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Sociological Moments in the History of Netflix

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An abstract of
a thesis submitted to the Faculty of Emory College of Arts and Sciences
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Abstract

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This thesis is a case study of Netflix, the popular media organization that rose to prominence during the first two decades of the 21st century. I begin by tracing the history of the company. This historical overview serves to familiarize the reader with the main cast of characters (e.g., the founders, competing organizations) and other background information relevant to the present study. Next, drawing upon different theories from the discipline of sociology, I analyze selected "moments" or episodes in the evolution of the company and its impact on the larger society. These theories include institutional isomorphism (from organizational sociology), invasion-succession (from urban sociology), and moral panics (from the sociology of media and social problems). My goal is to show how the specific example of Netflix is pedagogically useful for illustrating general theoretical concepts in sociology. In the concluding section of the thesis, I reflect upon the value and limitations of the case-study approach as a method for examining general theory.

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Sociological Moments in the History of Netflix

This thesis is a case study of Netflix, the popular media organization that rose to prominence during the first two decades of the 21st century. I begin by tracing the history of the company. This historical overview serves to familiarize the reader with the main cast of characters (e.g., the founders, competing organizations) and other background information relevant to the present study. Next, drawing upon different theories from the discipline of sociology, I analyze selected "moments" or episodes in the evolution of the company and its impact on the larger society. These theories include institutional isomorphism (from organizational sociology), invasion-succession (from urban sociology), and moral panics (from the sociology of social problems). My goal is to show how the specific example of Netflix is pedagogically useful for illustrating general theoretical concepts in sociology. In the concluding section of the thesis, I reflect upon the value and limitations of the case-study approach as a method for examining general theory.

HISTORICAL BACKGROUND

In 1997, American entrepreneurs Marc Randolph and Reed Hastings founded Netflix.com, Inc. with the mission of renting and selling digital video discs (DVDs) through the medium of the Internet. Previously, during the 1980s and early 1990s, Marc Randolph had co-founded several computer technology start-ups, including a computer mail-order company called Microwarehouse and the Apple computer publication *MacUser Magazine*. During this same timeframe, Randolph also served as vice president of marketing for the software development company Borland International (Marcrandolph.com, 2016). Reed Hastings, in contrast, was a former math teacher for the Peace Corps before becoming an entrepreneur. In 1991, after briefly working in the computer industry for a company called Adaptive Technology, Hastings created and founded the software development company Pure Software, which he later sold for 750 million dollars (Copeland, 2010). It was Hastings who supplied the initial funding of 2.5 million dollars to start Netflix (Uhle, 2009).

According to many sources (e.g., Loudenback, 2015; Schorn, 2006), including Reed Hastings himself, the original idea for Netflix occurred to Hastings after he was forced to pay $40 in fines for an overdue VHS tape of the 1996 movie *Apollo 13*.[1] Hastings describes the incident as follows:

> [I]t's a little embarrassing! I'd rented a VHS and I had misplaced it and it was six weeks late. So it was a $40 late fee. I remember 'cause I didn't want to tell my wife. Because you know I knew what she would say…you know, an eye roll. An eye roll that could kill! And I thought, 'Oh, great! Now I'm thinking about lying to my wife about a late fee and the sanctity of my marriage for this thing!' I mean it was just crazy. And I was on the way to the gym and I realized – 'Whoa! Video stores could operate like a gym, with a flat membership fee.' And it was like 'I wonder why no one's done that before!' (quoted in Schorn, 2006).

This event apparently inspired an "aha!" or Eureka moment out of which Netflix was born. Randolph, however, disputes Hastings' version of events, calling the overdue videotape anecdote a "convenient fiction" (Keating, 2012: 6), an interesting but inaccurate origins tale. The actual idea for the company, Randolph says, arose more prosaically and mutually between the two men

[1] VHS (Video Home System) was a widely-used videocassette recording (VCR) technology developed by the Japan Victor Company and first marketed in the mid-1970s (Rouse, 2011).

over the course of several conversations in early 1997 (Keating, 2012). The story about an overdue videotape appears to be, at best, an early point in a longer process of idea development.

The technology of the DVD played a crucial role in this process. The DVD format became available in the mid 1990s. At that time, there were less than 1,000 DVD titles available, and the hardware needed to play DVDs was expensive and owned by few Americans (Uhle, 2009). Nonetheless, Randolph and Hastings correctly surmised that DVDs would become the preferred format for home entertainment. The DVD format struck them as superior to the VHS format that was widely used at the time with DVDS having higher resolution and less bulk than VHS tapes. Their small size and the ease of transporting them helped shape the company's initial strategy. After experimenting with over 200 ways of mailing packages, including some with and without cover art and advertisements, the company settled on a plain red case that showed only the white-lettered Netflix logo (Uhle, 2009), depicted in Figure 1.

Figure 1. Netflix Mailing Package (Postalnews.com, 2016)

This mailing package conveniently required only a single first-class stamp. Netflix utilized the United States Postal Service to guarantee quick delivery to its customers. For every new DVD release, the company bought more than 1,000 copies of the new DVD, reserving them in advance for shipment on the same day as they were available in brick and mortar stores (Uhle, 2009). As McDonald and Smith-Rowsey observe in their book *The Netflix Effect: Technology and Entertainment in the 21st Century*, the red envelope, unadorned by any other writing or symbols save for the company name, proved to be a marketing success:

> In the first decade of the twenty-first century, tens of millions of Americans became familiar with its red envelopes which regularly entered, lingered around, and departed domestic spaces, enabling what advertisers called "brand penetration" that few other brands can claim. Netflix may well have been tempted to plaster the outsides of its envelopes with advertisements, but instead generally left its trademark red undiluted, a classroom-ready case of steadily building a brand and logo (McDonald and Smith-Rowsey, 2016: 4).

In April 1998, Netflix opened for business in Scotts Valley, California, the site of its first headquarters. The company had 30 employees and 925 titles for rent, accounting for nearly all the DVDs available at the time (Uhle 2009). The company shied away from hardcore pornography, only offering a limited number of softcore Playboy titles (Copeland, 2010). Netflix initially guaranteed a seven-day DVD rental for $6 (including $4 rental fee plus shipping costs), and the cost would go down every time more discs were rented. Netflix permitted customers to keep DVDs for more than one week for an additional fee, and the company offered new discs for sale with up to a thirty percent discount. Once a customer had rented several titles, Netflix generated a personal profile and automatically suggested additional films based on the characteristics of previously selected movies (Uhle, 2009).[2]

For the launch of the company in April 1998, Netflix partnered with Warner Brothers to promote the newly released DVD of their movie *L.A. Confidential,* offering interested users an all-expense-paid "L.A. Weekend" (Keating, 2012). The initial response to Netflix was strong. In fact, the site was forced to shut down 48 hours after it went live because it could not support the amount of online traffic. A month after the company opened, Netflix announced multiple promotional ventures with Toshiba America DVD players, Pioneer DVD players, Hewlett Packard and Apple computer models that included DVD drives. Later that year Netflix worked with Sony, and then other companies partnered in cooperative efforts (Uhle, 2009). These partnerships were one way the company distinguished itself from its competitors. Another way involved then-President Bill Clinton: In September 1998 Netflix made available 10,000 copies of President Bill Clinton's grand jury testimony in the Monica Lewinsky affair. Peter Lewis, writing for the *New York Times*, described Netflix's effort to capitalize on the presidential scandal:

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[2] In 1998, the year Netflix launched, the only other companies renting DVDs by mail were Magic Disc, DVD Express and Reel.com. This latter company, Reel.com was the online arm of a Berkeley, California-based video rental store; they had a library of eighty-five thousand VHS titles and Internet traffic of about twenty thousand users per month. Hollywood Entertainment (which owned the once-popular DVD-rental store Hollywood Video) purchased Reel.com for $100 million. As a result of the acquisition, Reel.com had access to Hollywood Video's twenty-five million customers, and also directed the online visitors to the one thousand U.S. stores (Keating, 2013). At the time Reel.com was a formidable rival to Netflix, but two years later Hollywood Entertainment closed their service (Paul, 2000).

> If you are one of the dozens of Americans who cannot get enough of the Clinton-Lewinsky saga, a California company called Netflix has just the thing for you: President Clinton's four-hour grand-jury testimony is now available on a DVD disk. And it is only 2 cents, plus $2 shipping and handling. Netflix (www.netflix.com), the first company to rent and sell DVD movie titles over the Internet, announced Monday that it would make "President Clinton's Grand Jury Testimony" -- catchy title, eh? -- available on DVD disk for $9.95, or $4 for a seven-day rental. But yesterday the company cut the sale price to 2 cents "to encourage public education regarding these history-making events" (Lewis, 1998).

However, the success of the offer was tainted because the manufacturing plant accidentally shipped hardcore Chinese pornographic DVDs instead of copies of the testimony (Vella, 2012). This mishap is surely one of the most bizarre episodes in the history of this colorful company.

By December 1998 Netflix stopped selling DVDs, citing their modest sales figures and the huge effort it would take to remain competitive in the field. Netflix directed customers interested in purchasing DVD's to Amazon.com. In exchange, Amazon would promote Netflix on its highly trafficked site (Nichols, 1998), with the hope of increasing consumer interest. Netflix's library had grown tremendously to 2,300 titles and DVD player sales were steadily increasing (although only one percent of U.S. households owned the device.) Hastings considered selling Netflix to Amazon but rebuked Amazon CEO Jeff Bezos' offer of $12 million. Instead the two companies agreed to a cross-promotional arrangement (Keating, 2012).

In January 1999, the company partnered with All-Movie Guide, an online movie information provider, to assist customers who wanted more information about a title they were searching for on Netflix. In March of that year, the film critic Leonard Maltin started writing a monthly film column for All-Movie Guide about the five "must-rent" DVD titles on Netflix's site. Maltin's column helped Netflix gain exposure because on a monthly basis Netflix's name appeared in his column. While the company no longer uses Maltin's monthly column, Netflix continues to use monthly promotions by releasing a list of new and discontinued titles (McDonald and Smith-Rowsey, 2016) so users are informed about available content.

Growth and Change

Over the next three years Netflix struggled to find its footing in the marketplace and remain viable. Like many young companies, Netflix had to navigate its way through what sociologist Arthur Stinchcombe has called "the liability of newness" (Stinchcombe, 1965), by which he means that newer companies face particular difficulties and a greater risk of failure. For example, the company experienced changes at the top of its hierarchy: while Hastings' leadership has been constant throughout the company's history, Randolph was gradually phased out of operations until he stopped working for the company in 2002 (Keating, 2012). In addition, Netflix struggled to make a profit, reporting losses of $29.8 million for fiscal year 1999 (Uhle, 2009). Netflix was spending large sums of money to attract customers under the assumption it would be profitable after the brand was more established and well known. In 2000, Netflix's lack of profits concerned investors who were growing increasingly skeptical of the e-commerce business model. Although Netflix struggled to retain investors, the company's consumer base expanded to 250,000 subscribers (Uhle, 2009). Furthermore, in order to meet consumer demand Netflix teamed with major movie studios (e.g., Warner, Columbia, and DreamWorks) that offered better prices on larger quantities of DVDs (Uhle, 2009). Such organizational alliances were an important part of Netflix's strategy from the very beginning of the company.

These and other key events in the early history of Netflix are outlined in Table 1 featured below. As Table 1 shows, in the year 2000 Netflix introduced a new personal recommendation

Table 1. Netflix Timeline: The Early Years 1997-2005

1997	Netflix.com, Inc. is co-founded by Marc Randolph and Reed Hastings in California.
1998	Netflix launches the first DVD rental and sales site.
1999	Netflix begins offering unlimited DVD rentals for one monthly price.
2000	Revenue sharing deals are signed with major movie studios, and Netflix introduces its personalized movie recommendation system.
2001	The number of subscribers to Netflix doubled.
2002	Netflix makes its initial public offering (IPO on Nasdaq under the ticker "NFLX").
2005	The number of Netflix members rises to 4.2 million.

Sources: Netflix.com (2006); Uhle (2009).

system. This system refined Netflix's earliest recommendation system which sought only to recommend titles based on viewing history. However, the newer system was able to take into account more nuanced information about users. As Ted Sarandos, Chief Content Officer at Netflix, told *Wired* magazine in 2006, "[The system] 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*" (Biba, 2006). In short, the algorithm for personal viewing profiles has changed over time to better anticipate user preferences. The information generated by personal profiles allows Netflix to determine whether there will be a critical mass of viewers for new films the company acquires (Biba, 2006). At first confined to just the United States, the system has continued to evolve and has now become a sophisticated example of social network analysis on a global scale.[3] Carlos Gomez-Uribe, Vice President of Personal Algorithms at Netflix, describes it as follows:

> [O]ne way that Netflix generates personalized recommendations for individual members involves identifying communities of other members with similar movie and TV show preferences, and then making recommendations based on what is popular within that community. Rather than looking at audiences through the lens of a single country and catalog, Netflix's global recommendation system finds the most relevant global communities based on a member's personal tastes and preferences, and uses those insights to serve up better titles for each member, regardless of where he or she may live. Simply put, tapping into global insights makes our personalized recommendations even better because now our members benefit from like-minded viewers no matter where they are in the world (Gomez-Uribe, 2016).

The company's ongoing concern with improving its recommendation system has likely helped increase customer satisfaction and loyalty (Aggarwal, 2016). Indeed, paying attention to the customer's subjective experience of navigating Netflix and trying to make that experience as user-friendly as possible is probably a key reason for Netflix's success. After all, if customers found it difficult to use Netflix — if the learning curve was too steep — they simply would not put forth the effort. They would instead follow the paths of least resistance represented by all the other widely available entertainment sources.

After the September 11, 2001 terrorist attacks against the United States, the number of Netflix subscribers doubled. This increase may be attributed not just to the company's recommendation system but to an even more fundamental change: The DVD player became

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[3] For an overview of network analysis in the social sciences, see Prell (2012).

more affordable, with some models being sold for less than $100. Another reason for the doubling of subscribers may lie with the terrorist attacks themselves: more Americans may have opted to stay home to avoid the dangers of public spaces (Uhle, 2009).

By February 2002, Netflix had 600,000 subscribers to the service (Netflix.com, 2016). The company then opened new distribution facilities all over the country so that they could overnight first-class mail delivery to as many customers as possible. The company's per capita subscription rate was much higher in cities located closely to distribution centers because customers could receive their orders the next day (Uhle, 2009). By opening more distribution centers, Netflix sought to fulfill customers needs as soon as they were processed, foreshadowing streaming technology. During the summer of 2002, Netflix opened its first brick-and-mortar DVD rental store in Las Vegas, Nevada. The storefront was called Netflix Express and lasted less than one month due to the expense (Keating, 2013). As shown in Table 1, the company also went public in 2002, selling 5.5 million shares of stock at $15 dollars a share, grossing $82.5 million (New York Times, 2002).

As Netflix garnered more media interest and subscribers rates continued to soar, the competition intensified. Blockbuster began offering an unlimited, no-late-fee subscription service for DVD rentals in some stores and bought an online DVD rental company (Uhle, 2009). In addition, Wal-Mart Stores started their own unlimited online DVD rental service, pricing their service at $18.86, which undercut Netflix by just over a dollar. Wal-Mart advertised that it had 12,000 titles available compared to Netflix's 11,500. Columbia House, a formidable player in the DVD rental market, was also threatening to start a similar service (Keating, 2013). As a result, Netflix's subscriber cancellation rate rose, and the company's stock price dropped by more than half. In order to increase revenue, Netflix declared that it would open more distribution facilities to serve major metropolitan areas. Annual figures for 2002 showed dramatic improvements from the previous year. In fact, Netflix doubled its revenue to $152.8 million, up from $75.9 million in 2001, and by the year's end had almost 860,000 total subscribers (Netflix.com, 2003).

By February 2003, Netflix hit the one million-subscriber mark. In the spring of that year the stock price was almost 50% more than what the company had commanded at the IPO. In June, Netflix reported its first profitable quarter. Corporate malfeasance was a defining theme of the previous two decades, as companies across different industries were misstating earnings on the books (Blowfield and Murray, 2008). Amidst all of the corporate accounting scandals, Netflix became one of the first companies to count its stock options as expenses. Netflix sought to set an example and offered stock options to all of its salaried employees. The company compensated their employees with stock appreciation right, so employees could be paid the amount by which the market price of one share of stock increased after a period of time. In addition, the United States Patent and Trademark Office awarded Netflix patents for its software systems that tracked DVD rentals and documented and archived customer requests. The company expanded its subscriber base and reported increased revenues. In effect, the stock value skyrocketed and showed an increase of 400% over the course of 2003. Still, as a result of continued competition from Blockbuster, among other rivals, analysts suggested Netflix was ripe for a takeover (Uhle, 2009).

<u>The Era of Streaming Technology</u>

During this period, the rapid emergence of streaming media technology caught the eye of Netflix. “Streaming” technology enables the transmission of video and audio material online as a continuous flow rather than having users first download a media file from a remote server before being able to access it. Netflix considered ways of exploiting this technology to reach a greater consumer base (McDonald and Smith-Rowsey, 2016). The ease and convenience of streaming technology was clear, so Netflix formed a partnership with TiVo Inc., the company that introduced the digital video recorder (DVR) in 1999, to determine how to securely stream video content to personal television sets. In January 2007, Netflix launched its “Watch Now” online service making certain videos available to subscribers instantly over the Internet. Netflix later partnered with several other companies (e.g., Roku, Microsoft) to develop more streaming opportunities, working, for example, with Microsoft Corporation to create streaming video capability for the Xbox game console (Uhle, 2009). In October 2008, Netflix obtained the rights to stream Starz’s entire library of 2,500 movies and TV shows as part of a four-year agreement. The deal more than tripled its previous count of streaming titles. Reportedly, Starz sold their library for $30 million dollars which today would cost Netflix approximately $250 million dollars (O’Neill, 2011). In late 2009, Netflix reached a deal with Sony Corporation to offer programming through the Sony PlayStation 3. By April 2010 Netflix made its content available through the Nintendo Wii console (Uhle, 2009). Table 2 below lists these and other developments in the company’s more recent history.

Table 2. Netflix Timeline: Later Years 2006-2017

2007	Netflix begins streaming instant video content via the Internet.
2008	Netflix partners with consumer electronics companies to broadcast on XBox 360, Blu-ray Disc Players, and Decoders, enabling subscribers to watch online content on their televisions.
2010	Netflix is available on Apple iPad, iPhone and iTouch, Nintendo Wii, and other devices connected to the Internet. Netflix launches in Canada.
2011	Netflix launches its service in Latin America and the Caribbean.
2012	Netflix became available in Europe, including the UK, Ireland, as well as the Nordic countries.
2013	Netflix receives 31 Primetime Emmy nominations, including the best drama series, best comedy series, and best documentary or nonfiction special. Netflix was the first online TV network nominated for a Primetime Emmy award.
2014	Netflix has more than 50 million subscribers worldwide.
2015	The first original feature film, *Beasts of No Nation*, premiered on the site.
2016	Netflix is available worldwide.
2017	Netflix secures 94 million subscribers worldwide (47% of Netflix's total members are outside of the United States).

Sources: Netflix.com (2017); McDonald and Smith-Rowsey (2016); Netflix Shareholder Letter (2017).

As shown in Table 2, Netflix launched in Canada, Latin America, and the Caribbean in 2010 and 2011. In 2012, Netflix became available in Europe, including the United Kingdom, Ireland and in the Nordic Countries (Netflix.com, 2016). In February 2012 Netflix announced a move into original programming with its first original show *Lilyhammer*, starring Steven Van

Zandt as an American gangster in Norway, and all eight episodes were available for streaming on the day of the release (Greene, 2013). A year later, in February 2013, *House of Cards*, a political drama starring Kevin Spacey and Robin Wright, premiered on Netflix. The company had invested $100 million for two, 13-episode seasons of *House of Cards.* The first season earned eight Emmy nominations and greatly increased the company's visibility. The Emmy nominations were the first for an online-only show (Greene, 2013).

In May 2013, Netflix broadcasted a fourth season of *Arrested Development*, a Fox comedy series that went off the air after three seasons in 2006 but which Netflix resurrected. *Arrested Development* is an example of how Netflix has taken shows cancelled on traditional television and given them a second life (Ulin, 2014). The A&E network's cancelled western series *Longmire* is another example of a Netflix-revived show. This practice of reviving old shows is predicated on the idea that these cancelled shows have cult followings — ongoing and avid fan bases that guarantees a ready-made audience. The fans of these cancelled shows represent a niche market of new subscribers to the service, lured by their devotion to a single series from a traditional network. Whereas original programming has to cultivate an audience, revived cult programming already has one.

In July 2013, Netflix premiered *Orange is the New Black*, an original show about the inmates of a woman's prison. The first season received twelve Emmy nominations. In November, Netflix reported that it was the service's most watched original series (CNN, 2014). The second season of *House of Cards* premiered in February 2014 and earned fourteen Emmy nominations. Traditional television's monopoly on awards and recognition eroded to some extent due to competition from services such as Netflix.

In 2014, Netflix had over 50 million subscribers globally, as shown in Table 2. The next year, the Netflix service appeared in Australia, New Zealand, and Japan, and continued to expand in Europe. The first Netflix original feature film, *Beasts of No Nation*, was also released in 2015 (Netflix.com, 2016), appearing in theaters at the same time as it was available for streaming on the service. Despite the fact that *Beasts of No Nation* earned just $50,699 at the box office, the movie reinforced the credibility of Netflix's original programming (Robehmed, 2015). Eight years after the company's initial public offering, Netflix became America's fastest growing stock price between 2010-2015 (McDonald and Smith-Rowsey, 2016).

Netflix's success can be attributed to many factors, some of which have been noted above, but two of the most basic reasons are the Internet and cable television, both services enabled Netflix to reach consumers in the first place.[4] The rise of Netflix coincided with the adoption of high speed Internet which increased consumer access. Further, the growth of cable television expanded the breadth and depth of programming choices so that some content could be targeted to niche audiences, not just the mass market (McDonald and Smith-Rowsey, 2016).

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[4] The Internet laid the foundation for all on-demand video technology. While the full history of the Internet lies beyond the scope of the present study, Castells (2009) details how it originated "in a daring scheme imagined in the 1960s by the technological warriors of the US Defense Department … to prevent a Soviet takeover or destruction of American communications in the event of nuclear war … The outcome is a network architecture which … cannot be controlled from any center … Ultimately, ARPANET, the network set up by the US Defense Department, became the foundation of a global, horizontal communication network …" (Castells, 2009: 6).

Recent Developments

Fortune recognized Netflix as one of the fastest growing companies of 2016. According to the 2016 *Fortune* 500 list, the company ranked 379 and jumped up 95 slots from 2015 (Lev-Ram, 2016). Despite the firm's small size, especially in comparison to other technology companies or studios, Netflix has had an impact on Hollywood; specifically, Netflix has changed the way television shows are packaged and produced and viewed. Netflix disrupts theaters, gives consumers more choices, and represents a more streamlined process for the consumer to get what they want when they want it and enjoy it accordingly (Lev-Ram, 2016). Netflix accounts for up to one-third of North American Internet traffic at any given time (McDonald and Smith-Rowsey, 2016).

Netflix is growing their global presence. The company has launched in 190 countries globally and now has over 94 million subscribers (Netflix.com, 2016). In their global expansion, Netflix has attempted to partner with many international carriers. As New York Times reporter Mark Scott (2017) details, "the company's partnerships with cable and cellphone operators worldwide give it almost instantaneous access to potential new users without having to spend a fortune on advertising and distribution deals in markets where its brand and content are often still relatively unknown." Interestingly, Scott observes that international cable and cellphone companies have often been wary of the potential for Netflix's American shows to overpower content from the country of origin. This reaction seems to fit a larger pattern of backlash against the globalization of American culture. As Shimemura (2002: 81) puts it, critics of globalization tend to see it as "another name for world dominance by American capitalists … [the critics are concerned that] national and local cultures [are] being eroded by the worldwide popularity of American culture."

Regardless of whether this critique of globalization is justified (Shimemura believes it is not), streaming technology companies such as Netflix, Amazon Studios, and Hulu have come of age and are enjoying new acclaim. In February 2017, at the 89th Academy Awards, Netflix and Amazon walked away with major wins. The Netflix documentary *The White Helmets* won an award for Best Documentary Short for its exploration of the work of the Syrian rescue service of the same name; while Amazon Studios' *Manchester by the Sea* picked up two awards, one for best original screenplay, and another for best actor. Additionally, Amazon Studios served as the distributor of the winner of Best Foreign Language Film *The Salesman* (Porter, 2017). This year's Academy Awards nominations demonstrate the success of Netflix and Amazon's forays into the film industry.

Netflix continues to spend heavily on original content. In the upcoming year, Netflix is set to release new original content, all exclusive to their site. The company reportedly paid $90 million for a new film starring Will Smith titled *Bright.* Furthermore, the streaming company has reportedly paid over $100 million for Martin Scorsese's next film, *The Irishman*, starring Robert DeNiro, and $60 million for Brad Pitt's new film *War Machine* (Hardawar, 2017). Netflix is investing in original content in hopes of attracting more subscribers. The steep price tags further legitimize the appeal of up and coming content.

Throughout the company's history, Netflix made a conscious and deliberate effort to procure titles that were not available in mainstream video stores like Blockbuster. Moreover, Netflix tapped into independent and foreign film markets having great success offering Bollywood films from India with over 1,000 titles in this category (Keating, 2013). Netflix determined that customers were likely to rent lesser-known films after they had been suggested by the company's recommendation system (Uhle, 2009). As the firm phased out single-title rentals and focused fee structuring on membership, subscribers could rent unfamiliar movies without risk because they were not paying for each title individually (Keating, 2013). In fact, Netflix possesses an unprecedented stockpile of data. The company has meticulously analyzed every television show and movie imaginable (Madrigal, 2014). Netflix's long-term security lies in its adaptability in both product and business structure.

In March 2017, Reed Hastings delivered the keynote session during the Mobile World Congress Trade Show and discussed candidly Netflix's plan for the future. Hastings noted that the "highly aligned, loosely coupled" work environment allows Netflix to stay adaptable. "Rather than commit to one particular point of view, we will adapt. If it's contact lenses with amazing capabilities, at some point, we will adapt to that." Hastings said the Internet's importance is providing a platform to make streaming easy and convenient, so shows like *The Crown,* "which would have been a niche before, [are] spreading around the world" (Cheng, 2017). Netflix's international appeal is growing, and the opportunities abroad could be significantly larger than the opportunities at home.

The future of Netflix has not yet been written. Moving forward, analysts will continue to watch the growth of Netflix's subscribers worldwide. It will be interesting to see whether Netflix is successful at tailoring programming to local markets around the globe, a process sociologists call "glocalization" — a term that combines globalization with localization and which refers to the process of adapting a globalized product to specific cultural preferences (see, e.g., Osterhammel and Petersson, 2009). For now, Netflix will remain the norm for watching video content online and at home until the next revolutionary technology comes along and changes media.

In the following pages, I will return to several of the issues introduced above and examine them in terms of sociological concepts and theories. Already we have seen the relevance of Stinchcombe's "liability of newness" concept as a description of Netflix's early years, and how Netflix survived this period partly through its partnerships with older, already established organizations. We have also seen the relevance of network analysis to understanding Netflix's personal recommendation system. In addition, as suggested above, Netflix can be analyzed as an example of globalized American culture, a sort of cultural imperialism that may provoke resistance from certain parts of the world. There are also other potential lines of sociological investigation that could be pursued, but for present purposes I limit the focus to three areas of scholarly interest — the theories of institutional isomorphism, invasion-succession, and moral panics.

CHANGING TECHNOLOGY AND INSTITUTIONAL ISOMORPHISM

The theory of institutional isomorphism, developed by sociologists Paul J. DiMaggio and Walter W. Powell, examines the influence of environmental pressures on the characteristics of organizations. This term is a wide-ranging theory in organizational sociology, and here I will be concerned with a small handful of concepts from this approach: coercive isomorphism, mimetic isomorphism, and institutional legitimacy. Below, I will explain in depth the coercive and mimetic processes and how the rise of streaming companies such as Netflix, Hulu, and Amazon are challenging the traditional dominance of cable television. In addition, I will demonstrate how Netflix, Hulu and Amazon have legitimized streaming services as the destination for quality content. I will also indicate how organizational ties with already-successful companies confer institutional legitimacy on new, digital media companies.

Coercive and Mimetic Isomorphism

The streaming market is one example of how cultural expectations from society encourage organizations to become more alike. DiMaggio and Powell (1983: 357) define the process of isomorphism as a "set of pressures in the organizational field that push organizations toward homogeneity in their basic forms and structures." The term "organizational field" refers in part to those organizations that produce similar services or products. The focus of this approach is on the factors that promote homogeneity across these organizations. These factors are largely external to the organization itself. The external environment includes, for example, cultural expectations from society, governmental mandates derived from contract law, and financial reporting requirements, to name a few. In the initial stages of their life cycle, organizational fields display considerable diversity in approach and form. Once a field becomes well established, however, there is a push towards homogenization (DiMaggio and Powell, 1983). DiMaggio and Powell identify three mechanisms through which institutional isomorphic change occurs: "1) *Coercive* isomorphism that stems from political influence and the problem of legitimacy; 2) *mimetic* isomorphism resulting from standard responses to uncertainty; and 3) *normative* isomorphism, associated with professionalization" (DiMaggio and Powell, 1983: 359). In the case of the streaming market and how it has evolved over the last two decades, I will discuss only the first two mechanisms, *coercive and mimetic isomorphism*.

As DiMaggio and Powell explain, "coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function" (DiMaggio and Powell, 1983: 360). The authors note that "the pressures may be felt as [a] force, or persuasion, or as an invitation to join in collusion" (DiMaggio and Powell, 1983: 360). Sociologists John W. Meyer and Brian Rowan have argued that "as rationalized states and other large rational organizations expand their dominance over more arenas of social life, organizational structures increasingly come to reflect rules institutionalized and legitimated by and within the state" (cited in DiMaggio and Powell, 1983: 360). DiMaggio and Powell observe that not all institutional isomorphism evolves from coercive actions. Instead, they insist that uncertainty drives imitation amongst organizations. According to DiMaggio and Powell, "organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than to any concrete evidence that the adopted models enhance efficiency" (DiMaggio and Powell, 1983: 361). To summarize, coercive isomorphism refers to organizations influenced by cultural expectations from society. In contrast, mimetic isomorphism attributes uncertainty as initiating imitation.

The theories of coercive and mimetic isomorphism are illustrated by the development of two new media companies: Hulu and Amazon Studios. Hulu, a company dedicated to streaming content, was created to adjust to Americans' changing expectations about viewing television and movies. I will discuss how three major studios came together to form this one giant streaming service as an example of coercive isomorphism. Furthermore, I will discuss the online retail company Amazon and their development of Amazon Studios as an example of mimetic isomorphism. This company, with an established user base and extensive bandwidth, sought out their next frontier — feature films and series — to counter the uncertainty of the on-demand video market. Both Hulu and Amazon Studios looked to Netflix as a model for success, and they sought to replicate that success. However, despite their efforts, Netflix remains the most popular streaming service to date.

Hulu: An Example of Coercive Isomorphism

Currently, the closest competitors to Netflix's streaming video on-demand model are other media companies that offer their subscribers access to television anywhere. These include premium channels with streaming capability such as HBO Go and Showtime Anytime, as well as companies that only provide a streaming service and do not exist as a TV-based cable channel such as Hulu and Amazon. Netflix's greatest competitors are streaming movie and television content providers Hulu and Amazon. Hulu combines traditional television and web TV. It offers subscribers a wide selection of movies, trailers, television shows, and other content. Hulu launched in 2008; and during its first year the site reached up to 40 million viewers per month despite the fact that content was unavailable for viewers outside the United States and was difficult to access on all platforms for streaming (Qualman, 2013).

Parent companies NBC, Fox, and ABC created streaming service Hulu because American viewing habits evolved, and consumers desired access to content beyond a show's pre-recorded time and date. With more people watching a variety of content at different times and on different days, traditional networks needed to adapt to Americans' changing viewing habits, and coercive isomorphism explains this process. For example, CBS first launched Innertube in 2006 in an attempt to keep its once-faithful viewers attached to their brand of programming (Barnes, 2006). Changing cultural expectations also propelled the creation of Hulu. In 2007, NBC Universal paired off with News Corporation, owners of Fox, and created Hulu. Shortly after the general public was granted full access to the working Hulu site, the Walt Disney Company, owners of the traditional channel network ABC, bought a stake in Hulu.com. Immediately, ABC joined NBC and Fox by offering their network's content on Hulu. In addition to carrying content from its founding partners, Hulu carried content from the studios of MGM, Sony, and Warner Brothers (Kilar, 2008). By September 2008, Hulu had become the sixth, most-watched video content provider on the Web, with 142 million streams and 6.3 million monthly visitors, surpassing established channels ESPN and MTV (Oruganti, 2009).[5]

Hulu generates money in two ways — by charging a monthly subscription fee for its full catalog and also by showing advertisements. Hulu's success can be attributed in part to its

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[5] It is important to note that Hulu's numbers benefit from allowing viewers to watch a video more than once.

diverse content as well as to its novel approach to advertising. Advertisers have the ability to make advertising conform to the users preference for particular types of products (Napoli, 2011). Hulu has changed the way people normally view commercially-sponsored content, allowing users to select the timing and spacing of commercials.

In 2011, Hulu and Netflix released their original content within one week of each other. Hulu released their first original series one week after *Lilyhammer* premiered on Netflix. Hulu developed, produced, and released the television show *Battleground,* which centered on a group of political campaign staffers as they worked to elect an unpopular candidate to the U.S. Senate in the battleground state of Wisconsin. The show received negative reviews (Hale, 2012). The content was only available to Hulu subscribers and the limited distribution hindered the site's efforts to challenge traditional cable television. The show's failure proves that developing original content on a streaming platform is simply not enough; the show must resonate with audiences. Overtime, Hulu has produced other original content, but Netflix original shows are in greater demand. According to a report by Parrot Analytics, a company that estimates online demand for television shows by tracking social chatter, file sharing, and available streaming data, Netflix has exactly 11 original shows that are more sought after by consumers than anything released by Amazon or Hulu (Lubin, 2016).

Despite Netflix's popularity, Hulu helped accelerate the widespread adoption of streaming. By adjusting to changing cultural expectations of viewing television series and movies, Hulu became a popular site for accessing on-demand video. It is important to recognize that Hulu's venture was initially solely ad-supported, unlike services Netflix or Amazon offered, which have never included advertisements as part of their streaming sites. However, overtime, even with the financial support of its advertisers, Hulu struggled to make money from its model. The equity partners (ABC, FOX, and NBC), content partners, and the company itself never saw a profit. To fill in the financial gap and help ever increasing infrastructure costs, Hulu created Hulu Plus in 2010. Introducing fees or more advertisements into an environment like Hulu challenged viewers' expectations of what a streaming experience should be (Griffith, 2016). By separating paying members from non-paying members (paying members watch their content ad-free), Hulu ran the risk of losing parts of its consumer base that were unwilling to pay. Furthermore, by adding more advertisements, Hulu risked alienating consumers and negatively impacting the viewer experience (Learmonth, 2010). But in 2015, the company followed up Hulu Plus with a "No Commercials" subscription option at a higher monthly price. Hulu has been one of the few video streaming services to try charging a monthly subscription fee as well as show advertisements. As DiMaggio and Powell recognized,

> What we see in each of these cases is the emergence and structuration of an organizational field as a result of the activities of a diverse set of organizations; and, second, the homogenization of these organizations, and of new entrants as well, once the field is established (DiMaggio and Powell, 1983: 358).

From 2014-2015, Hulu experienced the highest subscriber growth, with 50 percent more subscribers paying for the service (Kastrenakes, 2016). The following year, Hulu added an additional three million subscribers. By May 2016, Hulu had 12 million subscribers. It is important to note that Hulu's service only operates in the U.S., not even Canadians can access the platform.[6] In comparison, as of January 2017, Netflix has 94 million subscribers worldwide (see Table 1) and Amazon Prime members top 63 million, which is more than half of the online retailer's customer base (Shi, 2016). Based on these numbers alone, Hulu is greatly trailing the competition.

In summary, Hulu represents an instance of coercive isomorphism in that multiple organizations (NBC, Fox, and ABC) joined forces to create the site in response to Americans' changing preferences about viewing television and movies. Instead of watching shows at their pre-recorded time and date, Hulu offered and continues to offer consumers access to content anywhere and at anytime. But Hulu's relatively limited accessibility, lack of compelling original programming, and advertising and subscription-supported model, appear to weaken it as a contender to Amazon and Netflix's offerings.

Amazon Studios: An Example of Mimetic Isomorphism

In 1994, Jeff Bezos incorporated Cadabra (the original name for Amazon) in Washington State. The following year, Bezos changed the name to Amazon to avoid the similarity of Cadabra with "cadaver" (Quinn, 2015), and the company opened for business online. Although the company initially focused on selling books online, Bezos' goal was to build a website where people could find anything they may want to purchase. Today, Amazon is the top Internet retail company. Indeed, the retail industry overall has been completely transformed by Amazon, making it easy to forget its book-based origins:

[6] According to the Hulu Help page, the site "...is only accessible within the U.S. and on certain U.S. overseas military installations, as the company only [has] streaming rights for content in these regions" (Hulu Help, 2017).

> Lest we forget, Amazon started as an on-line seller of books frequently unavailable at your local bookstore. "What's a local bookstore?" you may now ask, because through continuous upgrading of its capability to build on the advances in internet usage - across machines, browsers, wi-fi and mobile - Amazon drove into bankruptcy such large booksellers as B.Dalton and Borders - leaving Barnes & Noble a mere shell of its former self and on tenuous footing. And the number of small bookshops has dropped dramatically (Hartung, 2013).

As the founder and CEO of Amazon, Bezos has developed a reputation for being strongly committed to meeting consumer demand (Robischon, 2017; Fine 2014). Amazon Studios is the latest example of this commitment. Amazon Studios was created to produce films and television series to be distributed through the company's streaming service, Amazon Prime Video. Debuting in 2010, Amazon Studios is a clear departure from the parent company's online retailing offerings. Amazon Studios' efforts to expand the on-demand video market can be seen as an example of mimetic isomorphism: Amazon responded to uncertainty in the marketplace by seizing the opportunity to challenge Hulu and Netflix in streaming original television and movies. Amazon Studios' novel feature that distinguishes it from its rivals is its openness to contributions from amateur filmmakers and screenwriters and its willingness to accept feedback from the public at any point in the creative process:

> Amazon Studios is developing feature films and episodic series in a new way, one that's open to great ideas from creators—and audiences—around the world. There are two distinctive characteristics of our process: 1) **We have an open door for creators.** There are a lot of great ideas in Hollywood, but not everyone can be there or get their work into the right hands. Amazon Studios is open to ideas from around the world... 2) **We invite the audience in early.** Amazon Studios seeks feedback about projects and ideas, even in their earliest stages… We test movies, pilots, promos, and other formats to see what people think (Amazon.com, not dated; emphasis in original).

The initial decision to offer a streaming service was an easy task for Amazon; the platform already had millions of online retail users and unlimited bandwidth (Solsman, 2013). Bezos was an early believer in the digital revolution and saw the potential of the streaming market (Robischon, 2017). The site's established infrastructure does not restrict the bandwidth of its users; the higher bandwidth allows for Amazon's streaming functionality. In comparison to streaming services with lower bandwidth, Amazon's service provides videos of a clearer picture and a stronger connection (Spangler, 2016). With Amazon's capital, the company was able to acquire diverse content from domestic and international sources attracting positive attention from viewers and critics alike (Birnbaum, 2016). Today, the company offers tens of thousands of movies and TV episodes available for unlimited streaming worldwide (Stone, 2013).

Like Netflix, Amazon is a data-driven company. Both streaming services rely heavily on data to make future decisions about the company (Stone, 2013). For instance, Netflix and Amazon evaluate information about viewing patterns and how consumers navigate the sites to determine what programming to introduce or cancel. However, Amazon appears to place a higher value on the feedback of customer opinion. In fact, Bezos has a public email address so customers can contact him directly. He reads the complaints and forwards them to the appropriate Amazon employee (Stone, 2013). In addition, like Netflix, Amazon releases every episode of their new shows all at once, but unlike Netflix, the company asks for user feedback after watching the pilot episode. After receiving input, the company will wait to greenlight seasons based on what shows people liked or disliked (Ingram, 2017).

Amazon recently expanded its Prime Video offering to more than 200 countries and territories, and the company has even deeper pockets than Netflix. According to Matthew Ingram, a reporter from Fortune Magazine, Amazon is expected to spend as much as $5 billion on content this year (Ingram, 2017). Amazon Studios represents an example of mimetic isomorphism because the company responded to the uncertainty and opportunity in the streaming market. Amazon Studios tried to replicate the success of Netflix's site, acquiring and then offering unlimited access to all of their television and movie collection as part of the Prime subscription rate. Also, Amazon Studios invests heavily in their original content division to produce television and movie projects that rival the success of Netflix productions.

Institutional Legitimacy

Institutional legitimacy is another key concept in the theory of institutional isomorphism. The term refers to "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman 1995: 574). Here, in the context of new media companies such as Netflix, legitimacy is indicated by whether a new media company and its products are perceived as valid and desirable. Companies compete with each other for legitimacy. Analyzing legitimacy allows us to better understand success and failure in the streaming market or any other industry.

Sociologists Jesper Strandgaard Pedersen and Frank Dobbin discuss the fact that various institutional elements are borrowed from other fields to establish legitimacy. For example, organizations may bring particular approaches and ideologies, "bridging organizational cultures" that may become part of the institutional infrastructure (Pedersen and Dobbin, 2006). Thus, to the extent that streaming services resemble more familiar and already legitimized organizations — including entertainment sources such as traditional television (e.g., networks and cable) — then legitimacy is enhanced.

There are at least four ways that Netflix established its legitimacy. First, as mentioned earlier, the company developed partnerships with more traditional and familiar entertainment companies such as Warner Brothers, Columbia, and Dreamworks. These organizational alliances represented a type of "branding" that likely created a sense of value. Second, Netflix also recruited top talent from within the industry, and it continues to do so. For example, Netflix recently hired former Universal Pictures executive, Scott Stuber, to run their film division. According to a statement released by Netflix's Chief Content Officer, Ted Sarandos, "Scott is well known and respected in the film industry. His innovative work and strong talent relationships should help accelerate the Netflix original film initiative as we enter into a new phase of big global productions with some of the greatest directors, actors and writers in the film business" (Galuppo, 2017). Netflix's affiliation with respectable entertainment organizations and recognizable individuals bolstered its legitimacy mainly in the eyes of the entertainment industry itself. Third, as noted earlier, Netflix initially utilized the United States Postal Service (USPS) as its delivery system, and continues to do so to this day. This was necessitated by the mail-order nature of the Netflix business, but it still served as a source of legitimacy; one that is perhaps easy to overlook. Despite occasional criticism, the USPS is remarkably reliable and in fact has a long history dating back to the beginnings of the country, even being authorized in the U.S.

Constitution in Article 1, Section 8, Clause 7 (the Postal Clause). The USPS, then, is another of Netflix's organizational alliances, one that helped increase consumer trust and confidence in the company's ability to deliver DVDs in a timely manner. Finally, a fourth source of legitimacy is the Emmy and Academy award nominations and victories that Netflix (and other new media companies) has received. These coveted accolades further enhance legitimacy both inside and outside the industry.

Hulu, Amazon, and Netflix's foresight about the potential of streaming media helped shape the future of how television and movies are watched today. In 2017, all three companies have achieved legitimacy to varying degrees, and all three challenge traditional Hollywood. In the following section, I examine how these new media companies, particularly Netflix, have challenged other established entities as well. Specifically, I draw upon the concept of invasion-succession to describe the relationship between these new media companies and the older brick-and-mortar video stores such as Blockbuster.

BLOCKBUSTER, NETFLIX, AND INVASION-SUCCESSION

The invasion-succession model from urban sociology applies directly to the Blockbuster-Netflix skirmish of the 2000s. Through this sociological lens, I detail the demise of the Blockbuster empire and the rise of Netflix and streaming technology.

The invasion-succession model was formulated by urban sociologists Robert Park and Ernest Burgess almost 100 years ago (see Park and Burgess, 1925). These researchers borrowed the model from biology where it is used to "describe the sequence of ecosystem changes in which one community of species replaces another" (La Gory and Pipkin, 1975: 158). Succession is the product of environmental changes, so as the habitat transforms, "new organisms and new relationships between organisms better adapted to the altered environment emerge" (La Gory and Pipkin, 1975: 158). Whereas the biological version of invasion-succession describes changes over time in plant and animal species in a given environment, Park, Burgess, and their colleagues created a sociological version of the process which they used to describe demographic changes in city neighborhoods (Schwirian, 1983). The model can also be applied to describe how organizations of a certain type (e.g., banks, real estate firms, restaurants, entertainment companies, etc.) compete with each other over scarce resources in their environment, such as customers and even legitimacy.

The "species" that is vulnerable does not necessarily know that it is vulnerable, and in the case of Blockbuster versus Netflix, Blockbuster was obliviously vulnerable. The company did not see the home-video industry changing and was blind to Netflix's growing appeal. As a result, Blockbuster stores, at one time a ubiquitous presence in both large and small towns, have now disappeared along with the thousands of other chain video stores (e.g., Movie Gallery, Hollywood Video) as well as local VHS rental stores that could not compete in the changing market.

It is important to note that Blockbuster's demise was not due solely to Netflix — other streaming services such as Hulu played a role as well. Indeed, the different streaming companies as a group can be seen as the invading horde that supplanted the group of traditional video stores. In the end, these stores could not adapt to the technological innovation that was altering the organizational environment, and changing consumer preferences in the process. Digital streaming technology obviously played a central role in this process, giving Netflix, Hulu, and similar companies a competitive advantage over the geographically-bound, brick-and-mortar video stores.

In what must be a painful missed opportunity from Blockbuster's standpoint, it actually was given multiple chances to purchase Netflix. During the early 2000s, Netflix CEO Reed Hastings considered selling the company to Blockbuster CEO John Antioco for $50 million (Graser, 2013). Hastings' pitch was that Netflix would run Blockbuster's online business and Blockbuster in turn would advertise the site in their stores. Hastings' offer was not taken seriously. Antioco did not recognize the changing shifts in the home video industry and declined the deal. According to Barry McCarthy, Netflix's former chief financial officer,

> I remembered getting on a plane, I think sometime in 2000, with Reed [Hastings] and [Netflix co-founder] Marc Randolph and flying down to Dallas, Texas and meeting with John Antioco. Reed had the chutzpah to propose to them that we run their brand online and that they run [our] brand in the stores and they just about laughed us out of their office. At least initially, they thought we were a very small niche business. Gradually over time, as we grew our market, his thinking evolved but initially they ignored us and that was much to our advantage (quoted in Graser, 2013).

At the time it was not unsurprising that Antioco and his executives at Blockbuster rebuked the thought of joining forces with the tiny, niche service Netflix. With thousands of retail locations and millions of customers, Blockbuster dominated the competition. In fact, in 2002, the company had a market value of $5 billion dollars (Downes and Nunes, 2013). However, Blockbuster's revenue model had a weakness: It earned a significant portion of money by charging its customers late fees. As Satell puts it, “the company’s profits were highly dependent on penalizing its patrons.” Meanwhile, Netflix lowered costs by not having retail locations, and Netflix’s premise was to offer subscription plans to customers, eliminating rental costs and exorbitant late fees (Satell, 2014).

By 2010, Blockbuster filed for bankruptcy after losing $1.1 billion. At this point, “the company was valued at around $24 million, while Netflix was worth $13 billion” (Graser, 2013). In 2011, Blockbuster had closed almost 1,000 of its 3,000 U.S. stores, which was about one-third of all locations (O’Neill, 2017). Dish Network, the third largest U.S. pay TV operator, purchased Blockbuster in 2011 for $320 million and tried to keep stores open nationwide. Dish Network’s efforts were not enough to prevent Blockbuster closing its doors forever in January 2013. The tradition of going to Blockbuster or any other video rental store and picking out a VHS or DVD has been replaced by browsing menus and taking suggestions from Netflix’s algorithms. Blockbuster did not obtain streaming video options, and this was fatal to the company. Blockbuster’s leaders lacked the vision and foresight to see how the media industry was evolving. Ultimately, competitors such as Netflix flourished in the new media environment while Blockbuster became extinct, just like the invasion-succession model describes.

“BINGE-WATCHING” AS MORAL PANIC

In this section, I draw upon the theory of moral panics to address the phenomenon known as “binge-watching” — the practice of watching multiple episodes of a program in one sitting. Binge-watching is enabled by DVD and streaming technology. For example, Netflix and other streaming companies release series seasons in their entirety, thereby allowing viewers to watch them back to back and from start to finish. Binge-watching has received much critical attention. Various claims have been made about how binge-watching has the potential to cause serious individual and societal harm. These claims meet some of the criteria for a moral panic, as explained in the following pages.

Defining Moral Panics

The moral panics perspective has been applied across subfields of sociology, including the study of social problems, collective behavior, deviance, criminology, mass media, and culture. Sociologists Erich Goode and Nachman Ben-Yehuda define a moral panic as a specific type of societal reaction to deviance, a reaction that tends to exaggerate the objective harm posed by the perceived deviance. A moral panic is characterized by a "strong, widespread (although not necessarily universal) fear or concern" over a largely nonexistent problem (Goode and Ben-Yehuda, 1994: 11). In a moral panic, "a group engages … in unacceptable, immoral behavior, presumably causes or is responsible for serious harmful consequences, and is therefore seen as a threat" (Goode and Ben-Yehuda, 1994: 31).

There are five key indicators of a moral panic: Concern, hostility, consensus, disproportionality, and volatility (see Goode and Ben-Yehuda, 1994: 33-41). Concern, disproportionality, and volatility apply most directly to the practice of binge-watching, and so I will limit my discussion to these three. *Concern* refers to a heightened level of anxiety over the problematic behavior in question. Concern may be manifested in opinion polls, media attention, or proposed legislation. I focus below on the attention given to binge-watching in the mass media. *Disproportionality* refers to the perception that "a more sizeable number of individuals are engaged in the behavior in question than actually are, and the threat, danger, or damage said to be caused by the behavior is far more substantial” than it actually is (Goode and Ben-Yehuda, 1994: 36). In a moral panic, then, the degree of public concern is more severe than the actual problem. In effect, the only way to assess disproportionality is to compare the threat level to existing empirical information. As I reveal later, criticisms of binge-watching range from mild frustration to utter contempt for the practice, yet the criticisms appear to be less informed by empirical evidence than by mere moral denunciation of indulgent behavior. Lastly, *volatility* refers to how a moral panic might be relatively short-lived, erupting suddenly only to disappear just as suddenly. The critical concerns over binge-watching have this volatile component to them, arising fairly quickly in the wake of streaming technology, but whether these concerns end up being short-lived remains to be seen.

As Goode and Ben-Yehuda observe, the concept of moral panics draws attention to “the fact that reactions to unconventional behavior do not arise solely as a consequence of a rational and realistic assessment of the concrete damage that the behavior in question is likely to inflict on the society” (1994: 29-30). The concept further draws attention to the idea of a “folk devil” who represents “the agent responsible for the inception and maintenance of a moral panic” (Goode and Ben-Yehuda, 1994: 29). Netflix plays the primary role of “folk devil” in the evolution of streaming videos and accelerating the practice of binge-watching. New technologies can be a source of a moral panic. According to media psychologist, Pamela Rutledge, “every new technology that comes in creates a moral panic. There is this baseline that the way we used to do it is the ‘right way’ and the way we do it now is the ‘wrong way’” (quoted in Goldstein, 2013). As streaming functionality became widely adopted, a moral panic erupted over the breakdown of traditional cable television, which represents the disintegration of a shared cultural bond.

Streaming and Binging

Streaming technology has enabled the practice of binge-watching. In effect, the online video market, the television market, and the home video market, have all converged into one entity: streaming media. In January 2007, Netflix implemented its streaming feature, enabling subscribers to watch television shows and movies directly on the website. Though the streaming service became available in January, it took approximately six months for the company to extend streaming functionality to all subscribers (Netflix.com, 2008). According to Gina Keating, the author of *Netflixed: The Epic Battle for America's Eyeballs*, subscribers immediately heralded Netflix's new streaming feature (Keating, 2013). By just connecting to the Internet, consumers could instantly watch television and movies. Furthermore, streaming provided Netflix with valuable data about viewer consumption behavior, which the company continues to use to help develop original content (Stone, 2013). During the spring of 2007, the iPhone first hit the US market, and the phone's video functionality helped consumers realize they could watch videos anywhere with Internet access (Frommer, 2017).

Netflix has helped revolutionize the way consumers think about watching television. For years, watching used to mean sitting in front of a television set at a specified day and time. Subsequently, VHS and then DVRs allowed consumers to record and watch when they wanted. Following theses technological developments, streaming sites emerged on the scene. Streaming services have dismantled the traditional barriers enforced by cable television, democratized video content all over the world, and championed consumer preferences.

Defining Binge-Watching

With streaming functionality consumers can watch (almost) anything, anytime, anywhere and on a multitude of smart devices. Consumers can easily watch more than one episode in one sitting, partaking in a behavior known as binge-watching. The practice of watching episode after episode began in the 1990s with DVD sets and network-sponsored television marathons (Slutsky, 2013), but binge-watching reached new heights of recognition as Netflix and other on-demand sites offered streaming functionality. Netflix's model was also particularly unique: The site would release full series at one time rather than streaming single episodes over an extended period of time. The availability of an entire series all at once lures viewers to keep watching (Poniewozik, 2015). In that sense, Netflix acted as a "folk devil" helping to perpetuate the practice of binge-watching.

Despite the increased popularity of binge-watching, there is not one single working definition of what the practice actually entails (Feeney, 2014). For 2013's Word of the Year award, which later went to "selfie," the Oxford Dictionaries defined binge-watching as "watch[ing] multiple episodes of a television program in rapid succession, typically by means of DVDs or digital streaming" (Feeney, 2014). The word "binge" is defined as indulging in an activity in excess. It is usually associated with alcohol drinking, eating disorders, and other unhealthy behaviors, and that is exactly how binge-watching is perceived, as discussed in the following section. The use of the term "binge" to refer to television viewing suggests that there is something pathological about it and that it might even be a disorder worthy of medical attention. It implies the opposite of self-control. It is indulgent and nonproductive, and for these reasons, it is wrong. The term 'binge-watching," then, is a loaded term fraught with moral meaning.

Individual and Societal Harm

Binge-watching has elicited a societal response that can be characterized as a moral panic. The panic has been socially constructed primarily through news media reports bolstered by the commentary of concerned media psychologists and other scholars. When examining the statements made in these various reports, certain themes emerge in the rhetoric of concern over binge-watching. These themes revolve around the harm binge-watching does to the specific individual, and the harm binge-watching does to the larger society.

Beginning first with the harm binge-watching poses to the individual, we see a concern over the effects of binge-watching on psychological well-being. For example, Michael Newman, a professor of media studies at Milwaukee-Wisconsin, claims that binging forges stronger viewer and character attachments than regular weekly viewing, with negative consequences:

> Spending years with characters, they become regular visitors to our living rooms, like pals we see week after week at the same hangout. Binging intensifies the pleasure of this engagement by making characters all the more present in our lives. The relationship becomes more like a passionate but doomed affair, a whirlwind that enlivens us so well for a time, only to leave us empty and lost when it sadly, inevitably ends (Newman, 2009).

The practice of binging perpetuates negative feelings about a viewer's sense of self and his or her relationships with imaginary others. Feeling "empty" and "lost" signifies an alarming absence that streaming technology cannot resolve.

Binge-watching, as the word "binge" might suggest, has been compared to drug and alcohol addictions, as if television series viewers who watch multiple episodes at a time are like drug users in need of a fix to avoid suffering from withdrawal symptoms. For example, Greg Dillon, a professor of psychiatry and public health at Weill Cornell Medical College, believes that the experience of watching multiple episodes of a program in rapid succession has effects similar to traditional addictions:

> It's like you're punch drunk, and saying 'come on feed me another one' … Even a single episode has so many highs and lows that by the end of it you're so beaten up, you're less receptive to the emotional and intellectual ideas being put forth. Yet still we click and watch another one … An addict is working on a two-pronged schema, which is aspiration and completion. Aspiration is the dopamine-fueled desire to recapture a feeling. When you get the completion, it's not about the rush, but ultimately about achieving the aspiration of the completion. When things are that accessible, what happens to the value of the product? (quoted in Smith, 2014).

Dillon refers to dopamine in the above quote. Whenever you engage in enjoyable activities your brain releases dopamine, the neurotransmitter that affects perception of reward and pleasure and which regulates emotional responses. Whether you are debating to watch one more episode or take one more shot, a similar sequence is playing out in the prefrontal cortex (the area of the brain involved in planning and executing tasks). In fact, dopamine is released when we eat, when we exercise, and whenever we do any number of different activities. That it may also be released when we watch a favorite program is not surprising. It is also not convincing evidence for an addiction model of binge-watching.

Richard Rosenthal, chairman of psychiatry at St. Luke's-Roosevelt Hospital Center in New York, refers to binge-watching as "momentary lapses in judgment … where we suspend that executive function and give ourselves permission to luxuriate in the TV show" (quoted in Goldstein, 2013). Television viewing is like other rewarding stimuli, and "access makes a difference" according to Rosenthal. The Netflix model of providing the next episode automatically unless you pause the program is effective because it eliminates any barrier to continue watching (Goldstein, 2013). Watching one episode after another thus becomes the default mode of viewing unless one changes the channel or turns off the television. "They're taking advantage of human nature," Rosenthal claims. "It's good in one way, and it's a bit scary in others" (quoted in Goldstein, 2013).

Binge-watching, according to the critics quoted above, is cognitively taxing, lowers awareness, promotes passivity, and is like a physical addiction to drugs and alcohol. It has even been blamed for obesity (Rutsch, 2015). That Netflix will automatically play the next episode for the viewer only makes it worse, claim the critics: Binge-watching becomes a seamless, effortless, uninterrupted experience of "instant gratification," with viewers allegedly losing their agency as they become unable to resist (see, e.g., Smith, 2014). Streaming technology and the availability of a whole season of a series at once does encourage the consumer to watch more than one episode at a time, but whether they lose their ability to stop seems questionable. Certainly there are individuals that are vulnerable to television's negative effects. However, this is less a problem caused by the entertainment media and more a problem caused by predisposing individual characteristics.

Turning now to the alleged social harms of binge watching, here the critics point to such problems as the breakdown of the family and the widening of the generation gap. Netflix itself has contributed alarmist rhetoric to the first of these. In a recent study Netflix conducted on its subscribers, the results showed that more consumers are reportedly sneaking away to watch a program individually that they started to watch with their partners. Since 2013, this phenomenon has tripled, and current reports show that 48% of streaming couples in the United States include one partner who has "cheated on the other" (France, 2017), so to speak. The Netflix study found that among cheaters in the U.S., 58 percent "admitted they were unfaithful to their streaming partner due to 'an uncontrollable desire to find out what's next.'" This "new kind of cheating" is occurring around the world, not just in the United States, with Mexico and Brazil having the most cheaters, and the Netherlands the least (France, 2017). According to this critique, binge-watching has become such a compelling force that it is taking away from the time family members spend together.

Binge-watching also disrupts shared cultural experiences. Traditional cable networks structure their content around appointment viewing, where a program is scheduled for a specific time and day (Flint, 2015). The design of appointment viewing program offers a shared experience for all consumers. Whereas binge-watching allows viewers to binge content at their own pace, eliminating some of the social aspect of watching the same show at the same time. Today, many viewers, only utilize online streaming functionality. Deborah Jaramillo, a professor of television studies at Boston University, argues that “the generation coming up now, all they're going to know is on-demand. What pleasure they derive from anything will come from that" (quoted in Smith, 2014.) They will never partake in the shared cultural experience of watching traditional cable television. Furthermore, some historians insist that streaming programming erodes the heritage of television. As writer for the New York Times, Farhad Manjoo, suggests:

> There will never again be a show like “One Day at a Time” or “All in the Family” — shows that derived their power not solely from their content, which might not hold up to today’s more high-minded affairs, but also from their ubiquity. There’s just about nothing as popular today as old sitcoms were; the only bits of shared culture that come close are periodic sporting events, viral videos, memes and occasional paroxysms of political outrage (Manjoo, 2017).

Farhad Manjoo represents a moral panic believer that classifies binge-watching as the breakdown of social norms. Appointment viewing creates a shared cultural experience that promotes collective bonding. Without that shared experience, generations retreat into their own niche-focused cultural “echo-chamber,” as Manjoo puts it.

Netflix and other streaming services configure their content to motivate consumers to watch more than one episode at a time. Dr. Robert F. Potter, Director of the Institute for Communication Research at Indiana University, explains why viewers continue to binge-watch:

> Because companies want us to (Netflix offers up the next episode as soon as the previous one ends); because writers want us to (they structure dramas with cliffhangers at the end of each episode) and because we want to. TV captures our attention in more ways than one. Plots, subplots and dialogue require us to pay close, controlled attention; scene changes, even when simple capture our autonomic attention. Our brain is hard-wired to monitor changes in our environment as a survival mechanism (it goes back to a slight shift in savanna reeds signifying a predator lying in wait), so it’s hard for us to tear our

> eyes away. As long as something's moving onscreen, we're watching from the couch (quoted in Pikul, 2014).

Whether this is good or bad; whether it is a legitimate reason for concern is ultimately in the subjective eye of the beholder. Sociologically, we can say that the concerns voiced above are evidence of a moral panic but are not necessarily evidence of an actual problem: "[T]he sentiment generated or stirred up by this threat can be referred to as a kind of fever; it can be characterized by heightened emotion, fear, dread, anxiety, hostility, and a strong feeling of righteousness" (Goode and Ben-Yehuda, 1994: 31). We see these feverish aspects in the above critical claims made about binge-watching. The critics claim that binge- watching has the capacity to harm individuals and the greater society. The disproportionate exaggeration and alarm regarding binge-watching constitutes a moral panic, an unfounded fear over an activity that might even be seen as beneficial. I explore this issue in the following section.

Possible Benefits of Binge-Watching

Binge-watching is a departure from traditional television that potentially benefits both consumers and creators. Traditional episodic television undermines organic storytelling and the viewer's ability to enjoy it. Netflix believes by binging, viewers more fully immerse themselves in the narrative of a program and allow the "storytelling momentum to take hold" (McCormick, 2016: 102). In his 2013 earnings report to investors, Netflix CEO Reed Hastings touted his company's plan to release entire seasons of original TV shows all at once. "Imagine if books were released one chapter per week, and were only briefly available to read at 8pm on Thursday.

And then someone flipped a switch, suddenly allowing people to enjoy an entire book, all at their own pace. That is the change we are bringing about. That is the future of television" (quoted in Acuna, 2013). The ability to binge-watch allows for greater involvement in a program while also providing more flexibility for consumers who are now able to watch programs at their convenience rather than being bound by the weekly schedule of traditional television.

In short, binge-watching has potentially positive implications for consumer behavior. It also has potentially positive implications for the behavior of creators. Knowing that consumers can control the pace and quantity of their viewing, creators such as script writers and directors can alter the way they tell stories. For example, they can construct more complex narratives that do not need to conform to the limitations of conventional television.

My point here is not to defend the practice of binge-watching but to simply show that it is possible to mount such a defense. Even if there may be negative consequences to binge-watching for certain individuals, those negative consequences are arguably offset by the positive.

DISCUSSION AND CONCLUSION

In this final section of my thesis, I will address the advantages and disadvantages of the case study approach. For example, I will argue that case-oriented research often yields new substantive theories or at least detailed applications of existing theories, but due to its very particular focus, this type of research is limited in the generalizability of its findings. I will then conclude the thesis by speculating about the future of Netflix and the challenges the company may face in upcoming years, according to entertainment industry analysts.

Methodological Concerns

This thesis is an example of case-oriented research, i.e., research that focuses on one unit as a whole. Sociologist Russell Schutt discusses the advantages of this methodological approach in his book *Investigating the Social World: The Process and Practice of Research*. Case-oriented research is recognized as "the most distinctive feature of qualitative research on historical processes" (Schutt, 2006). Case-oriented work focuses on historical interpretation and idiographic causation rather than nomothetic causation.[7] Historical interpretation and idiographic analysis attempt to account for the most noteworthy "moments" by contextualizing the past without necessarily offering generalizations. This approach seeks to understand the specific sequence of events characterizing a given case's history and the causal connection between them.

By following case-oriented research, I provide a holistic overview of Netflix and help contextualize the streaming market, connecting these two elements and the adaptation of media consumption. As Russell Schutt contends, case-oriented research "...is concerned with the context in which events occurred and the interrelations among different events and processes" (Schutt, 2006: 389). I paint a holistic picture of the changing digital streaming market, detailing "how different conditions or parts fit together" to establish the current landscape (Schutt, 2006: 389). I share Netflix's narrative by researching the company's history which involves discussing a specific group of characters and other events spanning from their inception to their current

[7] Idiographic analysis is a type of causal explanation that focuses on a single event or outcome and the specific conditions that influenced it. In contrast, nomothetic analysis is a type of causal explanation that focuses on a class of events and the conditions that are common to those events (Sullivan, 2001). Idiographic analysis is characteristic of qualitative case-oriented research and nomothetic analysis is characteristic of quantitative variable-oriented research.

position in the on-demand video marketplace. This work focuses on a specific series of events that unfolds over a twenty year period, similar to traditional historical research, but with the additional benefit of sociological theory to inform the analysis.

The main limitation of the case study approach is that it is not variable-oriented research; so there is no systematic testing of hypotheses in the standard nomothetic-deductive style of scientific research. Put differently, there is no clear way to falsify theoretical assumptions or predictions and hence no way to know when one is wrong. This drawback to the case study approach is however offset by the ability to examine the holistic context of the case, and use that context to illustrate theoretical concepts. Statistical rigor is replaced, hopefully, by a contextual and holistic understanding of events without the "abstracted empiricism" that C. Wright Mills warned about in his 1959 book *The Sociological Imagination*. Mills coined the term abstracted empiricism to define an approach to sociology that he considered obsessed with standardized data and statistical method as ends unto themselves rather than as a means to a detailed and deeper theoretical end. In the abstracted empiricist style of work, "there is a pronounced tendency to confuse whatever is to be studied with the set of methods suggested for its study" (Mills, 1959: 51). While there is much to commend statistical analysis in the social sciences, the point made by Mills is well taken. Case-oriented research such as the present case study of Netflix provides a useful counterpoint to abstracted empiricism's "fetishism of method and technique" (Mills, 1959: 224). As sociologist Charles Ragin (1987) recognizes, the objective of much case-oriented research is to develop new substantive theories. To Ragin's point, I would add that case-oriented research also provides an opportunity to apply and illustrate existing theories and to do so with rich qualitative detail. This has been my goal in the present study.

<u>Netflix Going Forward</u>

What's next for Netflix? According to business and technology journalist Todd Spangler (2017), for months rumors have been spinning about Disney acquiring Netflix. Both Disney and Netflix have declined to comment on whether they have considered such a deal, and there is no hard evidence to support it. However, Bob Iger, Disney's Chief Executive, has publicly discussed his belief that the company needs to shift its focus to the Internet, as streaming media becomes more popular for users. Reportedly, Iger is searching for a major digital acquisition that could promote Disney's growth in the years to come. The estimated $70 billion dollar deal would give Disney a worldwide direct-to-consumer platform for its programming, including the ability to sell live sports packages to all Netflix subscribers (Spangler, 2017). Given the size and cost of Netflix, very few organizations other than Disney are in a position to consider acquiring Netflix. Another potential buyer is Apple, who has the opportunity to increase its sales of iPhones, iPads, as well as Apple TV devices through a possible acquisition (Spangler, 2017).

Though Reed Hastings has shown no sign that Netflix is considering a buyout, only time will tell. At this point, the safest prediction about Netflix's future seems to be that the company plans to continue expanding its original programming. Yoni Heisler, another journalist who covers the technology industry, elaborates on this point:

> These days, Netflix is seemingly obsessed with rolling out more original programming than most fans can keep up with. In 2016 alone, the company [had] plans to introduce

> more than 600 hours of original content. Impressively, Netflix has also taken steps to cater to all types of viewers. Today, Netflix's stable of original content spans every genre imaginable, from cartoons (*BoJack Horseman*) and documentaries (*Making a Murderer*) to political thrillers (*House of Cards*) and dramedies (*Orange is the New Black*) and everything in between … Netflix envisions a future where at least 50% of its content is comprised of original programming (Heisler, 2016).

Original programming might well be the most distinctive "branding" aspect of any streaming service. It is through original programming that Netflix can distinguish itself from all other rivals. It therefore would seem to be a worthwhile direction for the company to pursue.

In closing, Netflix is among many providers continuing to advance the revolution of streaming media. Based on their history covered in the pages above, they are willing to change as markets and technology change, which is how they became what they are now. Opening up new markets around the world remains a key challenge. China, in particular, is the only major country with a large population where Netflix is unavailable. Hastings notes, "In China, you need specific permission from the government to be able to operate, so we're continuing to work on that and we're very patient" (quoted in Greenberg, 2016). As long as the company stays flexible in its planning and mindful of the variation in "taste cultures" across countries, Netflix will likely thrive in the future.[8] Given the company's propensity to disrupt and transform the media landscape in its favor, my belief is that Netflix will remain a vital force in the entertainment industry for the foreseeable future. The company seems quite likely to continue developing captivating entertainment that inspires more people to subscribe. Content is king, and as long as

[8] On "taste cultures," see sociologist Herbert Gans' classic book *Popular Culture and High Culture* (1974), where he defines the concept as essentially a specialized market of consumers with their own aesthetic standards and expectations.

Netflix acquires and creates shows and movies that resonate with its audiences across the globe, it will reign supreme.

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