears were unfounded, but it still took time for producers to realize that they had been mistaken. Rather than exploiting VHS in a timely manner, producers often delayed the release of their content to VHS for extended periods. For example, even though *Twin Peaks* went off the air in 1991 and had an extremely loyal fanbase that wanted to buy the show for home video, the complete series did not become available on VHS until 1995.[52]

Over time, attitudes changed, and savvy producers understood that syndication wasn't the only way to profit from previous seasons of TV shows. Home video provides consumers with the capacity to watch as many episodes of a show as they wish at the time of their choosing, and hence provides them with much greater autonomy than the linear broadcast model. By the late nineties, producers began altering their business

[51] Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417, (1984), [1].

[52] "Twin Peaks: Episodes 1-29 [VHS] (1990)," *Amazon*, accessed April 5, 2013, http://www.amazon.com/Twin-Peaks-Episodes-1-29-VHS/dp/6302914191, [1].

practices. For instance, shortly after *Seinfeld* ended in 1998, the entire series became available on VHS and DVD, with the box set including one of the notorious pirate-like puffy shirts from the show.[53][54] Hence, by the end of the nineties, the practice of making episodes of a show available for home video consumption shortly after their initial run started becoming more common.

While the availability of TV shows on VHS gradually improved, availability reached unprecedented heights on the subsequent DVD standard.[55] As the naughts progressed, producers no longer waited for a show to go off the air before making prior seasons available for home video consumption. Giving consumers the ability to purchase prior seasons of a show could enable them to get caught up on shows while they were still on air if they had not been following them from the start. Furthermore, in some instances, such as in the case of FOX's *Family Guy*, shows that were previously taken off the air were revived due to strong DVD sales.[56] DVDs could store more information, project clearer images, last longer, and take up much less space than VHS tapes. To illustrate this point, if someone had a bookcase next to their television for storing copies

---

[53] While multiple conversations with friends and family members who were avid *Seinfeld* fans have relayed this information to me, I am uncomfortable with my formal source base for this claim. The only confirmation of the VHS release details I was able to find was this response from Yahoo Answers, which I wouldn't necessarily consider a consistently credible source: http://answers.yahoo.com/question/index?qid=20090719174240AAyUNlU

[54] "Where can I find all (or some) Seinfeld seasons on VHS. My grandmother doesn't know how to work a dvd player?," *Yahoo Answers*, last modified 2009, accessed April 5, 2013, http://answers.yahoo.com/question/index?qid=20090719174240AAyUNlU, [1].

[55] There is surprisingly little in the way of a formal literature on the transition from DVD to VHS. For broader context on the history of changes in video media standards, see *The Art of Standards Wars* by Carl Shapiro and Hal R. Varian.

[56] Gloria Goodale, "Cult fans bring 'The Family Guy' back to TV," *The Christian Science Monitor*, last modified April 22, 2005, accessed April 5, 2013, http://www.csmonitor.com/2005/0422/p12s01-altv.html, [1].

of their favorite shows, the full series of *Seinfeld* contained 58 VHS tapes that would have taken up multiple shelves.[57] On the other hand, the complete series on DVD consisted of 33 discs that all fit in one box that would only take up a fraction of one shelf.[58] Netflix recognized the advantages of the DVD format and set out to exploit them in new ways.

Netflix came to life in 1997, a time by which industry experts knew that the DVD format was on the horizon, and the company positioned itself to exploit this imminent format.[59] To understand how Netflix reconceptualized television, it is important to first understand that Netflix was not a broadcast, satellite, cable, or premium cable channel. It did not and does not use a pre-set programming schedule to force viewers to view a particular show at a particular time. Netflix also was not a premature foray into online television. Although Netflix would eventually play an essential role in pioneering streaming online television content, Netflix prudently avoided the nascent online video market. Rather than dabbling in online video, Netflix used its website to build up a formidable DVD rental system designed to help users find content they would enjoy and to collect proprietary consumer-preference data.[60] At the close of the twentieth century, Netflix was a home video rental distributor with a sophisticated website. However, over the course of the next decade, Netflix became much more and introduced new ways for viewers to consume television content.

---

[57] "Seinfeld VHS Tape Set plus Display Case," Heritage Auctions, accessed April 5, 2013, http://entertainment.ha.com/c/item.zx?saleNo=696&lotIdNo=54006, [1].

[58] "Seinfeld - The Complete Series Box Set (DVD, 2007, 33-Disc Set)," EBay, accessed April 5, 2013, http://www.ebay.com/ctg/Seinfeld-Complete-Series-Box-Set-DVD-2007-33-Disc-Set-/62277904, [1].

[59] Keating, *Netflixed,* [20].

[60] Keating, *Netflixed,* [37].

Time Shifting in the 2000s- DVD, DVR, and VOD: The Three Horsemen of the Streampocalypse

In the nineties, there was a clear and logical separation between the online video market, the television market, and the home video market. However, over the course of the naughts, Netflix and related entities blurred the lines between these three media forms.[61] This section and the ones that follow will contextualize Netflix's efforts within the history of streaming media, the growth in the smart device ecosystem, and the dawn of a golden age in "high quality television."

Though Netflix would ultimately prove to be a pioneer in the delivery of network and cable channels via streaming media, important changes in consumer expectations preceded this milestone. The early 2000s was a period marked by significant growth in time shifting as a consumer behavior. The TiVo digital video recorder ("DVR") became available in 1999 and grew more popular in the early 2000s.[62] DVR technology enabled consumers to record episodes of their favorite shows so that they could watch them at a time of their choosing rather than during the initial airing period. In addition, the dramatic increase in television content available on DVD during this period further enabled consumers to watch shows at a time of their choosing.[63]

Video on Demand ("VOD") services that enabled viewers to watch select programs on their own time also grew significantly throughout the course of the naughts. However, it took years for this practice to effectively scale- cable companies were

---

[61] Obviously, this technological convergence between the Internet, television, and the home video market has not been complete. Broadcast networks, online video startups, and DVDs all still exist as separate entities. However, this section shall focus on the ways that streaming media captures essential elements of all three of these markets.

[62] "Television in the United States," *Encyclopædia Britannica Online*, [35].

[63] Ibid.

hesitant to implement such features due to the cost of developing and distributing equipment capable of VOD delivery.[64] Furthermore, after the technological infrastructure was in place, it took a few more years for the available content to become a formidable offering. The initial on-demand content libraries were fairly limited- it took time for the cable providers to feel comfortable populating the content libraries on a larger scale.[65] Nonetheless, the collective growth in TV offerings via DVD, DVR, and VOD enabled consumers to view television content on their own terms at a time of their own choosing and prepared them for the popularization of streaming media.

YouTube and Netflix: The Proud Parents of Streaming Media

Significant improvements in Internet speed, online media player capacities, and consumer comfort with Internet usage enabled significant maturation in the online video space. While video start-ups such as Wirebreak.com might have generated peripheral interest, in 2005, YouTube put online video on the map.[66][67] This indispensible video-sharing site enabled users to upload their own videos with YouTube serving as a host and enabling other users to access these videos. YouTube was essential as a proof of concept for streaming media. Unlike downloading systems that require users to take up hard drive space and come into possession of a copy of a video, streaming media delivers

[64] "History of Cable Television," *Wisconsin Cable Communications Association*, accessed April 5, 2013, http://www.wicable.tv/aws/WCCA/pt/sp/history, [3].

[65] "Our Story," *NCTA*, accessed April 5, 2013, http://www.ncta.com/who-we-are/our-story, [5-6].

[66] Although Vimeo was founded in 2004 and has since grown into a formidable video sharing site, as of the time of my writing this, Vimeo has always paled in comparison to YouTube. As of 2013, YouTube is the third most visited site on earth and is owned by Google, which is the largest search engine on earth and the world's most visited site (http://www.alexa.com/topsites).

[67] Liz Gannes, "YouTube Changes Everything: The Online Video Revolution," in*Television Goes Digital (the Economics of Information, Communication, and Entertainment)*, ed. Darcy Gerbarg, The Impacts of Digital Technology in the 21st Century (New York, NY: Springer, 2009), [133-134].

video content directly to a media player without the onerous copy creation and hard drive usage.[68][69]

Netflix began enabling subscribers to stream TV shows and movies at the beginning of 2007.[70] YouTube and Netflix both filled market categories that previous video startups were incapable of satisfying, and both were pioneers of streaming media in their own right. Whereas many web-based video startups had tried to produce their own shows in the hopes of capturing the attention of an online audience, YouTube was wise enough to take itself out of the equation and let users populate the site with their own content.[71] As was previously discussed, the average YouTube video is not particularly compelling and is unlikely to attract a sizable audience. However, the sheer volume of content uploaded to YouTube is such that it enables users to search for and access a massive and diverse archive of content, and, a small segment of these amateur videos are compelling to a wider audience and become fairly popular if not viral cultural phenomena. YouTube did not need to set aside money for content production- its primary expenditure was merely the server space necessary to host user video content.[72][73]

---

[68] There are some legal disputes over whether or not a completely buffered video on a streaming site constitutes a temporary copy, but, for all practical intents and purposes, streaming video does not invoke possession on the part of the user and does not provide the user with ownership of a copy of the video.

[69] Ibid.

[70] "Netflix 2006 Annual Report," *Netflix*, last modified February 28, 2007, accessed April 5, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0x102032/B149CD7C-55A6-444A-AB8A-367BBA459D35/NFLX.pdf, [4].

[71] Liz Gannes, "YouTube Changes Everything: The Online Video Revolution," in *Television Goes Digital*, [135].

[72] This particular aspect of YouTube's strategy appears to be changing. While the site remains primarily a user generated content site, the company appears to be preparing to make some user accounts into subscription channels and has invested in studios in an effort to bolster the quality of some of its content.

[73] Gannes, "YouTube Changes Everything: The Online Video Revolution," [135].

Hence, by simply enabling an unprecedented volume of user generated content, YouTube was able to fill its site with a sufficient amount of compelling content.

Admittedly, it is not entirely clear whether or not YouTube is profitable. Although Google purchased YouTube in 2006 for 1.65 billion dollars, Google has not been entirely forthcoming about whether or not YouTube is profitable.[74] However, regardless of whether or not YouTube is profitable, it is successful in the sense that it is a major cultural force and is the largest video-centric website in existence- it is the third most visited website on earth. Furthermore, it has remained pertinent and widely used. For the sake of contrast, News Corporation, a massive media conglomerate, purchased the social network MySpace in 2005 for 580 million dollars.[75] In the ensuing time, MySpace lost its primacy in social media to Facebook, and News Corporation ultimately sold off MySpace in 2011 for merely 35 million dollars.[76] While it remains unclear whether or not Google currently profits from YouTube, given that Google spent 200 million dollars in 2012 toward content development, the company seems unlikely to divest from YouTube and seems to believe it is an asset worthy of long-term investment and development.[77] Hence, YouTube represents one valid approach to online video.

The Netflix Method: Taking Television to New Territory

---

[74] Gannes, "YouTube Changes Everything: The Online Video Revolution," [134].

[75] Richard Siklos, "News Corp. to Acquire Owner of MySpace.com," The New York Times, last modified July 18, 2005, accessed April 5, 2013, http://www.nytimes.com/2005/07/18/business/18cnd-newscorp.html?_r=0, [1].

[76] Brian Stelter, "News Corporation Sells MySpace for $35 Million," *The New York Times*, last modified June 29, 2011, accessed April 5, 2013, http://mediadecoder.blogs.nytimes.com/2011/06/29/news-corp-sells-myspace-to-specific-media-for-35-million/, [1].

[77] Amir Efrati, "YouTube to Double Down on Its 'Channel' Experiment," *The Wall Street Journal*, last modified July 30, 2012, accessed April 5, 2013, http://online.wsj.com/article/SB10000872396390444840104577549632241258356.html, [1].

Netflix took a separate and equally effective approach to streaming media. As was previously mentioned, prior video start-ups failed because they fell in a rather mediocre middle. Although their production quality was often better than that of amateur video, they could not compete with the quality of video produced by TV studios. Netflix avoided this quality issue by filling their streaming library with professional films and TV shows.

One of the important implications of Netflix's shift into streaming media was a greater emphasis on television content. As one Netflix representative explained at a trade show, "The DVD through the mail business was very movie centric. 85% plus of the shipments were movies on DVD. As we've grown the streaming business... the TV content was just fresher than the movie content... That can be misperceived as Netflix giving up on movies, it's not, it's just us recognizing what the consumer is saying they want."[78] However, the representative also acknowledged that when Netflix moved into streaming, part of the shift to television was "[f]irst out of necessity because most of the movies were locked up in... output deals."[79] Hence, in spite of the company's rhetoric about sensitivity to consumer preferences, Netflix's shift to television was also a product of disfavorable negotiating terms for access to films. However, Netflix became more than a mere television distributor.

When Netflix eventually decided to produce its own shows, rather than making ill-informed guesses about what online viewers would enjoy and producing shows that

[78] "MEDIA MASTERMIND KEYNOTES: MIKE LANG, MIRAMAX & TED SARANDOS, NETFLIX," *MIPCOM*, last modified October 3, 2011, accessed April 5, 2013, http://www.my-mip.com/RM/RM_MIPWORLD/2011/pdf/transcripts/mipcom-2011-media-mastermind-keynotes-mike-lang-and-ted-sarandos-transcript.pdf [13].

[79] Ibid.

were mediocre when compared to television content, Netflix drew on over a decade's worth of proprietary data on viewer preferences to extrapolate about the proper programming to commission and paid top-dollar to assure that their shows were of the same caliber as premium cable shows.[80] Netflix soon faced additional competition in the subscription streaming video market, with many broadcast networks packaging their latest content into Hulu in 2008.[81] However, Netflix defined the online subscription streaming video market and pioneered a new way of watching television. That said, it is important to consider the advancement in the smart device market.

In the second half of the naughts, there was a dramatic increase in the range of Internet-enabled devices on which television content could be consumed. Crucial moments included the launch of the Xbox 360 in 2005, the emergence of the IPhone in 2007, the release of the Roku DVP set top box in 2008, and the release of the IPad in 2010. By the end of 2010, Netflix was available for streaming on all of the aforementioned devices and more.[82] By the summer of 2012, Netflix was available on over 900 different Internet connected devices, including smart phones, gaming consoles, tablets, and set top boxes.[83] Between its pioneering implementation of streaming media

---

[80] Nick Summers, "Ted Sarandos' High-Stakes Gamble to Save Netflix," *The Daily Beast*, last modified May 14, 2012, accessed April 5, 2013, http://www.thedailybeast.com/newsweek/2012/05/13/ted-sarandos-high-stakes-gamble-to-save-netflix.html, [1-2].

[81] Hulu. "Hulu.com Opens to Public, Offers Free Streams of Hit TV Shows, Movies and Clips from More Than 50 Providers Including FOX, NBC Universal, Metro- Goldwyn-Mayer Studios Inc. and Sony Pictures Television." News release. March 12, 2008. Accessed April 5, 2013. http://www.hulu.com/press/launch_press_release.html, [1].

[82] Keating, *Netflixed*, [227].

[83] *Future of Video: Hearings Before the The Energy and Commerce Committee, Subcommittee on Communications and Technology*, 112th Cong., 2d Sess. (2012) (statement of David Hyman, General Counsel, Netflix, Inc.) [1].

and leading role in developing delivery capacities across a wide array of smart devices, Netflix was the leading force in the creation of a new paradigm for television content consumption. However, a critical component of Netflix's success from 2000 to 2010 is the success of programming during this period.

Television Content in the 2000s: Pax Soprana

The 2000s were marked by considerable growth in the quality, artistic ambitions, and cultural capital of television as a medium. Any discussion of this decade would be negligent without reference to *The Sopranos*. While previously discussed predecessors such as *Twin Peaks*, *The Larry Sanders Show*, and *Buffy The Vampire Slayer* deserve considerable credit for laying a groundwork for unconventional programming and content serialization, the fact remains that HBO's *The Sopranos* was groundbreaking.[84] Running from 1999 to 2007, this violent, Freudian, and whimsical program offered a candid perspective on mob life, family, and the shortfalls of the "American Dream." In the process, it changed people's expectations of the capacities of television. This laid the groundwork for a decade of growth in the depth, thematic audacity, and gravitas of television programming. In 2006, speaking about another HBO show, *The Wire*, Jacob Weisberg, editor-in-chief of *Slate,* claimed, "[The Wire] is surely the best TV show ever broadcast in America... no other program has ever done anything remotely like what this one does, namely to portray the social, political, and economic life of an American city with the scope, observational precision, and moral vision of great literature."[85]

---

[84] Sepinwall, *The Revolution Was Televised*, [32].

[85] Jacob Weisberg, "The Wire on Fire," *Slate*, last modified September 13, 2006, accessed April 5, 2013, http://www.slate.com/articles/news_and_politics/the_big_idea/2006/09/the_wire_on_fire.html [1].

While HBO played an important role in the growth of television as a medium in the 2000s, it was far from alone. To compete against HBO and other cable channel programming, broadcast networks took on more ambitious projects such as ABC's *Lost* and NBC's *Friday Night Lights*.[86] Cable channels took on "high quality television" projects such as Syfy's *Battlestar Galactica*, Showtime's *Dexter*, and AMC's *Mad Men* and *Breaking Bad*. Though "high quality television" proved popular, the cost of developing such shows was considerable. For example, the pilot of ABC's *Lost* alone cost an estimated 11.5 million dollars.[87] Part of the way the broadcast networks financed such projects was by simultaneously increasing the number of low-cost reality TV shows they aired.[88]

While there was significant growth in serialized content during the naughts, it would be inaccurate to not acknowledge the prolonged value and duration of episodic television. Apart from the popularization of the reality genre, this decade also bore witness to the success of episodic procedural dramas and a serious decline in conventional sitcoms.[89][90] In the procedural category, episodic series such as *House*, *Grey's Anatomy, and Boston Legal* found sizable audiences. Furthermore, the *CSI* and *Law and Order* franchises, spawning two and four spin-offs respectively, proved

[86] "Television in the United States," *Encyclopædia Britannica Online*, [34].

[87] Tucker Cummings, "The Most Expensive TV Pilots of All Time: 'Game of Thrones,' 'Lost,' and More," *Yahoo: TV*, last modified September 1, 2011, accessed April 5, 2013, http://tv.yahoo.com/news/most-expensive-tv-pilots-time-game-thrones-lost-230000616.html [2].

[88] Lotz, *The Television Will Be Revolutionized*, [112].

[89] Episodic procedural dramas are shows that focus on how a conflict is resolved in a single episode. Common examples would be *Law and Order: SVU*, which normally addresses a single case in each episode, and *House: MD*, which usually resolves one clinical case in each episode.

[90] "Television in the United States," *Encyclopædia Britannica Online*, [34].

lucrative during this period due to the self-contained nature of their episodes, which enabled cable channels to air reruns out of order.[91] In 2004, *Law and Order: Criminal Intent* set a new syndication fee record in the drama category, with each episode selling for 1.92 million dollars.[92]

During this same time period, mainstream network comedies went through a significant transition. With major sitcoms such as *Friends* and *Everybody Loves Raymond* dying out by the mid 2000s, the era of *Seinfeld* was over. Although shows like *The Office* and *30 Rock* achieved noteworthy if not earth shattering success, these programs did not make use of a laugh track and did not seem to attempt to attract the same level of mass appeal as sitcoms once did.[93][94] Sitcoms aside, the broader value of episodic content in the naughts for both casual viewer retention and syndication value remained strong.

The expansion of serialized content in the "high quality television" category continues. Since 2010, while episodic and serialized programming continue to coexist, numerous serialized "high quality shows" have grown popular, such as Showtime's *The Borgias* and *Homeland*, HBO's *Game of Thrones*, *Girls*, and *Boardwalk Empire*, and AMC's *The Walking Dead*.[95] As was previously mentioned, the USA Network and

[91] Lotz, *The Television Will Be Revolutionized*, [95].

[92] Lotz, *The Television Will Be Revolutionized*, [291].

[93] Admittedly, the laugh track is not dead. Popular programs such as *The Big Bang Theory* (2007- Present) and *How I Met Your Mother* (2005-Present) still make use of a laugh track. With that said, it remains fair to claim that conventional sitcoms as a genre were less culturally central in the 2000s than they were in the 1990s.

[94] "Television in the United States," *Encyclopædia Britannica Online*, [34].

[95] PBS has also been successful in this category by airing *Downton Abbey* (2011-Present) which was originally commissioned by (and aired on) ITV, a British commercial public service TV network.

others continue to exploit a hybrid approach that consists of episodic programs with minor serialized plot arcs to intrigue program loyalists. As television content evolved over the last decade, so did Netflix's role in content delivery.

Netflix in the Naughts: Streaming, TV Everywhere, and Showcasing Serialized Shows

Over the course of the 2000s, Netflix has played a leading role in reconceptualizing television. Streaming media represents the logical conclusion of time shifting. It enables viewers to watch shows on their own terms, without having to work a DVD player, download a physical copy, or record anything on their TV. The device revolution changed what TV means. "TV" used to mean sitting in front of a television set.[96] Today "TV" content can be viewed on a laptop, game console, phone, or tablet at any time in any place. Netflix pioneered the use of streaming media for consumption of TV shows and was at the forefront of making television content available on a wide array of devices. Netflix provided a proper home for serialized streaming content. On Netflix, viewers can watch as many episodes of *Twin Peaks* as they want whenever and however they want. In addition, Netflix can sometimes increase the total audience size for serialized shows while they are still on the air. For example, some analysts attributed *Mad Men*'*s* 20% ratings increase at the beginning of season five to the fact that the four previous seasons were available on Netflix during the seventeen month hiatus between seasons four and five.[97] As I will discuss, Netflix has also recently started producing its own original "high quality" television.

[96] Lotz, *The Television Will Be Revolutionized*, [28-29].

[97] Andy Fixmer, "'Mad Men' Premiere Draws Record Viewers on Netflix Boost,"*Bloomberg*, last modified March 26, 2012, http://www.bloomberg.com/news/2012-03-26/-mad-men-premiere-viewership-rises-20-on-boost-from-netflix.html [1].

The past two decades have collectively resulted in significant shifts in both content and consumer autonomy over content consumption. The 1990s were marked by a gradual growth in the popularity of cable and satellite television relative to broadcast networks, limited experimentation with sophisticated, serialized content, and early albeit limited experimentation with web-based video. The 2000s were marked by technological convergence, resulting in a growth in consumer time shifting, delivery of television content directly over the Internet to a wide array of smart devices, as well as significant growth in serialized content and "high quality television", resulting in a significant increase in the cultural stature of television. It is within this broader historical framework that I will examine the history of Netflix. However, before moving into any discussion of Netflix's contributions to high quality television production, I will first clarify what specifically is meant by high quality television.

"Quality TV" as a Luxury Brand

For the purposes of this thesis, "high quality television" will be defined in a manner that draws on common descriptive components from prior scholarship on the subject of "quality TV" and acknowledges the branding motivations driving Netflix's approach to the subject. The existing literature on "quality TV" makes clear that the term evades any simple definition. Scholars such as Robert Thompson have emphasized qualities such as scrambling of conventional TV formulas, literary and cinematic ambition, and narrative complexity.[98] Other scholars such as Kristin Thompson have acknowledged the frequent presence of psychological realism and ambiguity in "quality"

[98] Robert Thompson, preface to *Quality TV: Contemporary American Television and Beyond*, by Janet McCabe and Kim Akass (New York, NY: I.B. Tauris & Co Ltd, 2007), [xviii].

shows.[99] However, these scholars openly acknowledge the limits on the explanatory power of these descriptions and do not pretend to possess a definitive definition. Film studies professor Jane Feuer went a step further and claimed that “[t]here can never be a judgement [*sic*] of quality in an absolute sense.”[100]

Furthermore, aside from the viability of any concrete definition of “quality TV”, there are other limitations on Netflix’s creative freedom worth accounting for. Given that Netflix is a commercial enterprise, there are probable constraints on the forms of expression the company will be willing to produce. Even though the subscription business model and freedom from FCC regulations likely afford show producers working through Netflix a greater degree of creative liberty than they would have while producing a program for NBC, there are still definite constraints. In order for Netflix to invest in a show, the company must believe it will appeal to a sufficient number of subscribers to justify the expenditure. Quality and popularity do not necessarily overlap. This does not mean that quality is impossible in the presence of commercial interests. HBO’s *The Wire*, a show widely acknowledged for its artistic integrity, was made in spite of the commercial constraints facing HBO. However, it does mean that Netflix is unlikely to simply pursue art for the sake of art without accounting for the commercial viability of their works and that topics that could alienate or upset viewers to the point of unsubscribing are unlikely to be broached.[101]

[99] Jesse Schlotterbeck, "Storytelling in Film and Television: A Review," Scope, accessed April 5, 2013, http://www.scope.nottingham.ac.uk/bookreview.php?issue=4&id=112, [3].

[100] Jane Feuer, "HBO and the Concept of Quality TV," in *Quality TV: Contemporary American Television and Beyond*, ed. Janet McCabe and Kim Akass (New York, NY: I.B. Tauris & Co Ltd, 2007), [146].

[101] This can mean that the expression of unorthodox political views or stances on social issues may either be neglected or framed in ways that are constraining.

Furthermore, though this is not a formal constraint on its creative capacities, Netflix is quite likely to mimic the aesthetic and branding strategies of HBO on its original programming. As a high ranking Netflix employee claimed, “The goal [for Netflix]... is to become HBO…”[102] Hence, in an effort to draw in the HBO demographic and legitimize its efforts in original content, Netflix may imitate HBO aesthetics, since many associate the HBO style with high quality programming.[103]

In spite of these creative and demographic limitations, Netflix can still make a culturally significant impact as a challenger of existing television conventions. Given, that defining “quality TV” may be an inherently subjective endeavor, this thesis will use a pragmatic framework for describing high quality television. For the purposes of this thesis, high quality television will refer to programming with high production values that rival cinematographic aesthetics, challenge the conventional role of audience, involve complex narratives, and/or challenge existing conventions of episode distribution. These aspects are not exhaustive but still highlight some of the important qualities in what this thesis considers “quality television.” Hence, at some level, Netflix’s attempts to differentiate itself in high quality television are an effort to accumulate cultural capital and strengthen the Netflix brand by simultaneously emulating some of the aesthetic qualities associated with premium cable channels such as HBO while taking advantage of its position as a web based enterprise.[104]

---

[102] Hass, "And the Award for the Next HBO Goes to...," *GQ*, [3].

[103] Though Netflix seems to be branding some of its programming to resemble the HBO model, the company is not exclusively targeting the HBO demographic- in 2011, the company created a section on the Netflix website dedicated exclusively to children’s programming.

[104] Summers, "Ted Sarandos’ High-Stakes Gamble to Save Netflix," *The Daily Beast*, [1].

Chapter 2. The History of Netflix

A Founder's Tale:

Netflix was founded by two men from privileged backgrounds who grew up in settings conducive to success in the business world- Marc Randolph and Reed Hastings. In many respects, Marc Randolph is a forgotten founder. Raised in a privileged New York suburb, Randolph graduated from Hamilton College and gradually worked his way up from a job in mail order catalogue operations to related enterprising efforts in computerized mail-order systems.[105] Randolph played a vital role in the earliest phases of Netflix's developments.

However, Reed Hastings was the person who would ultimately make Netflix a household name. Given Hastings' background, his eventual success was not surprising. Hastings' grandfather, Alfred Lee Loomis, a graduate of Phillips Academy, Yale University, and Harvard Law School, developed the laboratories that the Defense Advanced Research Projects used to create much of the underlying Internet technology that Netflix would eventually exploit. Hastings's mother, Joan Amory Lewis, graduated from Wellesley College and was part of a family that was one of the founding members of the *Social Register*.[106] Hastings's father, Wil Hastings, graduated from Harvard magna cum laude. After completing his private school education at Buckingham Browne & Nichols, Hastings bucked the family tradition of Ivy League attendance by instead opting to attend Bowdoin College, where he excelled in his studies of mathematics. After a stint of service teaching high school math in Swaziland via the Peace Corps, Hastings

[105] Keating, *Netflixed,* [17-19].

[106] Keating, *Netflixed,* [13-14].

pursued an M.S. in Computer Science at Stanford University, which he completed in 1988.[107]

In 1991, Hastings founded Pure Software, a software troubleshooting company that successfully scaled into a larger enterprise. Hastings has cited his experience managing Pure Software as the time during which he learned how to operate effectively as a CEO.[108] In 1996, one year after Hastings had successfully taken Pure Software public, the company merged with Atria Software, a firm that developed tools for complex software management, forming Pure Atria.[109] It was in the wake of this merger that Hastings met Randolph, who at that point served as Pure Atria's Vice President of Corporate Marketing.

In 1997, Pure Atria was bought out by Rational Software.[110] Hastings and Randolph departed shortly after the acquisition and initially found themselves somewhat adrift. As Hastings later told *Stanford Magazine*, “I was so ego-identified with [Pure] that I felt like a failure."[111] Ultimately, building on his prior experience in education with the Peace Corps, Hastings decided he would now involve himself in education reform and enrolled to pursue a masters from the Stanford School of Education. However, he remained open to the idea of returning to the startup world eventually and applying

---

[107] Joan Hamilton, "Home Movies," *Stanford Magazine*, last modified January 2006, accessed April 5, 2013, http://alumni.stanford.edu/get/page/magazine/article/?article_id=33351, [1].

[108] Patrick J. Sauer, "How I Did It: Reed Hastings, Netflix," *Inc.*, last modified December 1, 2005, accessed April 5, 2013, http://www.inc.com/magazine/20051201/qa-hastings.html, [1].

[109] Keating, *Netflixed*, [16-17].

[110] Ibid.

[111] Joan Hamilton, "Home Movies," *Stanford Magazine*, [2].

lessons from his Pure Atria experience to another start-up.[112] Meanwhile, Randolph hoped to create a new e-commerce start-up that would draw on his experience with mail order catalogue design. Randolph frequently ran his start-up ideas by Hastings, and the two eventually agreed that Randolph should start a DVD-by-mail service. Hastings agreed to put up 2 million in venture capital to back the initiative.[113]

Randolph served as CEO of Netflix from 1997 to 1998 and effectively prepared the company for its 1998 launch, while Hastings was off pursuing his MA in education reform.[114] While Randolph deserves considerable credit for his contributions during this period, his influence eventually waned. Hastings soon found himself disillusioned and felt that many of his classmates were more concerned with brandishing their pedigrees than with solving problems in education policy. In wake of this disillusionment, Hastings increased his role at Netflix.[115] In late 1998, the company structure changed so that Hastings and Randolph were co-CEOs, with Hastings presiding over engineering and Randolph presiding over content, features, and customer interface. However, Hastings' role quickly increased in centrality. Randolph was demoted from CEO to president late in 1998 and was gradually phased out of operations until he stopped working for the company in 2002.[116]

[112] Michelle Conlin, "Netflix: Flex To The Max," *BusinessWeek*, last modified September 23, 2007, accessed April 5, 2013, http://www.businessweek.com/stories/2007-09-23/netflix-flex-to-the-max, [1].

[113] Keating, *Netflixed,* [20].

[114] "Marc Randolph," *Businessweek*, accessed April 5, 2013, http://investing.businessweek.com/research/stocks/people/person.asp?personId=929973&ticker=NFLX&previousCapId=126506&previousTitle=Storm%20Ventures%20Inc, [1].

[115] Keating, *Netflixed,* [43].

[116] Keating, *Netflixed,* [84].

1997- 2002: From an Idea to an IPO

Though Netflix would later reconceptualize television, Hastings and Randolph first conceived of the company as being in the movie rental business and set their sights on knocking out Blockbuster and other movie rental stores. The manner in which the company went about this would hold important implications for the history of television.

Netflix's initial goal as a startup was to replicate the positive elements of the movie rental store experience while doing away with negative aspects such as empty rental boxes and late fees.[117] Drawing on his previous experience designing mail order catalogues for a computer mail order firm called MicroWareHouse, Randolph and his colleagues sought to build a highly compelling user interface that would simplify the movie selection process.[118] Whereas video store clerks often made film recommendations by making guesses without any deep understanding of the customer's taste, Hastings and Randolph intended to create an algorithm-intensive system that would enable users to rate films on the Netflix website. Each user's ratings data would be aggregated so that the company could extrapolate viewer preferences and provide each user with personalized recommendations. The goal was to create an experience that would feel like walking into a video store that was customized for each user's preferences.[119] Furthermore, while Blockbuster and related entities would charge late fees, Netflix eliminated this by simply predicating future delivery on mailing back the movies customers were currently renting. Finally, although movie rental stores often

[117] Keating, *Netflixed,* [36].

[118] Keating, *Netflixed,* [21].

[119] Ibid.

displayed the boxes of popular films that were not currently in stock, Netflix eliminated this sort of disappointment by designing the website to only display a selection of films currently in stock. This customer centric approach quickly built goodwill for the Netflix brand, and the data intensive approach to consumer recommendations would pay dividends in later years.

Although Netflix would later make many more important contributions to the reconceptualization of television, it nonetheless deserves considerable credit for its role in accelerating the proliferation of the DVD standard over VHS. While Netflix certainly was not the only economic actor that promoted the growth of the DVD format, it played an important role in the early proliferation of the DVD ecosystem.[120] As I will later explain in greater depth, Netflix partnered with DVD manufacturers to bolster the perceived value proposition of owning DVD players in order to promote the growth of the DVD standard.

This growth in the DVD format had important implications for the reconceptualization of television. While I have not been able to find much in the way of empirical data, it remains abundantly clear that the practice of making past seasons of contemporary TV shows available for home consumption grew much more common on DVD than it was on VHS. Although some television shows were available for purchase on VHS, these were often older shows that were no longer on air. This attitude eroded in the later years of the VHS format, and *Seinfeld*, for example, became available on VHS in its entirety not long after the show went off air in 1998.[121] The practice of making

[120] Keating, *Netflixed*, [39].

[121] "Where can I find all (or some) Seinfeld seasons on VHS," *Yahoo Answers*, [1].

contemporary shows available was still far more common on DVD than it ever was on VHS. Part of this reflected the physical constraints of the format- compared to compact DVD discs, VHS tapes were bulky. While an entire season of a TV show could fit on a few DVDs, a comparable offering would require a massive of pile of cumbersome VHS tapes. DVDs could store a large quantity of information on each unit and would not wear down and lose image clarity as was often the case with VHS tapes.

Though some of the reasons for the paucity of TV shows on VHS were technical, there were also reasons pertaining to the studios. Even though this attitude would change in time, Hollywood studios held a notoriously hostile conception of the home video market since the 1980s. Indeed, in a 1984 incident that would later be known as the "Betamax case," Universal Studios tried to kill off the VHS format. The Supreme Court did not rule in Universal's favor, and home video later grew into a prolific and profitable means of content consumption.[122] Although the court ruled in favor of VHS, Hollywood studios remained wary of the format. The growth in TV show availability on DVD also reflects a change in attitudes on the part of studios, which finally realized that home video consumption could serve as a supplement rather than a threat to their bottom lines.[123]

Regardless of why contemporary TV shows became more widely available on DVD, the fact that they did had a significant impact on changing television consumer habits and expectations, and contributed to the reconceptualization of television. Alongside the growth of DVR technologies such as TiVo, the growth in availability of

[122] "SONY CORP v. UNIVERSAL CITY STUDIOS," *Oyez*, accessed April 5, 2013, http://www.oyez.org/cases/1980-1989/1982/1982_81_1687, [1].

[123] Ellen Stutzman, "Remember When the Home Video Market Never Materialized?," *Writers Guild of America, West*, accessed April 5, 2013, http://www.wga.org/content/default.aspx?id=4809, [1].

TV shows on DVD helped popularize the practice of time shifting. Rather than having to adjust their schedules to watch shows at a set airing time, watching one episode and waiting until the next week for the next episode to air, consumers could watch shows on their own time and at their own pace, watching as many or as few episodes as they wanted. This trend toward increased consumer control over time and method of television content consumption had significant implications on the creative end, insofar as some shows would eventually emerge that proved more profitable on DVD than they did in terms of advertising revenues from on-air ratings.[124]

While the following generalization was not necessarily universal, the general trend was that sophisticated, serialized shows often excelled more in a time shifting configuration, whereas episodic shows often thrived more on live ratings. In other words, if you are flipping channels and just looking to kill a bit of time, you might choose to watch an episode of *Law and Order: SVU* rather than an episode of *Lost*. On the other hand, if you are looking to spend a weekend doing a marathon of a show, the DVD collection for *Lost* would probably be more appealing than the DVD collection for *Law and Order: SVU*. Insofar as Netflix contributed to the popularization of the DVD format, it helped reconfigure consumer expectations regarding the television content consumption experience and contributed to the reconceptualization of television.

Apart from Netflix's role in promoting the DVD standard, there are a few other noteworthy aspects of the business during this period. While the future of Netflix remains uncertain, the company has consistently proven recession proof. Netflix faced the arduous task of going public in wake of the 2000-2001 collapse of the dot-com

[124] Lotz, *The Television Will Be Revolutionized*, [242].

bubble. In spite of a general climate of reticence from venture capitalists and related financiers, Hastings nonetheless managed to sell investors on the materiality of the business by pointing out that his company's product was not an abstract and unproven entity, but was based on the delivery of DVDs by mail.[125] Furthermore, Hastings effectively highlighted the company's strong performance in terms of year over year subscriber growth.

While Hastings has made occasional mistakes, he nonetheless deserves considerable credit for navigating the difficult waters of post dot-com bubble investment. He is something of a technology visionary. As Reuters technology columnist Gina Keating observes in her book *Netflixed*, in a 2001 interview with *Billboard*, Hastings claimed "that a robust catalog of streaming online video would be available to mainstream consumers within ten years."[126][127] While this prediction may not sound like much now, broadband Internet access was still in its infantile stages in the United States. Sure enough, Netflix incorporated streaming media as a delivery mechanism at the beginning of 2007. This adaptability and consumer orientation have enabled Netflix to consistently reap the benefits of being a first-mover and have ensured the company's survival.

As the IPO approached, Randolph's role in operations diminished and Hastings' role increased. The personnel necessary for the early formulation of a startup differ

---

[125] Keating, *Netflixed,* [53-54].

[126] I have been unable to locate a copy of this interview from *Billboard* to verify this prediction. However, I was able to find a copy of an interview Hastings conducted a year later in which he stated that Netflix would be open to digital delivery mechanisms as domestic broadband penetration improved. That interview can be accessed here: http://www.marketwatch.com/story/netflix-founder-touts-future-role-in-digital-movies. The interview took place on June 19, 2002, and was accessed by me on February 10, 2013.

[127] Keating, *Netflixed,* [68-69].

substantially from that necessary to scale a successful startup. In time, Hastings let go of employees who were no longer essential to the company's future and brought in a significant number of coders and engineers who would contribute to the growth and vitality of the Netflix platform.[128] Having examined the primary developments in the period from Netflix's founding up through its IPO, it is time to turn attention to its growth in the period from 2003-2006.

2003-2006: Mo' Money, Mo' Problems

In the few years following Netflix's IPO, the company experienced a period that would be marked by a significant expansion of the online DVD rental market, both in terms of Netflix's subscribers and in terms of its competition.

Over the course of this period, Netflix grew from having roughly 1.5 million subscribers to 6.3 million subscribers.[129] The number of titles available on DVD via Netflix increased from 18,000 to over 75,000.[130] Furthermore, many assets developed by Netflix's prior research and development efforts began to pay dividends during this period. By the end of 2006, over 60% of Netflix subscribers were picking movies based on Netflix's algorithmic recommendation engine, and, on a five star scale, Netflix users were giving the algorithmically selected picks ratings of four or more stars over 70% of the time.[131] One of the most important aspects of Netflix that continually bewildered competing services was the algorithmic personalization approach. While it would be

[128] Keating, *Netflixed*, [81].

[129] Trefis, "Are Netflix's International Ambitions Justified and Achievable?," *Blogging Stocks*, last modified March 15, 2011, accessed April 5, 2013, http://www.bloggingstocks.com/2011/03/15/are-netflix-s-international-ambitions-justified-and-achievable/, [2].

[130] "Netflix 2006 Annual Report," *Netflix*, [2].

[131] Ibid.

simplistic to say that Blockbuster and related physical movie rental retailers made unempirical guesses in creating their inventories, they could not match Netflix's level of merchandising efficacy. Netflix quickly developed extensive data on consumer preferences and, as early as 2003, Netflix could claim that over 98% of the titles in its inventory were in circulation.[132] John Antioco, who served as Blockbuster's CEO until 2007, did not understand Netflix's personal recommendation engine.[133] Old, inexpensive titles that would go untouched in the Blockbuster inventory were highly popular on Netflix.

Netflix's competition eventually developed online components, and in fact grew quite formidable. In 2004, Blockbuster launched its own online video service. Granted, it took Blockbuster a considerable amount of time to get Blockbuster Online to function properly. Blockbuster did not possess any of the proprietary coding from the Netflix system and did not possess its sophisticated search and personal recommendation functions. Blockbuster Online and the physical Blockbuster stores did not immediately function together as one entity. Many Blockbuster franchise owners were initially hostile toward the Blockbuster Online, as they saw it as cannibalizing their business. However, in late 2006, Blockbuster effectively synergized Blockbuster Online with Blockbuster's physical locations through an offering known as Blockbuster Total Access.[134] This program combined online DVD rental with in-store DVD exchange- an offering that exploited Blockbuster's physical infrastructure to produce a formidable value and

[132] Christopher Null, "How Netflix Is Fixing Hollywood," *CNN*, last modified July 1, 2003, accessed April 5, 2013, http://money.cnn.com/magazines/business2/business2_archive/2003/07/01/345263/, [2].

[133] Keating, *Netflixed,* [88].

[134] Blockbuster, "Blockbuster Launches Totally New Way to Rent Movies: Introducing Blockbuster Total Access(TM) - Video Available," news release, November 1, 2006, [1].

convenience combination. Blockbuster Total Access significantly impacted Netflix's growth prospects and resulted in some customers cancelling their Netflix subscriptions and opting for Total Access.[135] Part of the reason it was such a formidable offering is that it was financially unsustainable. Blockbuster was losing two dollars on every in-store movie exchange, and with Total Access's rapidly growing subscriber base, Blockbuster's debt was accumulating quickly. Reed Hastings later admitted that he would have been willing to spend up to $300 per subscriber to buy out Blockbuster's subscribers and quell the threat.[136]

Fortunately for Netflix, that never became necessary. Due to internal feuding between board members, in 2007, John Antioco resigned from his role as Blockbuster's CEO and was replaced by Jim Keyes, an individual who proved to be astonishingly incompetent.[137] Rather than focusing on making the Total Access offering financially sustainable, Keyes rapidly disassembled the Total Access program, refocused efforts on diversifying sales in Blockbuster's physical locations, and demonstrated an ignorance of basic aspects of technology.[138] Although Total Access did not grow into a long term threat to Netflix, it forced Netflix to innovate in other important respects. As I will discuss shortly, Total Access appears to have accelerated Netflix's groundbreaking foray into streaming media.

Before entering into a discussion of Netflix's trials and tribulations in streaming, there is one last element from the 2003-2006 period worth mentioning- Red Envelope

---

[135] Keating, *Netflixed,* [200].

[136] Keating, *Netflixed,* [222].

[137] Keating, *Netflixed,* [213].

[138] Keating, *Netflixed,* [217].

Entertainment.[139] Starting in 2005, under the direction of Ted Sarandos, Netflix's Chief Content Officer, Red Envelope Entertainment served as Netflix's film production and distribution arm. Though it started out as a small experiment with a $100,000 test budget, it rapidly expanded into a considerable entity with a 100 million dollar budget.[140] While Red Envelope never commissioned any major hits, it extended brand goodwill in the indie film community. It also gave Netflix valuable experience utilizing consumer preference data in making decisions about greenlighting original content production. This data enabled Netflix to develop a sophisticated understanding of individual subscribers and anticipate tastes, trends, and preferences. As Sarandos told *Wired* in 2006, "It can tell that you liked *The Godfather* because you love family immigrant pics, and I liked it because I enjoy gangster flicks. So the next film suggested to you will be *Avalon*, and the next one for me will be *Scarface*."[141] Given that Netflix possessed such an in-depth understanding of its audience, the process of commissioning films became somewhat less risky for them than it would be for the average producer. Unfortunately, on account of the uncertainties surrounding the financial crisis, Netflix decided to hone in on the core of its business and decided to close Red Envelope Entertainment in 2008.[142] Red Envelope Entertainment provided Ted Sarandos with experience drawing on consumer preference data to commission original content that would serve him well in

[139] Gregg Goldstein, "Netflix closing Red Envelope," The Hollywood Reporter, last modified July 22, 2008, accessed April 5, 2013, http://www.hollywoodreporter.com/news/netflix-closing-red-envelope-116138, [1].

[140] Erin Biba, "Netflix Presents," *Wired*, last modified September 2006, accessed April 5, 2013, http://www.wired.com/wired/archive/14.09/netflix.html, [1].

[141] Biba, "Netflix Presents," *Wired*, [2].

[142] Goldstein, "Netflix closing Red Envelope," The Hollywood Reporter, [1].

Netflix's television content producing endeavors. Having surveyed the primary developments from the 2003-2006 period, I will turn attention to Netflix's efforts in the streaming era.

2007-2010: The Birth of Streaming and TV Everywhere

On January 1, 2007, Netflix implemented one of the most important technological developments in television. With streaming, Netflix cut DVDs out of the picture-subscribers could watch their favorite TV shows and movies directly on the Netflix website. Subscribers retained the option of renting DVDs by mail, and this remained Netflix's primary revenue stream, but an initial selection of 1,000 titles was available for streaming.[143]

There is reason to believe that competitive pressure from Blockbuster's Total Access accelerated Netflix's release time on streaming media. The general tone of Netflix's 2006 annual report (released February 8, 2007) was defensive. In his letter to shareholders, Netflix CEO Reed Hastings emphasized that even though Total Access was proving to be a formidable competitor, it did not appear financially sustainable.[144] Hastings announced that Netflix would be rolling out "instant viewing" (streaming) functionality at the beginning of 2007. Given that Netflix had over 75,000 titles available on DVD at the time, the 1,000 streaming titles seems rather sparse. Quite probably, Netflix accelerated the release date for streaming to assure investors that the company had a response to the threat posed by Total Access.

---

[143] Gina Keating, "Netflix launches 1,000-title online movie feature," *The Washington Post*, last modified January 16, 2007, accessed April 5, 2013, http://www.washingtonpost.com/wp-dyn/content/article/2007/01/16/AR2007011600621.html, [1].

[144] "Netflix 2006 Annual Report," *Netflix*, [4].

Despite its preliminary content limitations, Netflix's streaming functionality was an instant hit with subscribers.[145] With an Internet connection, consumers could instantly watch as many episodes of a show as they wanted. Streaming had the added benefit of providing Netflix with valuable supplemental data about viewer consumption habits.[146] While user ratings of content are a valuable asset for Netflix, consumers can vary significantly in self-awareness and are not always the best judges of their own preferences. By having access to viewing data, Netflix gleaned new and valuable insights into consumer behavior.

Netflix's introduction of streaming media did not happen in a vacuum- an additional development worth acknowledging is contemporaneous innovation in the smart device market. Although 2006 marked the birth of the video IPod, in the middle of 2007, just as Netflix was completing the rollout of its streaming functionality, the IPhone first hit the US market.[147][148] Though certainly not the only item available in the smartphone market, this revolutionary video-enabling device significantly expanded the mass commercialization of Internet connected smart devices and helped build the consumer notion of TV Everywhere- the idea that television and film content should be available at any time in any place on any Internet connected device.

[145] Keating, *Netflixed*, [223].

[146] Joel Schechtman, "Netflix Uses Big Data to Improve Streaming Video," *The Wall Street Journal*, last modified October 26, 2012, accessed April 5, 2013, http://blogs.wsj.com/cio/2012/10/26/netflix-uses-big-data-to-improve-streaming-video/, [1].

[147] Although Netflix initiated streaming on January 1, it took approximately six months for the company to extend this functionality out to all subscribers.

[148] "Netflix streaming "Watch Now" is coming," *Uneasy Silence*, last modified January 16, 2007, accessed April 5, 2013, http://uneasysilence.com/2007/01/netflix-streaming-watch-now-is-coming/, [1].

With a formidable streaming infrastructure in place and Blockbuster's Total Access falling apart under the leadership of Jim Keyes, Netflix entered 2008 in a prime position to build its subscriber base, fulfill the growing consumer expectation of TV Everywhere by making itself available on a diverse array of smart devices, and sign favorable content licensing deals with Hollywood studios. In terms of growth, in the period from 2007 to 2010, Netflix more than doubled its consumer base, increasing from 7.5 million subscribers to 20 million subscribers.[149] In terms of available content, Netflix grew from offering 90,000 DVD titles and 6,000 TV and/or film titles for streaming in 2007 to offering over 100,000 DVD and Blu-ray titles and over 12,000 TV and/or film titles for streaming in 2008.[150] Netflix stopped disclosing the size of its content library in annual reports in 2009.[151][152] This period was a highly productive and profitable one for the company.

Serving as a pioneer in the field of streaming media and aggressively pursuing streaming deals on smart devices, Netflix was a leading force in the reconceptualization of television. In an era of streaming media, consumers can watch anything anywhere anytime on any smart device. Rather than watching shows as they air, many consumers increasingly partake in a behavior known as "binge viewing" in which they watch

---

[149] Trefis, "Are Netflix's International Ambitions Justified and Achievable?," *Blogging Stocks*, [2].

[150] "Netflix 2008 Annual Report," *Netflix*, last modified February 25, 2009, accessed April 5, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0x290276/4f1d397b-d0d4-4445-938c-b548e6454e2f/Final%20AR_10K.pdf, [4].

[151] While the precise reason for the end of these disclosures remains unclear, it very well might be because of content licensing difficulties that became more serious for Netflix in recent years. In other words, Netflix might have stopped displaying this information out of fear of embarrassment and negative shareholder response in the event that the size of their content library was to contract.

[152] "Netflix 2009 Annual Report," *Netflix*, last modified February 22, 2010, accessed April 5, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0x364065/2add3064-3eea-4266-80c3-c6090d4bafc1/Netflix_-_2009_Annual_Report.pdf, [1].

numerous episodes consecutively. This change in consumer behavior constitutes a fundamental shift in the configuration of television as a medium, and insofar as Netflix lead the charge toward this mode of consumption, Netflix reconceptualized television. As will now be explained, Netflix's shift into streaming media altered both the forms of content the company pursued and the economics of content acquisition.

The Economic Shifts of Streaming Media

Ever since the introduction of streaming in 2007, in spite of the "flix" portion of its title, Netflix has increasingly put a greater emphasis on its television collection than its film collection. In their 2010 annual report, Netflix described itself as "the world's leading Internet subscription service for enjoying TV shows and movies."[153] In previous reports, Netflix had described itself as "the world's largest subscription service streaming movies and TV episodes." While this semantic reordering may seem like a minor point, it reflected Netflix's cognizance of the growing primacy of television content for subscribers. Netflix soon faced a dilemma- although streaming television content was increasingly important to subscribers, it quickly became increasingly expensive for Netflix to acquire.

While Netflix's expansion into streaming media was a great step forward for the consumer experience, it posed what became a formidable challenge in content acquisition for Netflix. For Netflix, there is an essential difference between streaming content and DVD content. Under DVD content, Netflix benefited from a measure in copyright law

[153] Netflix 2010 Annual Report," *Netflix*, last modified February 18, 2011, accessed April 5, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0x460274/17454c5b-3088-48c7-957a-b5a83a14cf1b/132054ACL.PDF, [1].

known as the first-sale doctrine.[154] Under the first-sale doctrine, once a work is lawfully sold or gratuitously transferred, so long as he or she does not make unauthorized copies of it, the new owner of the work retains the right to dispose of said work as he or she sees fit. What this meant is that Netflix did not need to negotiate with Hollywood studios to acquire copies of DVDs. It could acquire DVDs at the same price as any customer and rent out these DVDs whenever and however it wanted. Since Netflix often purchased a large volume of DVDs with programming, they were often able to buy titles in bulk from wholesalers at a discounted price. Because the first sale doctrine does not extend to streaming media, Netflix must negotiate directly with studios for licensing rights.[155]

Initially, the absence of the first sale doctrine did not appear to be all that significant a problem. The studios were unsure of the valuation to place on streaming rights, and this enabled Netflix to cut favorable deals for streaming rights. In 2008, Netflix negotiated with premium subscription channel Starz for streaming rights on a collection of 2,500 titles for 30 million dollars.[156] However, Starz quickly realized that they could put a much higher valuation on their content. In 2011, Starz turned down a 300 million dollar offer from Netflix.[157] To give some sense of just how low Starz's initial 30 million dollar valuation was, in 2011, Netflix was operating under a deal in

---

[154] "Netflix 2008 Annual Report," *Netflix*, [9].

[155] "Netflix's Move From DVDs To Streaming Shows The Massive Value Of First Sale Doctrine," *Techdirt*, last modified December 6, 2010, http://www.techdirt.com/articles/20101206/10223012145/netflixs-move-dvds-to-streaming-shows-massive-value-first-sale-doctrine.shtml, [1].

[156] Brad Stone, "Starz Gives Netflix Fans a Reason to Stream," *The New York Times*, last modified October 1, 2008, accessed April 5, 2013, http://bits.blogs.nytimes.com/2008/10/01/starz-gives-netflix-fans-a-reason-to-stream/ [1].

[157] Georg Szalai, "Netflix Offered Starz $300 Million-Plus for Streaming Deal Renewal," *The Hollywood Reporter*, last modified September 2, 2011, accessed April 5, 2013, http://www.hollywoodreporter.com/news/netflix-offered-starz-300-million-230734, [1].

which it was paying 45 million dollars for an individual program, all six seasons of *Lost*.[158] In the risk assessment section of all of their annual reports since 2010, Netflix has listed "the increasingly long-term and fixed-cost nature of our content acquisition licenses" as a concern. Hence, while streaming was an important breakthrough in terms of consumer autonomy and convenience, it also had the unfortunate consequence of increasing the average cost of content acquisition. There is a silver lining. Netflix has a formidable history of coming up with innovative solutions in the face of adversity. As I will examine, just as Blockbuster's Total Access package accelerated Netflix's introduction of the transformative streaming media player, the rising cost of streaming content acquisition licenses emboldened Netflix to leap beyond its prior efforts with Red Envelope Entertainment and make a bold entry into the production of high quality original television content.

2011-Present: Hubris, Recovery, Internationalization, and Original Content

The most recent period in Netflix's history has been its most dramatic period. Its subscriber base has grown from 20 million at the end of 2010 to over 33 million subscribers at the end of 2012.[159] Furthermore, Netflix has continued to put a greater emphasis on television content. While the company had refused to publicly confirm what percentage of total viewing is TV episodes, private equity research analyst Richard

[158] Paul Bond, "What Hollywood Execs Privately Say About Netflix," *The Hollywood Reporter*, last modified January 14, 2011, accessed April 5, 2013, http://www.hollywoodreporter.com/news/hollywood-execs-privately-netflix-71957 [3].

[159] "Netflix 2012 Annual Report," *Netflix*, last modified February 1, 2013, accessed April 6, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0x460274/17454c5b-3088-48c7-957a-b5a83a14cf1b/132054ACL.PDF, [1].

Greenfield suspected that the number was roughly 80 percent in 2012.[160] In the month of June 2012, Netflix subscribers watched over 1 billion hours of television- a total that would have made Netflix the second most watched cable network in America, with the Disney Channel and ESPN filling the first and third slots.[161] However, focusing only on growth in usage and subscriber base does not tell the whole story.

From a shareholder's perspective, 2011 was positively catastrophic for Netflix. In what turned out to be a public relations fiasco, Hastings attempted to divide the company's streaming and DVD-by-mail businesses into separate entities with separate subscription fees, with the DVD-by-mail component as "Qwikster."[162] This would have resulted in a price hike for Netflix subscribers who were using both the streaming and DVD-by-mail components of the service and wanted to continue to do so. The public response to these announcements was so negative that Netflix revoked these planned changes, but not before significantly damaging their financial value and brand. In addition, Netflix carried out expensive expansion plans, extending their service into 43 countries in Latin America and the Caribbean over the course of the year, a move that

---

[160] Brian Stelter, "Once Film-Focused, Netflix Transitions to TV Shows," *The New York Times*, last modified February 27, 2012, accessed April 6, 2013, http://www.nytimes.com/2012/02/28/business/media/once-film-focused-netflix-shifts-to-tv-shows.html?pagewanted=all&_r=0, [3].

[161] Richard Greenfield, "Netflix Becoming the Most Viewed "Cable Network" on Television Read more: http://www.btigresearch.com/2012/07/03/netflix-becoming-the-most-viewed-cable-network-on-television/#ixzz2Pg9jiCEb," *BTIG*, last modified July 3, 2012, accessed April 6, 2013, http://www.btigresearch.com/2012/07/03/netflix-becoming-the-most-viewed-cable-network-on-television/ [1-2].

[162] Keating, *Netflixed,* [249].

some financial analysts met with skepticism.[163] Netflix's stock lost roughly 75% of its value in 2011.[164]

These disappointing outcomes were not as damning as they initially appeared. While it might not be much of a comfort to anyone who bought share of Netflix when its value peaked at roughly 300 dollars per share, Hastings was not necessarily wrong about the decisions he made- he simply made them at inopportune times.[165] Streaming remains the future of Netflix's core operations and DVDs are slowly dying off. Hastings should have broached this subject in a manner more sensitive to public and investor relations. While preliminary capital expenditures for Netflix's foreign expansions were costly, Netflix's return on investment on these expenditures is improving and should provide the company with additional profits in the near future.[166] These were not mistakes about business fundamentals. In addition, Netflix's stock saw significant improvements in late 2012 and early 2013.[167]

While 2011 was a rough year for Netflix's stock value, it was an important year for the company's strategic investment in original content. As was previously discussed,

---

[163] Netflix, *Netflix Arrives in Mexico, Central America and the Caribbean* (n.p.: n.p., 2011), accessed April 6, 2013, https://secure.onlineprocessing.biz/3/mr5/netflix.us.en/index.php?s=24309&item=60407&printable, [2].

[164] Felix Richter, "Has Netflix Hit Rock Bottom?," *Statista*, last modified July 31, 2012, accessed April 6, 2013, http://www.statista.com/topics/842/netflix/chart/513/netflix-s-stock-performance-since-july-2011/, [1].

[165] Darcy Travlos, "Netflix: Bull Case Trumps Bear Case For This Stock," *Forbes*, last modified March 29, 2013, accessed April 6, 2013, http://www.forbes.com/sites/darcytravlos/2013/03/29/netflix-bull-case-trumps-bear-case-for-this-stock/, [1].

[166] Trefis, "Sizing Up Netflix's International Subscriber Growth Potential," Forbes, accessed April 6, 2013, http://www.forbes.com/sites/greatspeculations/2013/03/05/sizing-up-netflixs-international-subscriber-growth-potential/, [1-2].

[167] Lisa Richwine and Liana B. Baker, "Netflix wins back Wall Street, shares jump 42 percent," Reuters, last modified January 24, 2013, accessed April 6, 2013, http://www.reuters.com/article/2013/01/24/us-netflix-results-idUSBRE90M1GL20130124, [1].

in the streaming era, Netflix has had to cope with the absence of first sale doctrine protection and rising costs of content acquisition licenses. Netflix had to pay hefty sums for streaming rights and had to pay even greater amounts for exclusive streaming rights. To cope, Ted Sarandos did not tip toe into original content. On March 16, reports surfaced that Netflix had beat out the likes of HBO, AMC, and Showtime for the rights to the political thriller *House of Cards* with a 100 million dollar bid.[168] Clearly intending to "go big or go home," Netflix inked acclaimed director David Fincher to produce the series and signed Kevin Spacey and Robin Wright for the leading roles. Over the course of October and November, Ted Sarandos announced three more exclusive series- a comedy about a mislocated mobster called *Lilyhammer*[169], *Orange Is The New Black*[170], a prison comedy from the creator of *Weeds* (a popular Showtime series), and *Arrested Development* a popular sitcom about a dysfunctional family that previously aired on FOX.[171][172] As shall subsequently be discussed, Netflix has been able to draw on data-intensive regression models in order to determine which shows to produce.

---

168 Nellie Andreeva, "Netflix To Enter Original Programming With Mega Deal For David Fincher-Kevin Spacey Series 'House Of Cards'," *Deadline*, last modified March 15, 2011, accessed April 6, 2013, http://www.deadline.com/2011/03/netflix-to-enter-original-programming-with-mega-deal-for-david-fincher-kevin-spacey-drama-series-house-of-cards/ [1].

169 MEDIA MASTERMIND KEYNOTES: MIKE LANG, MIRAMAX & TED SARANDOS, NETFLIX," *MIPCOM*, [15].

170 Nellie Andreeva, "Netflix, Lionsgate TV Closing Deal For Jenji Kohan's 'Orange Is The New Black' Comedy," *Deadline*, last modified November 11, 2011, accessed April 6, 2013, http://www.deadline.com/2011/11/netflix-lionsgate-tv-closing-deal-for-jenji-kohans-orange-is-the-new-black-comedy/, [1-2]

171 To be clear, *House of Cards, Orange is The New Black,* and *Arrested Development* are Netflix original series. *Lillyhammer* had already been produced at the time Netflix acquired exclusive rights.

172 Netflix, "The Bluths Are Back and Only on Netflix," news release, November 18, 2011, accessed April 6, 2013, http://www.prnewswire.com/news-releases/the-bluths-are-back-and-only-on-netflix-134154308.html, [1-2].

Although Netflix stock has not fully recovered from the Qwikster fiasco, it increased in value and built up momentum in late 2012 and early 2013 due primarily to a large investment by notorious corporate raider Carl Icahn, an exclusive content streaming deal with Disney, stronger than expected fourth quarter earnings, and generally positive critical and public reception in wake of the release of *House of Cards*. On February 2, 2013, rather than merely distributing the pilot episode, Netflix released all thirteen episodes of the first season of *House of Cards*.[173] Based on extensive consumer preference data, Hastings and Sarandos concluded that many Netflix subscribers would rather partake in binge viewing than watch one episode per week. This is an instance of Netflix furthering the reconceptualization of television. As I will discuss in subsequent portions of this paper, apart from being an important accommodation of consumer preferences, this model has creative implications for the future of video content production.

From DVDs to the Director's Seat

Today, Netflix is by far the largest online streaming service in existence. Though the company still profits off of the DVD-by-mail component of the business, Netflix effectively scaled online streaming capacities for television and now actively produces shows and experiments with how best to configure television content for Internet distribution. This company changed the way Americans think about television.

---

[173] Emma Roller, "House of Cards: Gimmick or Legitimate Business Strategy?," *Slate*, last modified February 4, 2013, accessed April 6, 2013, http://www.slate.com/blogs/moneybox/2013/02/04/_house_of_cards_netflix_changes_the_television_landscape.html, [1-2].

Chapter 3: Reconceptualization and Its Implications

Previous chapters reviewed the technological convergence between the Internet and television, as well as the history of Netflix. This chapter will argue that Netflix reconceptualized television and then analyze the broader historical and cultural implications of this reconceptualization.

In the mid nineties, shortly before the advent of Netflix, television was in a state of flux. Cable channels greatly expanded the choices consumers could watch at any given time, and they no longer had to exclusively watch content from a small number of broadcast networks.[174] However, there were still significant constraints on the consumer conception of television due to constraints on viewing behaviors. Even though consumers possessed the technical capacity to binge watch, or rapidly consume a season of a television show after taping all of the episodes, time shifting for the purpose of binge watching was not a mainstream practice. During this earlier period, research "found that viewers showed a tendency to watch whatever program happens to follow the one they were watching previously."[175][176] As television scholar Amanda Lotz explains, this earlier consumer conception of television consisted of an "experience in which viewers lacked much control over when and where to view."[177]

---

[174] "Television in the United States," *Encyclopædia Britannica Online*, [21-22].

[175] This is not to say that consumers did not possess the option of changing the channel. However, in interacting with television, viewers often demonstrated a degree of passivity that streaming media seem less conducive to. I elaborate on this point later in this chapter.

[176] Aviva W. Rosenstein and August E. Grant, "Reconceptualizing the role of habit: A new model of television audience activity," *Journal of Broadcasting & Electronic Media*, 1997, accessed April 6, 2013, http://www.tandfonline.com/doi/pdf/10.1080/08838159709364411, [332].

[177] Lotz, *The Television Will Be Revolutionized*, [28-29].

Netflix's reconceptualization of television should be understood in terms of three distinct courses of action taken by the company- Netflix reconceptualized television by promoting the DVD format and associated time shifting behavior, by pioneering the use of streaming media for television content and extending television throughout the "smart device" ecosystem, and by creating a new approach to content production.

DVD- Mother of Time Shifting and Binge Watching:

Netflix first advanced reconceptualization by accelerating the proliferation of the DVD standard over VHS. Although it would be easy to make arguments that the technological superiority of the DVD format made its victory over VHS in the format wars inevitable, that simply is not true. Hollywood studios consistently demonstrated a considerable reticence to embrace technological changes, and video rental enterprises such as Blockbuster already had a highly profitable system in VHS rentals and did not want to put down a capital expenditure for a newly formatted inventory if they did not have to.[178] While Netflix certainly was not the only economic actor that promoted the growth of the DVD format, it nonetheless played an important role in the early proliferation of the DVD ecosystem.

In 1998, Netflix started an ingenious symbiotic relationship with DVD player manufacturing companies.[179] In these early days, one of the crucial problems facing DVD player manufacturers was that DVD players were useless unless there were DVDs worth watching. In order to address the relative scarcity of available DVDs and promote the viability of the format, Netflix persuaded DVD player manufacturers to include a

---

[178] Keating, *Netflixed,* [35].

[179] Keating, *Netflixed,* [39].

coupon for a month-long free trial of Netflix with the purchase of every DVD player, so that DVD player owners would have access to an extensive library of titles for rental, simultaneously enhancing the perceived value of owning a DVD player and helping Netflix increase its subscriber base.[180] By the time Netflix held its initial public offering in 2002, 34% of US TV households possessed stand-alone DVD players.[181] Netflix's impact on the DVD market did not go unnoticed. In a 2006 study on DVD market penetration, Glucksman Fellow Judson Coplan of the NYU Stern School of Business cited "the growing popularity of rent-by-mail services like Netflix" as a "legitimate and likely contributing" factor in the decline of DVD sales in 2005.[182]

As was previously discussed, the growth of the DVD format had important implications for the reconceptualization of television. With the growth of this format, producers made seasons of contemporary shows available more often than they had on VHS. The availability of contemporary television content on DVD, as well as the growth of DVR technologies such as TiVo altered consumer behavior by popularizing the practice of time shifting.[183] Rather than having to adjust their schedules to watch shows at a set airing time, watching one episode and waiting until the next week for the next episode to air, consumers could watch shows on their own time and at their own pace, watching as many or as few episodes as they wanted.

---

[180] Ibid.

[181] "Netflix 2002 Annual Report," *Netflix*, last modified May 31, 2003, accessed April 6, 2013, http://files.shareholder.com/downloads/NFLX/2260510130x0xS950168-03-1155/1065280/filing.pdf, [3].

[182] Judson Coplan, "Diagnosing the DVD Disappointment: A Life Cycle View," NYU Stern School of Business, last modified April 3, 2006, accessed April 6, 2013, http://web-docs.stern.nyu.edu/glucksman/docs/Coplan.pdf, [4].

[183] "Television in the United States," *Encyclopædia Britannica Online*, [35].

In some cases, this newfound freedom has resulted in consumers partaking in binge watching. It is not clear precisely when the term binge watching became popular, but some of the earliest appearances appear to have occurred in 2006.[184] A colloquial definition of the term from *Urban Dictionary* defines binge watching as “marathon viewing of a TV show from its DVD box-set.”[185] Binge watching eliminates “tune in next week” from the equation. As Ted Sarandos put it, “DVD has done a lot to seed that behaviour of binging through a lot of episodes and knowing that you're not going to miss the most important one this week or next week.”[186] While not everyone chooses to binge watch, it represents a distinctive modality of content consumption that did not exist as a common cultural practice in the pre-Netflix era. Insofar as Netflix contributed to the popularization of the DVD format, it helped reconfigure consumer expectations regarding the television content consumption experience, and contributed to the reconceptualization of television.

Streaming and TV Everywhere: The Complete Decoupling of Television Content from Your TV Set

While Netflix deserves considerable credit for accelerating the growth of the DVD standard and empowering consumers to time shift, Netflix made an even greater contribution to the reconceptualization of television by pioneering the use of streaming media and advancing the device ecosystem for “TV Everywhere.” Streaming media is

[184] Amanda D. Lotz, "Rethinking Meaning Making: Watching Serial TV on DVD,"*Flow TV*, last modified September 22, 2006, accessed April 6, 2013, http://flowtv.org/2006/09/rethinking-meaning-making-watching-serial-tv-on-dvd/ [1-3].

[185] "binge-watching," *Urban Dictionary*, last modified January 30, 2010, accessed April 6, 2013, http://www.urbandictionary.com/define.php?term=binge-watching, [1].

[186] MEDIA MASTERMIND KEYNOTES: MIKE LANG, MIRAMAX & TED SARANDOS, NETFLIX," *MIPCOM*, [14].

the logical conclusion of time shifting and affords consumers greater autonomy and convenience than any other format.[187] Thanks to streaming, subscribers no longer need to wait for DVDs to arrive in the mail or go through the hassle of shipping them back. With merely an Internet connection, Netflix users could now partake in self-directed content consumption. Although YouTube paved the way for scalable streaming, Netflix was a pioneer in that it was the first company to deliver a massive collection of television programs and movies for online consumption.

In terms of "TV Everywhere" efforts, in May of 2008, Netflix announced the release of the Roku DVP, the first Internet video streaming receiver box.[188] This device enabled consumers to watch Netflix content streaming directly to television sets, arguably damaging the value proposition of cable television. Soon after, Netflix cut deals with numerous device manufacturers and made their streaming service available on a wide array of smart devices. By the end of 2010, Netflix streaming was available on the IPhone, Xbox 360, PlayStation 3, an assortment of Internet-connected TVs and Blu-ray players, TiVo, mobile devices, and Netflix was working on making their service available

[187] The only other format that could rival streaming for most convenient and enabling would be the downloading format employed by video distributors such as ITunes. This format gives viewers accessible physical copies of video entities and is not dependent on Internet access. However, downloading videos can be time consuming and taxes computer hard drive storage. On the other hand, while streaming media can take a short time to buffer when accessed on the Internet, the wait times are fairly brief and (assuming a reliable Internet connection) almost categorically shorter than the amount of time it takes to download a file. That said, ITunes has introduced the capacity to watch video files before they have completely downloaded, which partially mitigates the wait time advantage for streaming. Both options are superior to their DVD predecessors.

[188] "First Netflix Streaming Box Review, $100 and Unlimited Downloads!," Gizmodo, last modified May 20, 2008, accessed April 6, 2013, http://gizmodo.com/389698/first-netflix-streaming-box-review-100-and-unlimited-downloads [1-2].

for the IPad, creating a collective device ecosystem that brought the company closer to its goal of being available at any time, anywhere, on any device.[189]

Between streaming and the smart device ecosystem, Netflix was at the forefront of an expansion of the conception of television. Prior to Netflix, watching your favorite contemporary show usually consisted of sitting in front of a television set at a preordained time that was out of your control and watching a single episode while tolerating advertisements. Today, although this older, linear model of consumption remains common, the existence of Netflix and related services enables consumers to watch any number of episodes in any order at any time in any place on a wide array of smart devices, making the contents of television more portable and consumer friendly than they were before. When television shifts from a pre-scheduled and evenly distributed viewing experience on a stationary device to a time shifted and often clustered viewing experience on a diverse array of mobile devices, it is not surprising in the least that there would be corresponding changes in the content of television programming. As shall now be discussed, Netflix was well aware of the opportunity to produce content in a manner that reflected emerging consumer behaviors.

The New Producers

Currently, Netflix appears to be in the process of reconceptualizing television content production. The company is using a more data intensive approach to programming than any of its predecessors and has introduced an unprecedented release mechanism for high quality original television programming.

---

[189] *Future of Video: Hearings*, 112th Cong, [1].

At first, Netflix's forays into original content production may seem like a leap of faith. TV shows have a notoriously high failure rate. How could Ted Sarandos spend 100 million dollars for the rights to produce two seasons of a show without even watching a pilot of it? Upon closer examination, there is a method to Netflix's madness. The decision to enter original content did not happen on a whim. As was previously discussed, Sarandos developed considerable experience in this realm while managing Red Envelope Entertainment. Furthermore, while the failure rate for new series on broadcast television has traditionally been relatively high, Netflix is in a different position from the broadcast networks. Netflix arguably has more detailed information on its customers than any competing service, and the transition to streaming media only further perpetuated this advantage. In wake of the release of the Netflix original series *House of Cards*, veteran technology columnist Andrew Leonard provided a particularly apt description of Netflix's prolific access to data:

> I hit the pause button roughly one-third of the way through the first episode... By doing so, I created … a discrete action that could be logged, recorded and analyzed. Every single day, Netflix ... registers hundreds of millions of such events... Netflix doesn't know merely what we're watching, but when, where and with what kind of device we're watching. It keeps a record of every time we pause the action — or rewind, or fast-forward — and how many of us abandon a show entirely after watching for a few minutes. Netflix might not know exactly *why* I personally hit the pause button … but if enough people pause or rewind or fast-forward at the same place during the same show, the data crunchers can start to make some inferences (1).[190]

While Hastings has not disclosed the precise data extrapolations that factored into the decision to aggressively bid for *House of Cards*, he has repeatedly stated that the data indicated that David Fincher films, Kevin Spacey films, and political thrillers all polled favorably in Netflix's consumer data bank. As Ted Sarandos told *Newsweek*, "We have

[190] Andrew Leonard, "How Netflix is turning viewers into puppets," *Salon*, last modified February 1, 2013, accessed April 6, 2013, http://www.salon.com/2013/02/01/how_netflix_is_turning_viewers_into_puppets/.

built regression models that would, say, produce a risk profile of a show… So, if the show comes out at the super high end like *The Sopranos*, it'll perform like this, and if it's just mediocre, it'll perform like this. And the economics are along that glide path."[191] Hence, Netflix is advancing the frontiers of video content production by relying on a more data-intensive approach than any of its predecessors.

In addition to reconceptualizing television by creating a data-driven approach to the greenlighting process, on February 2 2013, Netflix introduced the world to a new release system for original television content. Rather than distributing the pilot episode, Netflix released all thirteen episodes of the first season of *House of Cards*. Based off of extensive consumer preference data, Hastings and Sarandos concluded that many Netflix subscribers would rather partake in binge viewing than watch one episode per week of a show.[192] Up to this point, Netflix has remained rather quiet and has intentionally avoided providing the press with specific metrics concerning the *House of Cards* viewership. Some analysts such as Creative Artists Agency TV literary Agent Peter Micelli believe that Netflix's secrecy is rooted in a desire to avoid the expectations trap that previously haunted some of its competitors.[193] According to Micelli, after the success of *The Sopranos*, HBO released the show's impressive numbers, only to set subsequent programs up to be judged negatively for attracting a comparatively smaller audience.

[191] Nick Summers, "Ted Sarandos' High-Stakes Gamble to Save Netflix," *The Daily Beast*, [2].

[192] Alex Ben Block, "Netflix's Ted Sarandos Explains Original Content Strategy,"*The Hollywood Reporter*, last modified April 7, 2012, accessed April 6, 2013, http://www.hollywoodreporter.com/news/netflix-ted-sarandos-original-content-309275, [1-3].

[193] Andrew Wallenstein, "Netflix Series Spending Revealed," *Variety*, last modified March 8, 2013, accessed April 6, 2013, http://variety.com/2013/digital/news/caa-agent-discloses-netflix-series-spending-1200006100/, [1-3].

Netflix has not been entirely silent. Sarandos has stated that *House of Cards* was (as of February 12, 2013) the most-watched program on Netflix in every country Netflix operated in[194], and, on February 14, Hastings posted a Facebook status that said, "Wow. House of Cards now the #1 most popular TV show in the world, according to IMDb. And I still can't get Ted Sarandos to tell me how many millions are enjoying it on Netflix."[195] Furthermore, early signs indicate that Sarandos' prognosis was right, and that there is considerable consumer demand for the capacity to binge watch. Even though Netflix has not disclosed the formal ratings for *House of Cards*, other analysts appear to have been able to piece together some of the viewership data. Procera Networks, a networking equipment firm, told *Variety* that for one of the major broadband networks it monitors, during the first weekend that *House of Cards* was available, of those viewers who watched the first episode of the show, one in four proceeded to watch all thirteen episodes.[196] Watching 13 episodes of a show in a single weekend definitely counts as binge watching. Netflix successfully created content that captured what seems to be a formidable portion of their subscriber base and enabled viewers to watch the show on their own terms.

Reconceptualization Completed

---

[194] Ryan Lawler, "Netflix Original Series House Of Cards Is Its Most Watched Program,"*TechCrunch*, last modified February 12, 2013, accessed April 6, 2013, http://techcrunch.com/2013/02/12/house-of-cards-results/.

[195] Reed Hastings, Reed Hastings Facebook Status, *Facebook*, last modified February 14, 2013, accessed April 6, 2013, https://www.facebook.com/reed1960/posts/206408209483790, [1].

[196] Andrew Wallenstein, "'House of Cards' lures binge viewers," *Variety*, last modified February 4, 2013, accessed April 6, 2013, http://variety.com/2013/tv/news/house-of-cards-lures-binge-viewers-1118065641/ [1-3].

In sum, Netflix reconceptualized the consumer experience of television by promoting the DVD standard and associated binge watching and time shifting behaviors, pioneering streaming and "TV Everywhere" delivery, and creating a new approach to original content production. While it is unclear whether or not streaming viewers resemble linear television viewers in having a "tendency to watch whatever program happens to follow the one they were watching previously," at the very least, it is safe to say, Netflix revamps the process through which users can make such a choice.[197] At the end of a show on Netflix, even though there is an automated loader that can automatically play the next episode within 15 seconds of any episode of a show ending, the viewer nonetheless is forced to confront the reality that he or she possesses a choice concerning what to watch next.[198] With the default settings, Netflix viewers cannot passively move instantly from one episode to the next, and are forced to become conscious of their choice to watch something else.

Furthermore, Netflix abolished the pre-Netflix consumer conception of television as an "experience in which viewers lacked much control over when and where to view."[199] By serving as a content library that reinforced the value of purchasing a DVD player, Netflix accelerated the rise of the DVD standard, which considerably increased the amount of contemporary television programming available to consumers for time

---

[197] Aviva W. Rosenstein and August E. Grant, "Reconceptualizing the role of habit: A new model of television audience activity," *Journal of Broadcasting & Electronic Media*, [332].

[198] Even though a 15 second gap might not seem drastic, this gap fundamentally alters the viewing experience. Though a tv viewer sitting with a remote control flipping through channels possesses the same opportunity to change programs as a streaming viewer, this 15 second gap interrupts the content consumption process. The default settings on Netflix do not enable viewers to go immediately from one program to the next. The only way to move immediately from one episode to the next would be to click on the button for a new episode, but doing so constitutes a conscious choice.

[199] Lotz, *The Television Will Be Revolutionized*, [28-29].

shifting and binge viewing modes of consumption. By pioneering streaming of television content and making itself available on a vast array of smart devices, Netflix expanded spatial and temporal conceptions of the medium in a manner that significantly increased consumer autonomy. Finally, as shall be subsequently discussed, by creating a data driven approach to greenlighting and releasing all of the episodes of its show at once, Netflix arguably became the first post-linear television network and took viewer preference accommodation into new territory. These actions collectively amount to a reconceptualization of the consumer experience of television.

Consumer Implications- Will Binging Dry Out the Water Cooler?

What are the implications of Netflix's reconceptualization of television? With the premiere of *House of Cards*, numerous cultural critics wrote articles decrying the death of the "Water Cooler Effect" that accompanied linear television. The water cooler effect is essentially the idea that viewers would watch an episode of a show and then discuss it at work the next day with coworkers during breaks. However, the term also seems to hold broader cultural significance. Some are now using the term to refer to separate practices such as live tweeting of televised events on Twitter.[200] Furthermore, the frequent usage of the term in common parlance also seems to imply that the term means something more than merely coworkers chatting about a show around a water cooler. In light of the broader implications of the term, this section will focus on changes in conceptions of the water cooler effect in order to expose broader cultural shifts in the television media landscape.

[200] Brian Stelter, "Water-Cooler Effect: Internet Can Be TV's Friend," *The New York Times*, last modified February 23, 2010, accessed April 6, 2013, http://www.nytimes.com/2010/02/24/business/media/24cooler.html, [1].

There may be limited truth to claims about a decline of an older conception of the water cooler effect but such claims should not be overstated. For some forms of television, there is an inherent temporal component that will preserve linear water cooler discourse. It seems unlikely that viewers will ever binge watch the last ten games played by their favorite sports team and will instead continue to watch games live.

Even for serialized series that are conducive to binge watching, the water cooler effect may live on. Consider the case of *Breaking Bad*, a show that neatly fits into the serialized, binge-conducive drama category. Many consumers only binge on series in order to get caught up and only binge on full series if those series are no longer on the air. In March 2013, *Variety* cited a new study concerning binge viewing habits in which "65% of those surveyed said they would watch new episodes of "Breaking Bad" without bingeing when the series returned."[201] Such results are intuitive and logical- if someone is highly invested in a series, so much so that they have been willing to binge their way through multiple seasons, there is a good chance many of them would want access to more of the show's content as soon as such content becomes available. Viewers on this behavioral path use binge viewing as a means of getting caught up and then revert to linear viewing in order to partake in "water cooler" discussions with others who are up to date on the show. For some consumer segments, binge viewing is a means of getting caught up on a show they might have never otherwise watched and hence, binge viewing can expand the audience and linear ratings. As was previously discussed, it appears that this binge-induced audience expansion also benefited *Mad Men*.

[201] Marc Graser, "10 Insights from Studies of Binge Watchers," *Variety*, accessed April 6, 2013, http://variety.com/2013/digital/news/10-insights-from-studies-of-binge-watchers-1200004807/[1-2].

It would be simplistic to say that the binge option always results in an expanded live audience. Just because the binge option appears to have eventually expanded the live audiences for *Breaking Bad* and *Mad Men* does not mean that such outcomes always occur for serialized shows. Furthermore, my own experiences have sometimes run contrary to such outcomes. Three years ago, shortly after the HBO series *Treme* premiered, I asked a friend whether or not he was keeping up with the show, and he told me he intended to wait for the series to run for two seasons and then binge through all of the episodes in a short period. Even if some viewers opt to wait to binge, there are other forces at work that should sustain linear water cooler discourse. Pop culture critics still write reviews shortly after episodes air, and day-after press coverage can spur conversation. Hence, the most likely scenario is that for any given show that airs on a linear weekly distribution model while making prior seasons available for binge viewing, some viewers will have watched episodes live from the start. Others will binge on prior seasons until they are caught up and then start watching new episodes live. Still others will opt to watch the show exclusively through binging (and will not watch new episodes but instead wait for the show's airing period to finish and then binge their way through). The relative portion of the viewership that falls into each category will depend on various factors that are specific to each individual program.

The larger threat to the water cooler effect would appear to be binge enabling distribution models for new content. If the distribution model Netflix used for *House of Cards* grows as an industry practice and other programmers start releasing entire seasons all at once rather than one episode at a time, there will admittedly be a greater threat to the linear conception of the water cooler effect. Viewers would be able to watch new seasons at their own pace and might find themselves out of sync from their colleagues. In a broader view of what the water cooler effect entails, there is no reason to believe that the common discourse has to end. All that has changed is the question one must ask at the beginning of the conversation. If a new season of a show becomes available all at once, rather than asking "What did you think of last night's episode?" you just ask "What episode are you on?" This simple change simultaneously prevents spoilers and preserves the shared cultural experience.

Even in the presence of binge enabling distribution models, not all consumers choose to engage with television content in this manner. Binging is inherently time consuming, and not everyone has the leisure time to engage with content in this manner. Although a recent study indicated that 67 percent of TV viewers aged 13 to 49 have partaken in binge watching, the most frequent participants in such behavior are aged 18 to 29.[202] While the amount of available leisure time at the individual level varies considerably, these broader demographic trends are not surprising. *Ceteris paribus*, an 18 year old on summer vacation will have more time for binge watching than a 42 year old single parent working two jobs. This is not to say that other age groups do not participate in binge watching- they simply might not do so as frequently as 18 to 29 year olds. Part of how one discusses television shows with others depends on the pace of consumption, but there are other elements worth considering.

Today, the water cooler effect takes on new manifestations and challenges on social networks. Apart from having lost much of the assured synchronicity of linear programming, TV viewers now have to watch out for spoilers on social networks. For

[202] "TV Service Providers Jump on the Binge Viewing Bandwagon," *MRG*, accessed April 6, 2013, http://www.mrgco.com/blog/tv-service-providers-jump-on-the-binge-viewing-bandwagon/, [1].

those watching a show live, social media can serve as an enabler of discourse. Sorting through and/or contributing to topical hashtags on Twitter can enable viewers of a show to collectively react to a program as it airs.[203] However, viewers who binge watch shows and are not watching live must watch out for spoilers. Netflix's prolonged success as both a content distributor and original content provider seems unlikely to dry out the water cooler. Other entities might not be as lucky. What are the industrial implications of Netflix's prolonged success?

Industrial Implications: Streaming's Hot Streak and Cable's Judgment Day

One of the staples of Netflix's success has been the fact that the company seldom fits into clean categories and often leads by taking a first mover advantage in markets of its own creation. In a time of linear television, premature Internet television startups, and video rental stores, Netflix pioneered the DVD by mail rental industry. Later, in a time of intensified online competition from Blockbuster, Netflix pioneered streaming media. Today, as the company faces rising costs and declining leverage in streaming license negotiations, the company is pioneering a new data-driven approach to original content production. Netflix successfully defeated its former competition in the video rental store market. In May of 2008, *The Onion*, a popular satirical news site, released a video clip labeled with the following description; "The Blockbuster Video Living Museum offers

[203] Nilay Patel, "NBC's Vivian Schiller: social media has made live TV essential again," *The Verge*, accessed April 6, 2013, http://www.theverge.com/2012/11/14/3643722/vivian-schiller-social-media-live-tv-essential-again, [1-2].

tourists a glimpse of how Americans rented movies in the days before Netflix and iTunes."[204]

At present, the closest competitors to Netflix's subscription streaming video on demand model are premium cable channels that offer their subscribers "TV Everywhere" applications such as HBO GO or Showtime Anytime, and streaming movie and TV content providers such as Hulu and Amazon Prime Instant Video. Fortunately for Netflix, HBO still has strong ties to older television content distributors. Even though the HBO GO application is a formidable streaming service that competes with Netflix's product, one cannot gain access to it without paying for an HBO subscription, which one cannot access without paying for a cable or satellite subscription.[205] This cumbersome and collectively costly pricing model appears to be increasingly unpopular with the crucial 18-34 demographic. In June 2012, a web developer named Jack Caputo started a website called "TakeMyMoneyHBO.com" which enabled visitors to tweet @HBO the amount of money they would be willing to pay a month for an a la carte HBO streaming service.[206] Within the first 48 hours that the website was up, 163,763 people used the site to tweet a quantity @HBO, and the website's developer swiftly reported that the Twitter activists would be willing to pay an average price of $12.30 per month for such a

---

204 "Historic 'Blockbuster' Store Offers Glimpse Of How Movies Were Rented In The Past,"*The Onion*, last modified May 2008, accessed April 6, 2013, http://www.theonion.com/video/historic-blockbuster-store-offers-glimpse-of-how-m,14233/, [1].

205 Ryan Lawler, "How Much Would The Average Person Pay For A Standalone HBO GO Subscription? About $12 A Month," *TechCrunch*, last modified June 5, 2012, accessed April 6, 2013, http://techcrunch.com/2012/06/05/hbo-go-without-hbo/ [1-2].

206 Jason Gilbert, "Take My Money, HBO! New Website Begs HBO For A Standalone Internet Subscription," *Huffington Post*, last modified June 6, 2012, accessed April 6, 2013, http://www.huffingtonpost.com/2012/06/06/take-my-money-hbo-go-website_n_1573689.html [1-2].

service.[207] However, HBO still has not made such a service available. What many consumers do not realize is that HBO saves a significant amount of money by using the cable and satellite companies to market and distribute their content.[208] HBO's management team is fully cognizant of growing consumer preference for a la carte content consumption options. In the middle of October 2012, HBO made an a la carte streaming service available in Sweden, Finland, Norway, and Denmark.[209] The difference is that HBO did not have the same pre-existing financial arrangements with cable and satellite providers in the Nordic countries as it does in the United States.

Ultimately, HBO probably will not make a la carte streaming available in the United States until the cable/satellite markets decline to the point that a la carte becomes the more profitable option. Netflix management is well aware of HBO's predicament and is attempting to take advantage of it. If HBO were to offer a la carte streaming in the US tomorrow, Netflix would be in serious trouble. However, HBO may still be a few years away from such a transition. In the meantime, Netflix intends to expand its original content offerings so that it will be able to compete against HBO if HBO eventually offers an a la carte domestic service.[210] As was previously mentioned, Ted Sarandos told GQ in

---

[207] Take My Money HBO, accessed April 6, 2013, http://takemymoneyhbo.com/, [1].

[208] Ryan Lawler, "How Much Would The Average Person Pay For A Standalone HBO GO Subscription? About $12 A Month," *TechCrunch*, [2].

[209] Yinka Adegoke, "HBO to go online without cable in Nordic countries," *Reuters*, last modified August 31, 2012, accessed April 6, 2013, http://in.reuters.com/article/2012/08/30/hbo-nordic-idINL2E8JUH6320120830, [1].

[210] Nancy Hass, "And the Award for the Next HBO Goes to...," *GQ*, last modified February 2013, accessed April 6, 2013, http://www.gq.com/entertainment/movies-and-tv/201302/netflix-founder-reed-hastings-house-of-cards-arrested-development [1].

an interview, "The goal... is to become HBO faster than HBO can become us."[211] Sarandos claims that Netflix hopes to produce at least five original programs per year.[212] Netflix's longer-term strategy consists of amassing formidable holdings in original content so that it will be able to compete if premium channels such as HBO and Showtime eventually offer a la carte streaming subscription services.

The second and more immediately overlapping form of competition Netflix faces is from streaming movie and TV content providers such as Hulu and Amazon Prime Instant Video. Netflix's efforts in original, large budget, scripted television programming have not gone unnoticed- Hulu, Amazon, and, to a lesser extent, YouTube appear to be trying to replicate Netflix's success in this realm. In fact, by releasing the political thriller *Battleground* in 2012, Hulu beat Netflix in being first to produce and release an original show.[213] However, the show was released in a conventional and linear manner, with one episode becoming available per week. Furthermore, as TV critic David Hinckley observed, "Viewers should not expect [from *Battleground*] ... that the production or look of the show will match what they see on broadcast or cable."[214] Hence, due to the distributive and financial conservatism of Hulu's approach to *Battleground*, the show did not pose as radical of a challenge to the status quo of

---

[211] Hass, "And the Award for the Next HBO Goes to...," *GQ*, [3].

[212] Ibid.

[213] Mike Hale, "The Shenanigans Behind the Slogans," *The New York Times*, last modified February 14, 2012, accessed April 6, 2013, http://www.nytimes.com/2012/02/15/arts/television/battleground-is-an-original-hulu-scripted-series.html, [1].

[214] David Hinckley, "New 'Battleground' gives Hulu a modest start as it enters the original scripted sitcom field," New York Daily News, last modified February 14, 2012, accessed April 6, 2013, http://www.nydailynews.com/entertainment/tv-movies/new-battleground-hulu-modest-start-enters-original-scripted-sitcom-field-article-1.1021883 [2].

television as *House of Cards* would soon after. Subsequently, Hulu has announced multiple original series that will premiere in the spring and summer of 2013, but none of them appear to even approach the production costs of *House of Cards*.[215][216] Regardless of the quality of Hulu's 2013 original content, at present, the company's future appears somewhat precarious. Both the CEO and CTO of the company stepped down on March 31[217], and there have been press reports indicating that some of the largest equity holders in the company are looking to sell their shares.[218]

On the other hand, the future for Amazon Prime Instant Video looks fairly stable. Amazon is investing in original programming in the realm of both comedy and children's series that are slated to premiere this fall.[219] Finally, YouTube has invested over 200 million dollars in improving user generated content, built studios for original content production in London and Los Angeles, and is rumored to be on the verge of

---

[215] I am not trying to trivialize Hulu's contributions to original programming. Hulu may well be capable of producing high quality shows. Furthermore, shows do not need to have large budgets in order to be high quality. Hulu previously acquired exclusive streaming rights to a science fiction series called *The Booth at the End* that appeared to be a low budget production, but the innovative format and excellent writing arguably made the show high quality. With that said, as a signpost of where the industry is headed, Hulu has not invested nearly as much in individual programs as Netflix has. Equating cost with quality is inaccurate, but large-scale production budgets can increase the creative freedom available to the producers and enable aesthetic undertakings that might be difficult to execute otherwise.

[216] Sarah Perez, "Hulu Debuts Previews Of Its 2013 Original Programming And Exclusive Series," *TechCrunch*, last modified January 8, 2013, accessed April 6, 2013, http://techcrunch.com/2013/01/08/hulu-debuts-previews-of-its-2013-original-programming-and-exclusive-series/ [1].

[217] Nicole Laporte, "HULU STRUGGLES TO SURVIVE THE INFLUENCE OF ITS PARENT COMPANIES [UPDATE]," *Fast Company*, last modified October 11, 2012, accessed April 6, 2013, http://www.fastcompany.com/3001736/hulu-struggles-survive-influence-its-parent-companies-update, [1].

[218] Martin Peers and Christopher S. Stewart, "Disney, News Corp. Discuss Hulu's Future,"*The Wall Street Journal*, last modified March 1, 2013, accessed April 6, 2013, http://online.wsj.com/article_email/SB10001424127887323978104578334652037458848-lMyQjAxMTAzMDAwMTEwNDEyWj.html, [1-2].

[219] "Amazon Instant Video Pilots: 'Browsers,' The Onion Show Get Pilot Orders," *Huffington Post*, last modified December 20, 2012, accessed April 6, 2013, http://www.huffingtonpost.com/2012/12/20/amazon-instant-video-pilots-browsers_n_2338454.html, [1-2].

implementing a subscription model for select channels.[220] All in all, *House of Cards* appears to have functioned as an effective proof of concept- numerous competitors are following suit and starting a gold rush for original content. Fortunately for Netflix, even though some consumers may ultimately only pick one subscription video service, for many, the choice may not end up being mutually exclusive.[221] This good fortune may not necessarily extend to everyone.

I believe that Netflix and related online subscription services pose an existential threat to the current configuration of cable and satellite television services. These cable and satellite services, the very services that once served as the disrupters who forced the broadcast networks to evolve, have progressed further in the industrial cycle and are now themselves being disrupted by online subscription video services. During the 2000s, cable and satellite companies were forced to start offering video on demand functionality as part of their services so that Netflix and related entities would not steal their customers.[222] These VOD offerings may no longer suffice. There remain many aggravating components of cable and satellite services. Whereas streaming services only require Internet access and a functioning online media player, cable and satellite companies often charge customers for installation and/or service upgrades.[223]

---

[220] Marco R. Della Cava, "YouTube gives video creators Space to grow," *USA Today*, last modified January 1, 2013, accessed April 6, 2013, http://www.usatoday.com/story/life/tv/2013/01/01/you-tube-los-angeles-space/1792517/, [1].

[221] Kevin Sintumuang, "A Year Without Cable," *The Wall Street Journal*, last modified December 14, 2012, accessed April 6, 2013, http://online.wsj.com/article/SB10001424127887324024004578171171317536826.html, [1].

[222] "History of Cable Television," *Wisconsin Cable Communications Association*, [3].

[223] The installation and service upgrades for cable and satellite services also impose an additional indirect cost on customers- opportunity cost. In order for installation to occur, a household member must stay at home to give the technician access to the premises. Streaming services completely eliminate this inconvenience.

Furthermore, even though many consumers gravitate towards a relatively small number of channels, these services still rely on coercive arrangements that force consumers to settle for basic cable or purchase a large bundle of channels rather than allowing them to pick and choose the specific channels they want to pay for.[224] The multichannel video programming distributors may not be able to get away with such tomfoolery for much longer.

Cable and satellite still offer proprietary content that is not available through online streaming services. For US consumers, cable and satellite still hold exclusive access to premium cable channels such as HBO and Showtime as well as sports programming. The fact that HBO decided to test a la carte services in the Nordic countries is telling and could reasonably be interpreted as their experimenting/preparing themselves to introduce similar options in the US when the upside to pre-existing arrangements with cable and satellite companies has sufficiently declined.

The value proposition of cable and satellite services is severely declining.[225] Even if streaming services cannot offer all of the proprietary content available via cable/satellite, consumers could purchase subscriptions for multiple streaming services and possess a substitute product that is not terribly inferior to and far less expensive than cable. Indeed, many US consumers seem to recognize the changing value propositions. Netflix now has over 27 million domestic subscribers, whereas Comcast has merely 22

---

[224] James Surowiecki, "Bundles of Cable," *The New Yorker*, last modified January 25, 2010, accessed April 6, 2013, http://www.newyorker.com/talk/financial/2010/01/25/100125ta_talk_surowiecki, [1].

[225] Henry Blodget, "Don't Mean To Be Alarmist, But The TV Business May Be Starting To Collapse," *Business Insider*, last modified June 3, 2012, accessed April 6, 2013, http://www.businessinsider.com/tv-business-collapse-2012-6, [2-4].

million cable TV subscribers.[226] Industry projections indicate that if cable services do not start offering a la carte options, the US cable market will shrink from roughly 101 million US TV households in 2012 to under 95 million in 2017.[227][228] Ultimately, many of the cable firms may be able to survive the decline in their pay-tv services. Many of the cable companies also serve as Internet service providers, which should continue to be a growing and highly profitable market.[229] Given that pay TV is the core of their business, satellite companies may not be as fortunate and face an existential threat from subscription online video services.

Production Implications: I've Got a Fever, and the Only Prescription is More Original Content

Netflix's reconceptualization of television holds important implications for original content production. While it would be premature to call Netflix's data-driven greenlighting strategy a successful business model, if *House of Cards* was any indicator, this approach seems to be viable, and is likely to be replicated by competitors. If Hulu survives, it should be able to use a data informed approach to content commissioning. It also benefits from access to a large pool of talent that is on fixed labor contracts with the broadcast networks that are Hulu equity holders. Hulu was able to draw on this pool of talent to create *The Awesomes*, an animated series featuring cast members from *Saturday*

---

226 Bob Fernandez, Comcast chief notes TV's rapid evolution, *Philadelphia Inquirer*, last modified March 22, 2013, accessed April 6, 2013, http://articles.philly.com/2013-03-22/business/37906509_1_comcast-internet-customers-comcast-corp-comcast-tv, [1].

227 These industry estimates strike me as rather conservative. It seems possible there could be an inflection point prior to 2017 that results in a more rapid decline in cable subscriptions and expansion in the online subscription market.

228 Michael Greeson, "Pay-TV Households Have Peaked and Are Set to Decline thru 2017,"*TDG Research*, last modified January 10, 2013, accessed April 6, 2013, http://tdgresearch.com/pay-tv-households-have-peaked-and-are-entering-declin/, [1].

229 Many of the prominent Internet service providers run profit margins in excess of 90%.

Night Live (an NBC show).[230][231] Amazon should also be able to effectively implement a data driven approach. Although Amazon might not have as much consumer preference data as Netflix in the streaming and DVD markets, it should not have too much difficulty filling this void. Amazon already possesses robust data on consumer purchasing preferences and may be able to convert some of this expertise over to viewer preference data.[232] The cumulative effect of these entries may well be a run on original, high-end, scripted series. Unless an individual distributor is willing to pay an even higher premium for exclusive streaming rights, broadcast networks and cable channels have incentives to distribute their content and negotiate with as many streaming movie and television content providers as possible. To control the rising costs of original content production, acquire content that data indicates will favorably adhere to consumer preferences, and fortify brand differentiation, online subscription video subscription services will see a continuous increase in demand for original content.

These forays into original content will not be cheap. An industry analyst estimated that for its various original series, Netflix is currently spending an average of over four million dollars per episode- a figure significantly larger than what the broadcast networks typically spend on production.[233][234] Even though Netflix might be spending

---

[230] NBC owns 32% equity in Hulu.

[231] Perez, "Hulu Debuts Previews Of Its 2013 Original Programming And Exclusive Series," *TechCrunch*, [2].

[232] Jay Habegger, "Why Amazon Is About to Become a Force in Online Advertising," *Ad Age*, last modified August 11, 2011, accessed April 6, 2013, http://adage.com/article/digitalnext/amazon-a-force-online-advertising/229205/, [1-2].

[233] The article implied that Netflix was spending more on its new comedy series than broadcast networks typically spend on hour-long series. However, the expenditure gap becomes slightly less dramatic when one factors in the fact that an hour long series on the broadcast networks is not actually an hour long but is instead roughly 45 minutes due to commercial breaks.

more on production, that does not necessarily mean its overall programming expenditures are greater than that of the broadcast networks. Whereas broadcast networks might have to spend 40 million dollars just to market a show, Netflix can significantly truncate marketing costs by greenlighting series with a pre existing niche within their subscriber base and doing most of their marketing internally by showing trailers of their series to relevant subscribers after any pertinent TV show episode ends within the Netflix media player.[235] Netflix can divest itself of costly marketing expenditures and reallocate such funds into larger programming budgets, providing it with a comparative advantage over broadcast networks in terms of quality content production.

Creative Implications: Post-Linear Television

While all of Netflix's contributions to the reconceptualization of television are important, there are reasons to believe that Netflix's greatest contribution will be the creative possibilities the company enables for television content production. Freed from the linearity of broadcast television and the distributive constraints of premium cable, Netflix and related services can enable content creators to take television in new directions. It seems probable that the binge viewing capacity could free up writers from scripting conventions that are no longer pertinent or necessary. For example, writers for broadcast network shows sometimes sequence specific events in terms of where they fall relative to commercial breaks. Similarly, writers on serialized programs sometimes include recaps of what happened on the last episode as part of the time allotted for each episode or time a cliffhanger for the end of an episode in order to build up suspense and

---

[234] Wallenstein, "Netflix Series Spending Revealed," *Variety*, [2].

[235] Ibid.

ratings for next week's episode. If viewers have the option to binge, cliffhangers and recaps are no longer necessary.[236]

The implications of online distribution are not limited to serialized television. While some of the older conventions of episodic television may live on, new practices in episodic content seem near. For example, even though the release of *Arrested Development* will not occur until after this thesis is completed, in a recent interview, *AD* star Jason Bateman implied that the new season would experiment with episodic interchangeability. Bateman claims, "We're done shooting it and it was great. Also, it will be extremely complicated for the viewers. 14 episodes, all separate, with each character getting their own episode, but all the action happens simultaneously. So you can stop my episode at the very moment that, say, Gob rides by on his Segway and then click into his episode and follow him."[237] If what Bateman is saying is true, *Arrested Development* season four will at some level be an experimental series insofar as there will not be a correct order in which to watch the episodes and viewers can switch seamlessly between episodes at any given interval. This experimental and interactive approach to episodes sounds promising.[238] If there isn't a correct order in which to watch episodes,

[236] Furthermore, Netflix has pertinent data concerning how the time at which users view each episode in relation to each other and could eventually opt to turn recaps on or off depending on whether someone is binging or watching episodes during separate periods. Writers obviously would retain the option of using cliffhangers as they see fit, there simply wouldn't necessarily be the same underlying incentive to build suspense for the next episode. However, cliffhangers can still be a useful way of keeping binge watchers immersed in programs.

[237] Peter Lesser, "'Arrested Development' Season 4 Release Date: 'We're Done Shooting and it Was Great,' Says Jason Bateman," *Latinos Post*, last modified March 8, 2013, accessed April 6, 2013, http://www.latinospost.com/articles/13959/20130308/arrested-development-season-4-release-date-done-shooting-great-jason.htm, [1].

[238] Furthermore, even if *Arrested Development* does not turn out well, it seems quite likely that it could be a fascinating failure. Critically and/or commercially successful programs are not the only programs that matter. There is much that can be learned from unsuccessful shows. Scholastic inquiry should not and does not exclusively focus on economically viable programming.

the interchangeability could mean that viewers could consume all of the video content and yet still have new and meaningful experiences watching “reruns” by changing the order in which they move through the video content. At some point the novelty will probably wear off, as is the case with the “pick your own adventures” books that children sometimes read, but this alternative experience still sounds like it could be compelling if properly executed.

In a larger sense, Netflix might be bringing its subscribers to the precipice of a new medium. Television no longer has to be linear, stationary, or even self-contained in its episodic configuration. Given that Netflix and related services make content available on virtually any device to be consumed at any time in any quantity, and that content creators are starting to reconfigure content to reflect these changes in distributive and consumptive capacities, it is unclear whether it is appropriate to refer to television as television anymore. There are no inherent reasons that shows produced for online streaming services would have to run for 22.5 minutes, 45 minutes, 30 minutes, or 60 minutes. Writers can adjust the length of each segment to reflect the amount of time needed to tell each portion of the story that they want to tell. Tim Carmody wrote in *The Verge* that “House of Cards is more like a thirteen-part movie than episodic TV.”[239] Clearly, “high quality” television possesses the high level production values and cinematography that were previously only associated with film. However, it seems to be a distortion of language to call *House of Cards* a thirteen-part film. Films normally do not run for thirteen hours.

[239] Tim Carmody, "'House of Cards' review: 'You've got to get a grip on who your masters are,'" *The Verge*, last modified February 1, 2013, accessed April 6, 2013, http://www.theverge.com/culture/2013/2/1/3940620/house-of-cards-netflix-review-parts-one-and-two, [2].

Carmody's words ring true in terms of the viewership experience. Numerous critics have talked about how cohesive the series is and how all of the episodes fit seamlessly together. For example, Josef Adalian of *Vulture* claimed "[I] think watching *House of Cards* all at once was the right way to watch. When you're mainlining episodes, you overlook a lot of flaws and forgive weaker episodes. The overall narrative wave of the show rushes over you, allowing you to get caught up in the generally fascinating world of Francis Underwood."[240] The ideas of immersion and cohesion get at the larger shift in media that Netflix has enabled. The experience of watching serialized shows can qualitatively change depending on whether one watches on the linear model or the binge model. TV critic Todd VanDerWerff found that those he spoke to who watched season two of *Homeland* by binging almost uniformly enjoyed the show more than those who watched it on a week by week, linear basis.[241] VanDerWerff claims that "Individual [*Homeland*] episodes' flaws become magnified when viewers have a week to stew over them, but in the middle of a binge, those flaws are diminished, simply because it's always time to move onto the next thing."[242] As Netflix and other services expand audience binge watching capacities, they enable the basis for an alternative experience of the medium. The merits of a show become less about the relative strength or weakness of each individual episode and more about the body of work. This collective experience has worked effectively in other media. It is quite common to ask someone "what is your

[240] Josef Adalian, "If You've Seen All of House of Cards, Let's Discuss," Vulture, last modified February 5, 2013, accessed April 6, 2013, http://www.vulture.com/2013/02/house-of-cards-watched-entire-series.html, [3]

[241] Todd VanDerWerff, "Could Netflix's programming strategy kill the golden age of TV?,"*The AV Club*, last modified February 8, 2013, accessed April 6, 2013, http://www.avclub.com/articles/netflixs-programming-strategy-kill-golden-age-tv,92230/, [2].

[242] Ibid.

favorite book" but somewhat unusual to ask "what is your favorite chapter of a book." The binge watching configuration can enable some TV shows to move in a similar direction deemphasizing individual episodes and elevating the significance of collective works. Together, the changes that Netflix helped enable may well change the nature of television content.

The Digitization of Culture

Netflix is but one actor in a broader movement that challenges prior conceptions of distribution of expressive works. Though these developments are not all encompassing, Netflix can be thought of as part of a broader digital climate in which consumption of creative intellectual property partially shifts away from a culture of ownership and toward a culture of access. This development has been noted by many respected observers of digital culture. For instance, in 2009, Kevin Kelly, founding editor of *Wired* magazine, boldly declared that access is better than ownership. Kelly claimed, "[I]n the near future, I won't 'own' any music, or books, or movies. Instead I will have immediate access to all music, all books, all movies using an always-on service, via a subscription fee or tax... I won't... own... music or books because I can simply request to see or hear them on demand from the stream of ALL."[243] Indeed, online subscription streaming video services such as Netflix and online subscription music services such as Spotify are a logical manifestation of Kelly's line of thought. Such

[243] Kevin Kelly, "Better Than Owning," *The Technium*, last modified January 21, 2009, accessed April 6, 2013, http://www.kk.org/thetechnium/archives/2009/01/better_than_own.php, [1].

arrangements provide consumers with access to creative works while freeing them from the responsibilities that accompany ownership such as storage and maintenance.[244]

Ultimately, Netflix is both a product and a source of cultural change. Media historian Lisa Gitelman's claim that "Media and their publics coevolve" certainly rings true in the case of Netflix.[245] Insofar as Netflix was able to promote the growth of the DVD standard and later the growth of streaming media, it was able to influence consumer behavior. However, there is give and take in this relationship. Not all efforts to promote new technologies succeed. In 2001, inventor Dean Kamen told *Time* that the Segway "will be to the car what the car was to the horse and buggy."[246] Over a decade later, to say the least, the car remains far more popular as a mode of transportation. Netflix might have been able to accelerate the pace at which consumers adopted new technological standards, but Netflix's success still depended on the fact that these consumers were willing to adopt such technologies. The company's approach to content production also fits a bicausal model of the relationship between media and culture. To take the example of *House of Cards*, the show reflects culture in that the decision to remake the show was based on data that indicated demand for similar prior works. However, the show also shapes culture insofar as it offers its own depiction of Washington, DC and critique of contemporary politics that may influence the audience's conception of such topics.

---

[244] Granted, not all of these developments are uniformly positive. Rental access also means a loss of possession and a reliance on the dependability of others for access. Service interruptions and Internet outages do not prevent movie owners from watching downloaded TV Shows in their ITunes library, but those same interruptions render Netflix inaccessible.

[245] Lisa Gitelman, *Always Already New: Media, History, and the Data of Culture* (Cambridge, MA: MIT Press, 2006), [13].

[246] John Heilemann, "Reinventing the Wheel," *Time Magazine*, last modified December 2, 2001, accessed April 6, 2013, http://www.time.com/time/business/article/0,8599,186660,00.html, [1].

Netflix reflects the growing primacy of digital media in culture. Rather than marking the end of television, the Internet has enhanced and expanded the consumption of television content. A 2011 Nielsen study found that consumers are spending more time watching television on traditional TVs, mobile devices, and on the Internet than ever before.[247] This growth in time shifting and instant access to information complicates earlier conceptions of the division between work and play. In the words of media scholar danah boyd, cultural participants today are always-on.[248] An employee might leave work at 5 PM but feel the need to respond to work related emails during the traditional "prime time" television hours. However, that same employee might intermittently check Facebook throughout the day or stream an episode of a favorite show while commuting on public transportation. For better or worse, the popularization of time shifting and binge watching to some extent erodes the continuity afforded by scheduled programming. Hopefully, on balance, these developments will prove liberating.

---

[247] Nielsen, "STATE OF THE MEDIA: CROSS-PLATFORM REPORT Q1 2011," *Nielsen*, last modified June 14, 2011, accessed April 6, 2013, http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2011-Reports/Nielsen-cross-platform-report-Q1-2011-reissued.pdf, [2].

[248] danah boyd, "Participating in the Always-On Lifestyle," in *The Social Media Reader*, ed. Michael Mandiberg (New York, NY: New York University Press, 2012), [83].

Bibliography

Adalian, Josef. "If You’ve Seen All of House of Cards, Let’s Discuss." Vulture. Last modified February 5, 2013. Accessed April 6, 2013. http://www.vulture.com/2013/02/house-of-cards-watched-entire-series.html.

Adegoke, Yinka. "HBO to go online without cable in Nordic countries." *Reuters*. Last modified August 31, 2012. Accessed April 6, 2013. http://in.reuters.com/article/2012/08/30/hbo-nordic-idINL2E8JUH6320120830.

"Amazon Instant Video Pilots: 'Browsers,' The Onion Show Get Pilot Orders." *Huffington Post*. Last modified December 20, 2012. Accessed April 6, 2013. http://www.huffingtonpost.com/2012/12/20/amazon-instant-video-pilots-browsers_n_2338454.html.

Andreeva, Nellie. "Netflix, Lionsgate TV Closing Deal For Jenji Kohan’s ‘Orange Is The New Black’ Comedy." *Deadline*. Last modified November 11, 2011. Accessed April 6, 2013. http://www.deadline.com/2011/11/netflix-lionsgate-tv-closing-deal-for-jenji-kohans-orange-is-the-new-black-comedy/.

Andreeva, Nellie. "Netflix To Enter Original Programming With Mega Deal For David Fincher-Kevin Spacey Series ‘House Of Cards’." *Deadline*. Last modified March 15, 2011. Accessed April 6, 2013. http://www.deadline.com/2011/03/netflix-to-enter-original-programming-with-mega-deal-for-david-fincher-kevin-spacey-drama-series-house-of-cards/.

Arango, Tim. "Time Warner Views Netflix as a Fading Star." *The New York Times*. Last modified December 12, 2010. Accessed April 3, 2013. http://www.nytimes.com/2010/12/13/business/media/13bewkes.html?_r=3&ref=business&.

Biba, Erin. "Netflix Presents." *Wired*. Last modified September 2006. Accessed April 5, 2013. http://www.wired.com/wired/archive/14.09/netflix.html.

"binge-watching." *Urban Dictionary*. Last modified January 30, 2010. Accessed April 6, 2013. http://www.urbandictionary.com/define.php?term=binge-watching.

boyd, danah. "Participating in the Always-On Lifestyle." In *The Social Media Reader*, edited by Michael Mandiberg, 83-88. New York, NY: New York University Press, 2012.

Block, Alex Ben. "Netflix's Ted Sarandos Explains Original Content Strategy." *The Hollywood Reporter*. Last modified April 7, 2012. Accessed April 6, 2013. http://www.hollywoodreporter.com/news/netflix-ted-sarandos-original-content-309275.

Blockbuster. "Blockbuster Launches Totally New Way to Rent Movies: Introducing Blockbuster Total Access(TM) - Video Available." News release. November 1, 2006.

Blodget, Henry. "Don't Mean To Be Alarmist, But The TV Business May Be Starting To Collapse." *Business Insider*. Last modified June 3, 2012. Accessed April 6, 2013. http://www.businessinsider.com/tv-business-collapse-2012-6.

Bond, Paul. "Netflix Outbids HBO for David Fincher and Kevin Spacey's 'House of Cards.'" *The Hollywood Reporter*. Last modified March 15, 2011. Accessed April 3, 2013. http://www.hollywoodreporter.com/news/netflix-outbids-hbo-david-fincher-167882.

Bond, Paul. "What Hollywood Execs Privately Say About Netflix." *The Hollywood Reporter*. Last modified January 14, 2011. Accessed April 5, 2013. http://www.hollywoodreporter.com/news/hollywood-execs-privately-netflix-71957.

Carmody, Tim. "'House of Cards' review: 'You've got to get a grip on who your masters are.'" *The Verge*. Last modified February 1, 2013. Accessed April 6, 2013. http://www.theverge.com/culture/2013/2/1/3940620/house-of-cards-netflix-review-parts-one-and-two.

Coplan, Judson. "Diagnosing the DVD Disappointment: A Life Cycle View." NYU Stern School of Business. Last modified April 3, 2006. Accessed April 6, 2013. http://web-docs.stern.nyu.edu/glucksman/docs/Coplan.pdf.

Conlin, Michelle. "Netflix: Flex To The Max." *BusinessWeek*. Last modified September 23, 2007. Accessed April 5, 2013. http://www.businessweek.com/stories/2007-09-23/netflix-flex-to-the-max.

Cover, Rob. "From Butler to Buffy: Notes Towards a Strategy for Identity Analysis in Contemporary Television Narrative." *Reconstruction: Studies in Contemporary Culture* 4, no. 2 (Spring 2004).

Cummings, Tucker. "The Most Expensive TV Pilots of All Time: 'Game of Thrones,' 'Lost,' and More." *Yahoo: TV*. Last modified September 1, 2011. Accessed April 5, 2013. http://tv.yahoo.com/news/most-expensive-tv-pilots-time-game-thrones-lost-230000616.html.

Della Cava, Marco R. "YouTube gives video creators Space to grow." *USA Today*. Last modified January 1, 2013. Accessed April 6, 2013. http://www.usatoday.com/story/life/tv/2013/01/01/you-tube-los-angeles-space/1792517/.

"DEN tells staff it's out of money." *CNET*. Last modified May 18, 2000. Accessed April 3, 2013. http://news.cnet.com/2100-1023-240741.html.

Edgerton, Gary R. *The Columbia History of American Television*. New York, NY: Columbia University Press, 2007.

Efrati, Amir. "YouTube to Double Down on Its 'Channel' Experiment." *The Wall Street Journal*. Last modified July 30, 2012. Accessed April 5, 2013. http://online.wsj.com/article/SB10000872396390444840104577549632241258356.html.

Fernandez, Bob. Comcast chief notes TV's rapid evolution. *Philadelphia Inquirer*. Last modified March 22, 2013. Accessed April 6, 2013. http://articles.philly.com/2013-03-22/business/37906509_1_comcast-internet-customers-comcast-corp-comcast-tv.

Feuer, Jane. "HBO and the Concept of Quality TV." In *Quality TV: Contemporary American Television and Beyond*, by Janet McCabe and Kim Akass, 145-57. New York, NY: I.B. Tauris & Co Ltd, 2007.

"First Netflix Streaming Box Review, $100 and Unlimited Downloads!" Gizmodo. Last modified May 20, 2008. Accessed April 6, 2013. http://gizmodo.com/389698/first-netflix-streaming-box-review-100-and-unlimited-downloads.

Fixmer, Andy. "‘Mad Men’ Premiere Draws Record Viewers on Netflix Boost." *Bloomberg*. Last modified March 26, 2012.

http://www.bloomberg.com/news/2012-03-26/-mad-men-premiere-viewership-rises-20-on-boost-from-netflix.html.

Future of Video: Hearings Before the The Energy and Commerce Committee, Subcommittee on Communications and Technology, 112th Cong., 2d Sess. (2012) (statement of David Hyman, General Counsel, Netflix, Inc.).

Gannes, Liz. "YouTube Changes Everything: The Online Video Revolution." In *Television Goes Digital (The Economics of Information, Communication, and Entertainment)*, edited by Darcy Gerbarg, 133-42. The Impacts of Digital Technology in the 21st Century. New York, NY: Springer, 2009.

Gilbert, Jason. "Take My Money, HBO! New Website Begs HBO For A Standalone Internet Subscription." *Huffington Post*. Last modified June 6, 2012. Accessed April 6, 2013. http://www.huffingtonpost.com/2012/06/06/take-my-money-hbo-go-website_n_1573689.html.

Gitelman, Lisa. *Always Already New: Media, History, and the Data of Culture*. Cambridge, MA: MIT Press, 2006.

Goldstein, Gregg. "Netflix closing Red Envelope." The Hollywood Reporter. Last modified July 22, 2008. Accessed April 5, 2013. http://www.hollywoodreporter.com/news/netflix-closing-red-envelope-116138.

Goodale, Gloria. "Cult fans bring 'The Family Guy' back to TV." *The Christian Science Monitor*. Last modified April 22, 2005. Accessed April 5, 2013. http://www.csmonitor.com/2005/0422/p12s01-altv.html.

Graser, Marc. "10 Insights from Studies of Binge Watchers." *Variety*. Accessed April 6, 2013. http://variety.com/2013/digital/news/10-insights-from-studies-of-binge-watchers-1200004807/.

Greenfield, Richard. "Netflix Becoming the Most Viewed “Cable Network” on Television Read more: http://www.btigresearch.com/2012/07/03/netflix-becoming-the-most-viewed-cable-network-on-television/#ixzz2Pg9jiCEb." *BTIG*. Last modified July 3, 2012. Accessed April 6, 2013. http://www.btigresearch.com/2012/07/03/netflix-becoming-the-most-viewed-cable-network-on-television/.

Greeson, Michael. "Pay-TV Households Have Peaked and Are Set to Decline thru 2017." *TDG Research*. Last modified January 10, 2013. Accessed April 6, 2013. http://tdgresearch.com/pay-tv-households-have-peaked-and-are-entering-declin/.

Habegger, Jay. "Why Amazon Is About to Become a Force in Online Advertising." *Ad Age*. Last modified August 11, 2011. Accessed April 6, 2013. http://adage.com/article/digitalnext/amazon-a-force-online-advertising/229205/.

Hale, Mike. "The Shenanigans Behind the Slogans." *The New York Times*. Last modified February 14, 2012. Accessed April 6, 2013. http://www.nytimes.com/2012/02/15/arts/television/battleground-is-an-original-hulu-scripted-series.html.

Hamilton, Joan. "Home Movies." *Stanford Magazine*. Last modified January 2006. Accessed April 5, 2013. http://alumni.stanford.edu/get/page/magazine/article/?article_id=33351.

Hass, Nancy. "And the Award for the Next HBO Goes to..." *GQ*. Last modified February 2013. Accessed April 6, 2013. http://www.gq.com/entertainment/movies-and-tv/201302/netflix-founder-reed-hastings-house-of-cards-arrested-development.

Hastings, Reed. Reed Hastings Facebook Status. *Facebook*. Last modified February 14, 2013. Accessed April 6, 2013. https://www.facebook.com/reed1960/posts/206408209483790.

Heilemann, John. "Reinventing the Wheel." *Time Magazine*. Last modified December 2, 2001. Accessed April 6, 2013. http://www.time.com/time/business/article/0,8599,186660,00.html.

Hinckley, David. "New ‘Battleground’ gives Hulu a modest start as it enters the original scripted sitcom field." New York Daily News. Last modified February 14, 2012. Accessed April 6, 2013. http://www.nydailynews.com/entertainment/tv-movies/new-battleground-hulu-modest-start-enters-original-scripted-sitcom-field-article-1.1021883.

"Historic ‘Blockbuster’ Store Offers Glimpse Of How Movies Were Rented In The Past." *The Onion*. Last modified May 2008. Accessed April 6, 2013. http://www.theonion.com/video/historic-blockbuster-store-offers-glimpse-of-how-m,14233/.

"History of Cable Television." *Wisconsin Cable Communications Association*.

Accessed April 5, 2013. http://www.wicable.tv/aws/WCCA/pt/sp/history.

Jardin, Xeni. "Josh Harris: 'Pseudo was a fake company.'" *Boing Boing*. Last modified June 26, 2008. Accessed April 3, 2013. http://boingboing.net/2008/06/26/josh-harris-pseudo-w.html.

Jenkins, Henry, III. *Convergence Culture: Where Old and New Media Collide*. New York, NY: NYU Press, 2006.

Jenkins, Henry, III. *Textual Poachers: Television Fans & Participatory Culture*. New York, NY: Routledge, 1992.

Kaplan, Karen. "Internet Company Is Serving Up Digital Coffee Break Alternative." *The LA Times*. Last modified September 13, 1999. Accessed April 3, 2013. http://articles.latimes.com/1999/sep/13/business/fi-9738.

Keating, Gina. "Netflix launches 1,000-title online movie feature." *The Washington Post*. Last modified January 16, 2007. Accessed April 5, 2013. http://www.washingtonpost.com/wp-dyn/content/article/2007/01/16/AR2007011600621.html.

Keating, Gina. *Netflixed: The Epic Battle for America's Eyeballs*. London: Portfolio/Penguine, 2012.

Kelly, Kevin. "Better Than Owning." *The Technium*. Last modified January 21, 2009. Accessed April 6, 2013. http://www.kk.org/thetechnium/archives/2009/01/better_than_own.php.

Kirkpatrick, David. "Suddenly Pseudo." *New York Magazine*. Last modified December 20, 1999. Accessed April 3, 2013. http://nymag.com/nymetro/news/media/internet/1703/.

Laporte, Nicole. "HULU STRUGGLES TO SURVIVE THE INFLUENCE OF ITS PARENT COMPANIES [UPDATE]." *Fast Company*. Last modified October 11, 2012. Accessed April 6, 2013. http://www.fastcompany.com/3001736/hulu-struggles-survive-influence-its-parent-companies-update.

Lawler, Ryan. "How Much Would The Average Person Pay For A Standalone HBO GO Subscription? About $12 A Month." *TechCrunch*. Last modified June 5, 2012. Accessed April 6, 2013. http://techcrunch.com/2012/06/05/hbo-go-without-hbo/.

Lawler, Ryan. "Netflix Original Series House Of Cards Is Its Most Watched Program." *TechCrunch*. Last modified February 12, 2013. Accessed April 6, 2013. http://techcrunch.com/2013/02/12/house-of-cards-results/.

Leonard, Andrew. "How Netflix is turning viewers into puppets." *Salon*. Last modified February 1, 2013. Accessed April 6, 2013. http://www.salon.com/2013/02/01/how_netflix_is_turning_viewers_into_puppets/.

Lesser, Peter. "'Arrested Development' Season 4 Release Date: 'We're Done Shooting and it Was Great,' Says Jason Bateman." *Latinos Post*. Last modified March 8, 2013. Accessed April 6, 2013. http://www.latinospost.com/articles/13959/20130308/arrested-development-season-4-release-date-done-shooting-great-jason.htm.

Lotz, Amanda D. "Rethinking Meaning Making: Watching Serial TV on DVD." *Flow TV*. Last modified September 22, 2006. Accessed April 6, 2013. http://flowtv.org/2006/09/rethinking-meaning-making-watching-serial-tv-on-dvd/.

Lotz, Amanda D. *The Television Will Be Revolutionized*. New York, NY: NYU Press, 2007.

"Marc Randolph." *Businessweek*. Accessed April 5, 2013. http://investing.businessweek.com/research/stocks/people/person.asp?personId=929973&ticker=NFLX&previousCapId=126506&previousTitle=Storm%20Ventures%20Inc.

"MEDIA MASTERMIND KEYNOTES: MIKE LANG, MIRAMAX & TED SARANDOS, NETFLIX." *MIPCOM*. Last modified October 3, 2011. Accessed April 5, 2013. http://www.my-mip.com/RM/RM_MIPWORLD/2011/pdf/transcripts/mipcom-2011-media-mastermind-keynotes-mike-lang-and-ted-sarandos-transcript.pdf.

Mittell, Jason. "Narrative Complexity in Contemporary AmericanTelevision." *The Velvet Light Trap* 58, no. 1 (Fall 2006).

Netflix. *Netflix Arrives in Mexico, Central America and the Caribbean*. N.p.: n.p., 2011. Accessed April 6, 2013. https://secure.onlineprocessing.biz/3/mr5/netflix.us.en/index.php?s=24309&item=60407&printable.

Netflix. "The Bluths Are Back and Only on Netflix." News release. November

18, 2011. Accessed April 6, 2013. http://www.prnewswire.com/news-releases/the-bluths-are-back-and-only-on-netflix-134154308.html.

"Netflix 2002 Annual Report." *Netflix*. Last modified May 31, 2003. Accessed April 6, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0xS950168-03-1155/1065280/filing.pdf.

"Netflix 2006 Annual Report." *Netflix*. Last modified February 28, 2007. Accessed April 5, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0x102032/B149CD7C-55A6-444A-AB8A-367BBA459D35/NFLX.pdf.

"Netflix 2008 Annual Report." *Netflix*. Last modified February 25, 2009. Accessed April 5, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0x290276/4f1d397b-d0d4-4445-938c-b548e6454e2f/Final%20AR_10K.pdf

"Netflix 2009 Annual Report." *Netflix*. Last modified February 22, 2010. Accessed April 5, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0x364065/2add3064-3eea-4266-80c3-c6090d4bafc1/Netflix_-_2009_Annual_Report.pdf

"Netflix 2010 Annual Report." *Netflix*. Last modified February 18, 2011. Accessed April 5, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0x460274/17454c5b-3088-48c7-957a-b5a83a14cf1b/132054ACL.PDF

"Netflix 2012 Annual Report." *Netflix*. Last modified February 1, 2013. Accessed April 5, 2013. http://files.shareholder.com/downloads/NFLX/2260510130x0xS1065280-13-8/1065280/filing.pdf

"Netflix streaming “Watch Now” is coming." *Uneasy Silence*. Last modified January 16, 2007. Accessed April 5, 2013. http://uneasysilence.com/2007/01/netflix-streaming-watch-now-is-coming/.

"Netflix's Move From DVDs To Streaming Shows The Massive Value Of First Sale Doctrine." *Techdirt*. Last modified December 6, 2010. http://www.techdirt.com/articles/20101206/10223012145/netflixs-move-dvds-to-streaming-shows-massive-value-first-sale-doctrine.shtml.

Nielsen. "STATE OF THE MEDIA: CROSS-PLATFORM REPORT Q1 2011." *Nielsen*. Last modified June 14, 2011. Accessed April 6, 2013. http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2011-Reports/Nielsen-cross-platform-report-Q1-2011-reissued.pdf.

Null, Christopher. "How Netflix Is Fixing Hollywood." *CNN*. Last modified July 1, 2003. Accessed April 5, 2013. http://money.cnn.com/magazines/business2/business2_archive/2003/07/01/345263/.

"Our Story." *NCTA*. Accessed April 5, 2013. http://www.ncta.com/who-we-are/our-story.

Patel, Nilay. "NBC's Vivian Schiller: social media has made live TV essential again." *The Verge*. Accessed April 6, 2013. http://www.theverge.com/2012/11/14/3643722/ vivian-schiller-social-media-live-tv-essential-again.

Peers, Martin, and Christopher S. Stewart. "Disney, News Corp. Discuss Hulu's Future." *The Wall Street Journal*. Last modified March 1, 2013. Accessed April 6, 2013. http://online.wsj.com/article_email/SB10001424127887323978104578334652037458848-lMyQjAxMTAzMDAwMTEwNDEyWj.html.

Perez, Sarah. "Hulu Debuts Previews Of Its 2013 Original Programming And Exclusive Series." *TechCrunch*. Last modified January 8, 2013. Accessed April 6, 2013. http://techcrunch.com/2013/01/08/hulu-debuts-previews-of-its-2013-original-programming-and-exclusive-series/.

Red Flame. By Lil "The BasedGod" B. datPiff, 2010, compact disc.

Rewick, Jennifer L. "Pseudo Programs' Rapid Expansion Produces Unexpected Growing Pains." *The Wall Street Journal*. Last modified December 13, 1999. http://online.wsj.com/article/SB944842219604291025.html.

Richter, Felix. "Has Netflix Hit Rock Bottom?" *Statista*. Last modified July 31, 2012. Accessed April 6, 2013. http://www.statista.com/topics/842/netflix/chart/513/netflix-s-stock-performance-since-july-2011/.

Richwine, Lisa, and Liana B. Baker. "Netflix wins back Wall Street, shares jump 42 percent." Reuters. Last modified January 24, 2013. Accessed April 6, 2013. http://www.reuters.com/article/ 2013/01/24/us-netflix-results-idUSBRE90M1GL20130124.

Robertson, Adi. "Netflix Announces 27 Million US subscribers, Posts Unexpected Profit." *The Verge*. Last modified January 23, 2013. Accessed April 3, 2013. http://www.theverge.com/2013/1/23/3907424/netflix-announces-q4-2012-earnings.

Roller, Emma. "House of Cards: Gimmick or Legitimate Business Strategy?" *Slate*. Last modified February 4, 2013. Accessed April 6, 2013. http://www.slate.com/blogs/moneybox/2013/02/04/_house_of_cards_netflix_changes_the_television_landscape.html.

Rosenstein, Aviva W., and August E. Grant. "Reconceptualizing the role of habit: A new model of television audience activity." *Journal of Broadcasting & Electronic Media*, 1997, 324-44. Accessed April 6, 2013. http://www.tandfonline.com/doi/pdf/10.1080/08838159709364411.

Ross, Sharon Marie. *Beyond the Box: Television and the Internet*. Malden, MA: Blackwell, 2008.

Sauer, Patrick J. "How I Did It: Reed Hastings, Netflix." *Inc.* Last modified December 1, 2005. Accessed April 5, 2013. http://www.inc.com/magazine/20051201/qa-hastings.html.

Schechtman, Joel. "Netflix Uses Big Data to Improve Streaming Video." *The Wall Street Journal*. Last modified October 26, 2012. Accessed April 5, 2013. http://blogs.wsj.com/cio/2012/10/26/netflix-uses-big-data-to-improve-streaming-video/.

Schlotterbeck, Jesse. "Storytelling in Film and Television: A Review." Scope. Accessed April 5, 2013. http://www.scope.nottingham.ac.uk/bookreview.php?issue=4&id=112.

"Seinfeld - The Complete Series Box Set (DVD, 2007, 33-Disc Set)." EBay. Accessed April 5, 2013. http://www.ebay.com/ctg/Seinfeld-Complete-Series-Box-Set-DVD-2007-33-Disc-Set-/62277904.

"Seinfeld VHS Tape Set plus Display Case." Heritage Auctions. Accessed April 5, 2013. http://entertainment.ha.com/c/item.zx?saleNo=696&lotIdNo=54006.

Sepinwall, Alan. *The Revolution Was Televised: The Cops, Crooks, Slingers and Slayers Who Changed TV Drama Forever*. New York, NY: Simon &

Schuster, 2012.

Shapiro, Carl, and Hal R. Varian. "The Art of Standards Wars." *California Management Review*. Last modified 1999. Accessed April 5, 2013. http://people.ischool.berkeley.edu/~hal/Papers/1999_CMR_Standards_Wars.pdf.

Shirky, Clay. *Here Comes Everybody: The Power of Organizing Without Organizations*. New York, NY: Penguin, 2008.

Siklos, Richard. "News Corp. to Acquire Owner of MySpace.com." The New York Times. Last modified July 18, 2005. Accessed April 5, 2013. http://www.nytimes.com/2005/07/18/business/18cnd-newscorp.html?_r=0.

Sintumuang, Kevin. "A Year Without Cable." *The Wall Street Journal*. Last modified December 14, 2012. Accessed April 6, 2013. http://online.wsj.com/article/SB10001424127887324024004578171171317536826.html.

SNL Kagan. Accessed April 6, 2013. https://www.snl.com/.

"SONY CORP v. UNIVERSAL CITY STUDIOS." *Oyez*. Accessed April 5, 2013. http://www.oyez.org/cases/1980-1989/1982/1982_81_1687.

Sony Corporation of America v. Universal City Studios, Inc., 464 U.S. 417 (1984).

Surowiecki, James. "Bundles of Cable." *The New Yorker*. Last modified January 25, 2010. Accessed April 6, 2013. http://www.newyorker.com/talk/financial/2010/01/25/100125ta_talk_surowiecki.

Stelter, Brian. "News Corporation Sells MySpace for $35 Million." *The New York Times*. Last modified June 29, 2011. Accessed April 5, 2013. http://mediadecoder.blogs.nytimes.com/2011/06/29/news-corp-sells-myspace-to-specific-media-for-35-million/.

Stelter, Brian. "Once Film-Focused, Netflix Transitions to TV Shows." *The New York Times*. Last modified February 27, 2012. Accessed April 6, 2013. http://www.nytimes.com/2012/02/28/business/media/once-film-focused-netflix-shifts-to-tv-shows.html?pagewanted=all&_r=0.

Stelter, Brian. "Water-Cooler Effect: Internet Can Be TV’s Friend." *The New*

York Times. Last modified February 23, 2010. Accessed April 6, 2013. http://www.nytimes.com/2010/02/24/business/media/24cooler.html.

Stone, Brad. "Starz Gives Netflix Fans a Reason to Stream." *The New York Times*. Last modified October 1, 2008. Accessed April 5, 2013. http://bits.blogs.nytimes.com/2008/10/01/starz-gives-netflix-fans-a-reason-to-stream/.

Stutzman, Ellen. "Remember When the Home Video Market Never Materialized?" *Writers Guild of America, West*. Accessed April 5, 2013. http://www.wga.org/content/default.aspx?id=4809.

Summers, Nick. "Ted Sarandos’ High-Stakes Gamble to Save Netflix." *The Daily Beast*. Last modified May 14, 2012. Accessed April 5, 2013. http://www.thedailybeast.com/newsweek/2012/05/13/ted-sarandos-high-stakes-gamble-to-save-netflix.html.

Szalai, Georg. "Netflix Offered Starz $300 Million-Plus for Streaming Deal Renewal." *The Hollywood Reporter*. Last modified September 2, 2011. Accessed April 5, 2013. http://www.hollywoodreporter.com/news/netflix-offered-starz-300-million-230734.

Take My Money HBO. Accessed April 6, 2013. http://takemymoneyhbo.com/.

Thompson, Robert. Preface to *Quality TV: Contemporary American Television and Beyond*, by Janet McCabe and Kim Akass, xvii-xx. New York, NY: I.B. Tauris & Co Ltd, 2007.

Travlos, Darcy. "Netflix: Bull Case Trumps Bear Case For This Stock." *Forbes*. Last modified March 29, 2013. Accessed April 6, 2013. http://www.forbes.com/sites/darcytravlos/2013/03/29/netflix-bull-case-trumps-bear-case-for-this-stock/.

Trefis. "Are Netflix's International Ambitions Justified and Achievable?" Blogging Stocks. Last modified March 15, 2011. Accessed April 5, 2013. http://www.bloggingstocks.com/2011/03/15/are-netflix-s-international-ambitions-justified-and-achievable/.

Trefis. "Sizing Up Netflix's International Subscriber Growth Potential." Forbes. Accessed April 6, 2013. http://www.forbes.com/sites/greatspeculations/2013/03/05/sizing-up-netflixs-international-subscriber-growth-potential/.

"TV Service Providers Jump on the Binge Viewing Bandwagon." *MRG*. Accessed April 6, 2013. http://www.mrgco.com/blog/tv-service-providers-jump-on-the-binge-viewing-bandwagon/.

"Twin Peaks: Episodes 1-29 [VHS] (1990)." *Amazon*. Accessed April 5, 2013. http://www.amazon.com/Twin-Peaks-Episodes-1-29-VHS/dp/6302914191.

VanDerWerff, Todd. "Could Netflix's programming strategy kill the golden age of TV?" *The AV Club*. Last modified February 8, 2013. Accessed April 6, 2013. http://www.avclub.com/articles/netflixs-programming-strategy-kill-golden-age-tv,92230/.

Wallenstein, Andrew. "'House of Cards' lures binge viewers." *Variety*. Last modified February 4, 2013. Accessed April 6, 2013. http://variety.com/2013/tv/news/ house-of-cards-lures-binge-viewers-1118065641/.

Wallenstein, Andrew. "Netflix Series Spending Revealed." *Variety*. Last modified March 8, 2013. Accessed April 6, 2013. http://variety.com/2013/digital/news/caa-agent-discloses-netflix-series-spending-1200006100/.

Weisberg, Jacob. "The Wire on Fire." *Slate*. Last modified September 13, 2006. Accessed April 5, 2013. http://www.slate.com/articles/news_and_politics/the_big_idea/2006/09/the_wire_on_fire.html.

"Where can I find all (or some) Seinfeld seasons on VHS. My grandmother doesn't know how to work a dvd player?" *Yahoo Answers*. Last modified 2009. Accessed April 5, 2013. http://answers.yahoo.com/question/index?qid=20090719174240AAyUNlU.

Wu, Tim. *The Master Switch: The Rise and Fall of Information Empires*. New York, NY: Knopf, 2010.

Zittrain, Jonathan. *The Future of the Internet and How to Stop It.* New Haven, CT: Yale University Press, 2008.