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Netflix and the Development of the Internet Television Network

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Abstract

When Netflix launched in April 1998, Internet video was in its infancy. Eighteen years later, Netflix has developed into the first truly global Internet TV network. Many books have been written about the five broadcast networks – NBC, CBS, ABC, Fox, and the CW – and many about the major cable networks – HBO, CNN, MTV, Nickelodeon, just to name a few – and this is the fitting time to undertake a detailed analysis of how Netflix, as the preeminent Internet TV networks, has come to be.

This book, then, combines historical, industrial, and textual analysis to investigate, contextualize, and historicize Netflix's development as an Internet TV network. The book is split into four chapters. The first explores the ways in which Netflix's development during its early years a DVD-by-mail company – 1998-2007, a period I am calling "Netflix as Rental Company" – lay the foundations for the company's future iterations and successes. During this period, Netflix adapted DVD distribution to the Internet, revolutionizing the way viewers receive, watch, and choose content, and built a brand reputation on consumer-centric innovation.

This reputation served it well during its second phase, "Netflix as Syndicator" (2007-12), when the company turned from DVD rentals to online distribution. In chapter two, I explain who Netflix adapted syndication – a business model that has been a staple of US broadcasting for half a century – to Internet distribution. By doing so, Netflix up-ended both the TV industry's traditional content release structures and viewers' habits. By shifting TV distribution to the Internet, Netflix drastically increased the control viewers have over where, when, and on what devices viewers watch TV.

In its third phase, Netflix entered the original programming business by subtly adapting traditional program genres, content, and release schedules to Internet video. I split this phase – "Netflix as Internet Network" (2012-present) – into two chapters. While many of Netflix's concerns parallel those of traditional networks – in terms of production and financing, for example – Internet networks also have a number of unique concerns in areas such as Net Neutrality and distribution windows. Netflix has led the charge on these issues, and chapter three explores Netflix's role as the first Internet network, including the development of its binge-viewing strategy and its push into international distribution.

Finally, chapter four takes a deep dive in Netflix's foray into original program production. In its third phase, Netflix has adapted traditional TV structures to Internet distribution. Despite the innovations in short-form and user-generated content that sites like YouTube, Crackle, and Twitch have named, Netflix's traditional approach to programming has set the template for successful Internet networks that has been adopted by the likes of Hulu, Amazon, and Yahoo Screen. Chapter four analyses Netflix's biggest programs - including *House of Cards, Orange is the New Black,* Daredevil and others - to explain how Netflix has adapted traditional TV genres and structures to the freedoms in production, marketing, and content possibilities that the Internet affords.

In the same was that NBC set the example for broadcast networks in the 1950s and HBO developed the framework for cable TV in the 1990s, Netflix has set the template for Internet TV

in the 2000s. Netflix's mix of technological advancements, consumer-centric practices, personalized content, and global mindset have become the gold standard for the how-and-why of developing a successful Internet TV network. Although other aspiring Internet networks Hulu and Amazon started out with a different ethos than Netflix, Netflix's financial, creative, and cultural success has forced a series of reactionary decisions from both Hulu and Amazon that have brought them closer and closer to the foundations Netflix began laying out in 1998. So while the Netflix model isn't the only possible model for an Internet network, it has become the blueprint for the newly-developing Internet TV ecosystem.

NETFLIX AND THE DEVELOPMENT OF THE INTERNET TELEVISION NETWORK

by

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Introduction

"[N]o one is happier to see streaming services take nominations away from Cable than Network television. Not very nice when someone younger comes along is it, Cable? Cable is looking at Netflix the way Justin Bieber looks at One Direction."
– Seth Meyers, 66^{th} Primetime Emmy Awards

It is fitting that I started this project on the eve of Netflix's first Emmy ceremony. Only a year after premiering its first original program – *Lillyhammer* in 2012 – all three of its qualifying shows – *House of Cards, Arrested Development,* and *Hemlock Grove* – received nominations. Just a year later, Netflix was the center of Seth Meyers' opening monologue, signaling the mainstreaming of Netflix as a legitimate original programming alternative to broadcast and cable, for critics, audiences, and the Academy. Many books have been written about the five broadcast networks – NBC, CBS, ABC, Fox, and the CW – and many about the major cable networks – HBO, CNN, MTV, Nickelodeon, just to name a few – so this also seems a fitting time to undertake a detailed analysis of how Netflix, as the preeminent Internet TV network, has come to be.

When Netflix began its plans to deliver DVDs in 1997, both the Internet and the TV landscape were radically different. At the end of the 1996-97 season, *ER* won the ratings race with 21.2 million households weekly, and a 35 share (HH), followed by *Seinfeld* (20.5/32 share), *Suddenly Susan* (17/27 share), and *Friends* (16.8/28 share). Seven of the top ten shows aired on NBC. Nielsen regularly provided ratings in households, rather than the adults 18-49 demographic. On cable, 1997 saw the premieres of *Oz* (HBO, 1997-2003), *Daria* (MTV, 1997-2002), *Stargate SG-1* (Showtime/Syfy, 1997-2008), *South Park* (Comedy Central, 1997-), and *The Daily Show* (Comedy Central, 1997-). It was still two years from when HBO would become a legitimate original TV producer with the premiere of *The Sopranos*.

In 1997, Internet video was also in its naissance. Eight years before the debut of YouTube, pixelated, somewhat primitive videos such as "Bad Day," "Dancing Baby," and "Hampster Dance" circulated via e-mail over slow and unreliable dial-up Internet connections. The foundations for Internet video had been laid, however, when, in January 1998, *Ally McBeal* (Fox, 1997-2002) introduced the Dancing Baby Internet meme as a metaphor for Ally's impending biological clock, effectively integrating Internet video into popular broadcast television programming.

The Netflix revolution began with the radical idea of using the US post office to send DVDs to customers, a set-up not too far from the use of horses and elephants to transport the circus from town to town a century ago. At one and the same time, Netflix's DVD-by-mail business was both old-fashioned and innovative. While the postal service is one of the government's oldest departments, applying the postal service to video rental distribution was an innovative approach to a rental industry based entirely on brick-and-mortar stores. This balance between old-fashioned and innovation is difficult to master; Blockbuster failed and other rental stores like Hollywood Video and Movie Gallery never even tried. Netflix's success lies in elevating 'old-fashioned' to 'cutting-edge,' by mixing pre-existing elements of content distribution with new and radical advancements. Before it began producing original programs, Netflix took pre-existing DVDs of film and television shows and gave customers a new way of receiving them; after, Netflix took pre-existing forms of televisual storytelling and adapted them to new distribution methods. Part of being innovative is knowing when to maintain pre-existing structures; namely, when comprehension and usability are predicated on these pre-existing structures, formats, and models. By working within old-fashioned rubrics, then, Netflix was able to be astonishingly innovative.

I subscribed to Netflix halfway through my undergraduate years at the University of Chicago. Hyde Park didn't have a movie theatre, so on Friday nights I would catch a classic film on campus, or I would take a few-blocks-walk to our neighborhood Hollywood Video to stroll through the aisles and argue with my dormmates over the limited rental options. Once Netflix started delivering DVDs to our mailboxes, we would still spend our Friday nights arguing over which of the films to watch, but now these discussions could be held in the Linn House living room. For a University of Chicago student, the less contact with the outside world the better.

At first, our movie choices didn't change much, but, as Netflix's selection increased and became more refined, our choices narrowed to our personal tastes. In the same way that having 1,000 cable channels allows for selective exposure, Netflix allowed me to skip the film club-chosen movies that I was less interested in. Although I was less likely to fall asleep during a film I considered boring, I was also less likely to discover something new, unique, or outside of my traditional movie tastes.

The move towards personalization, individualization, and fragmentation in television programming is nothing new. The early 1980s saw the development of cable television and an explosion of channel options, a specification in Nielsen measuring technologies, and the development of VCR technology, all of which paved the way for niche programming. The decades-old business model that relied on a large, least-common-denominator audience gave way to a more targeted business model. This new model allowed for the success of sophisticated and literate quality television dramas, leading to the success of shows like *Hill Street Blues* (NBC, 1981-87), *St. Elsewhere* (NBC, 1982-88), *The Sopranos* (HBO, 1999-2007), *The Wire* (HBO, 2002-08), *Mad Men* (AMC, 2007-), and *Breaking Bad* (AMC, 2008-13).[1]

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[1] Programs like *Hill St. Blues* and *St. Elsewhere* were successful because their small, sophisticated, high-income, well-educated audiences were worth a premium to advertisers. This was not, however, the only business model throughout the 1980s or, even,

The success of recording technology – first the VCR, then the DVR, then on-demand streaming services – allowed for a sophisticated form of serialized storytelling designed for repeated viewing. The popularity of Netflix coincided with the boom of the TV-on-DVD market. While box sets cost upwards of $60 ($80 for BBC or HBO productions), Netflix customers spent $15.95 per month to rent four discs at a time. When planned correctly, you could watch a six-disc season in a week for the equivalent of $4. On computers and televisions all across the country, viewers had unprecedented control over when, where, and how many times they watched certain shows. Binge viewing did not start with Netflix, but Netflix certainly had a role to play in the mainstreaming of personalized television viewing habits.

In 2007, a decade after Netflix started sending DVDs through the mail, the company played an even bigger role in the digitization of television content. In only a few short years, television content migrated from physical DVDs to streamed content that was stored on servers – the Cloud – and accessible by computers, smartphones, tablets, and Internet-accessible television sets. In important ways, the success of Netflix's streaming service was both a result of, and a contribution to, the popularity of mobile devices in the US and around the world.

For all its advancements, however, Netflix has innovated – stubbornly, surprisingly, and ingeniously – within the framework of old-fashioned rubrics. Netflix has made an art form out of adapting traditional business models to the Internet: in its first phase, Netflix innovated on the US postal system, applying matching algorithms and sorting advancements to a business that traces its roots back to 1775; in its second phase, Netflix adapted syndication – a business model that has been a staple of US broadcasting for half a century – to Internet distribution by up-ending traditional windowing and release structures; and in its third phase, Netflix entered the

today. At the same time as *Hill St. Blues* was airing on NBC, so were mass audience programs like *Knight Rider* (NBC, 1982-86)*, The A-Team* (NBC, 1983-87)*,* and *Diff'rent Strokes* (NBC, 1978-86).

original programming business by subtly adapting traditional program genres, content, and release schedules to streaming video. Netflix original programming, despite the new ways in which it is distributed, looks very much like premium cable programming. Sixty and thirty minute episodes. Ten-to-thirteen episode seasons. Well-respected directors, writers, and actors. Emphases on anti-heroes and heroines. Sophisticated, highly-serialized stories, broken into segments and ending in episode cliff-hangers that build to season-ending cliff-hangers. In effect, Netflix shows are cable shows streamed on-line, adapted and fit to the peculiarities of Internet distribution.

Despite the innovations in short-form and user-generated content that sites like YouTube, Crackle, Twitch have made, Netflix's traditional approach to programming has set the template for successful Internet programming. Netflix was nominated for 14 Emmy Awards in 2013 and another 31 in 2014. In summer 2014, Netflix surpassed 50 million subscribers worldwide, even before a huge international push in fall 2014, including premieres in France and Germany (two of Europe's largest markets) (Luckerson, 2014), and a promise to be in all countries by 2017. Main competitors Hulu, Amazon Prime, and Yahoo Screen have also adopted Netflix's template for original, serialized, quality programming. Netflix is, then, the model for a successful Internet television network, in the same way HBO was the model for cable twenty years earlier.

This book, then, combines historical, industrial, and textual analysis to investigate Netflix's development as an Internet TV network, strong enough to compete with the monoliths of the broadcast and cable industry. As Seth Meyers' opening quote suggests, the popularity of broadband television viewing has followed a familiar cycle in American media history. In the early 20th century, circuses, vaudeville, and minstrelsy ceded dominance to electronic media, then broadcast television, cable television, and, now, Internet television. The development of new entertainment distribution systems has always spelled large-scale changes not only for new media, but for existing media, as well. Netflix's legacy, then, must be understood within larger cycles of American television history.

The Network Era

For this book, I have adopted – and adapted – Amanda Lotz's (2007) three eras of television history: the Network Era, the Multi-Channel Transition, and the Digital Era. The Network Era stretches from the late-1940s – when Networks began to provide regular weekly programming schedules – to the mid-1980s. During these years, American television was dominated by three national networks,[2] and the Network Era symbolizes a lack of choice, for viewers, advertisers, and television creators. NBC, CBS, and ABC delivered national programming to their networks of local affiliates across the country, which transmitted these programs to viewers over-the-air. The FCC regulates the air waves in the public's "interest, convenience, and necessity"[3] and, thus, network programming is subject to the limited but real requirements of the federal government.

More real censorship – and self-censorship – came from advertisers. Advertisers' assumptions about the television audience affected the types of programs that were produced during the Network Era in two important ways: first, advertisers could refuse to advertise during programs that proclaimed values the advertisers didn't agree with; second, programs like *Texaco Star Theatre* were literally created by advertisers like Texaco for stars like Milton Berle. As William Boddy argues in *Fifties Television* (1990), the shift from single-sponsorship to a multi-commercial structure changed, in fundamental ways, the funding, scheduling, and narrative structures of prime-time entertainment programs. Most importantly, the dependence on advertisers led to the dominance of specific genres – namely, sitcoms, westerns, and episodic

[2] Not including the Dumont Network, which folded in 1956, and the Fox Network, which premiered in 1986. For more on the Dumont Network, please see David Weinstein's *The Forgotten Network: Dumont and the Birth of American Television* (2004).
[3] 47 U.S.C. § 310(d).

dramas – and, increasingly, the power of the Networks and studios that excelled at those particular genres.

This shift in economic structures was paralleled by a drastic change in how – and where – Americans were being entertained.[4] For the first half of the 20th century, leisure time was spent out of the home, at movie theaters and amusement parks and ball parks, but the advent of television moved entertainment into the living room, creating an insulated, privatized viewing experience. By 1955, two-thirds of American households had television sets, by 1960, almost 90%; as Lynn Spigel (1992) has suggested, the television set quickly became a ritualized part of everyday life. Building on Raymond Williams' (1974) concept of "mobile privatization," Spigel argues that television served as a 'window on the world' that made leaving the home "an antiquated and even redundant exercise" (p. 9). Television offered a way of exploring the world without the dangers inherent in leaving the home (Avila, 2004). Television sets, then, were the backdrop for, and an important catalyst in, the privatization of American entertainment.

Television's sacred place in the center of the suburban living room was, in part, due to technological restrictions. During the Network era, television was a non-portable, non-recordable, domestic medium. Television sets were large, heavy, and awkward. To change the channel, viewers would have to get up and turn the dial on the set, itself. The concept of channel surfing was nonexistent, and networks scheduled programs accordingly, knowing that viewers, once settled on a particular network for the evening, would rarely turn the dial. Viewers, therefore, had almost no control over the medium, over when, how, and where they watched. This lack of control, however, was about to change.

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[4] In the 1940s, American soldiers returned from the war, received college degrees, bought property, and, on the back of the GI Bill and the new interstate highway system, set about raising the perfect nuclear family (Jackson, 1987; Mays, 2008). The restructuring of the American family was accompanied by changing ideologies of visualization (Spigel, 2001), as sources of entertainment moved from bars, movie theatres, Coney Island, and urban ball parks like Ebbets Field in New York and Shibe Park in Philadelphia, into the living rooms of the new sterilized, segregated, safe American suburb (Avila, 2004).

The Multi-Channel Transition

The multi-channel transition is typified by a number of technological innovations that increased viewer choice, control, and program sophistication. Stretching two decades from the mid-1980s to the mid-2000s, changes in technology, audience measurement techniques, FCC regulation, and the development of cable led to a revolution in television viewing habits, narrative structures, financing, and distribution.

The Multi-Channel Transition was driven by channel proliferation. In 1986, Fox premiered to compete with the three existing broadcast networks, joined by The WB and UPN in 1995. In the decade between 1972-1982, a number of cable stations premiered: HBO (1972), Showtime (1976), Nickelodeon (1979), ESPN (1979), CNN (1980), MTV (1981), The Weather Channel (1982). Although cable penetration was slow, its specialized genre offerings, different economic formats, and status outside of FCC regulation had important, and long-lasting, effects on the television industry.

The proliferation of channel options was one in a number of changes in the early 1980s. Three other important technologies developed. First, the remote control normalized channel surfing. Gone were the complicated nobs and dials controlled, directly, on the TV set. Viewers increasingly controlled how (if not, yet, when and where) they watched, as viewers could switch between programs or commercial pods without leaving the couch. Second, the VCR gave viewers control over when they watched, as they could record a program and watch it later, or, importantly, re-watch it later. Finally, advances in audience measurement techniques allowed Nielsen the ability to determine who was watching television with much more accuracy and specification. Rather than paying for a mass audience, advertisers knew each shows' audience by gender, age, and income bracket, and could advertise accordingly. Elite advertisers like

BMW and De Beers, who used to see television as little better than a poor-man's Times Square billboard, would pay extremely high rates to reach the well-educated and wealthy audiences of shows like *Hill Street Blues* and *St. Elsewhere* (Thompson, 1996). On the flip side, shows no longer had to reach thirty-million viewers to be successful, as elite advertisers would pay more for a niche audience than broad-based advertisers would pay for a mass audience.

Finally, changes in FCC regulation affected who created television programs, de-stabilizing the hegemony of the major studios. The Financial-Syndication Rules, passed in 1970, limited the number of prime-time hours each Network could dedicate to its own studio's productions. These limitations opened the door for a number of independent companies – such as MTM Enterprises and Tandem/T.A.T. Productions – that had different ideas about how television could, and should, tell stories. Tandem Productions, for example, produced *All in the Family* (CBS, 1971-79), whose acerbic, but lovable, bigot Archie Bunker and willingness to address socio-political issues catalyzed a revolution in socially-relevant TV. MTM Enterprises similarly produced a number of radically different programs, from the feminist sitcom *Mary Tyler Moore* (CBS, 1970-77) to *Hill Street Blues*, which ushered in the era of serialized, realistic, quality dramas that we are still seeing today.

Taken together, the changes in technology, measurement techniques, FCC regulation, and channel proliferation had drastic effects on program content. As Todd Gitlin (1983), Jane Feuer (1985), and Robert Thompson (1996) have argued, there is a direct connection between television's business realities and the content produced. The onset of cable, then, ignited a revolution in broadcast network programming. Suddenly, viewers tuned to NBC, for example, on Thursdays at 9pm EST in 1981 would catch the simple, traditional, arguably racist sitcoms *Diff'rent Strokes* (1978-86) and *Gimme a Break* (1981-87), followed by a drama as relevant, realistic, and racially sophisticated as *Hill Street Blues*. This was a different type of NBC than broadcast during the Network Era, symbolizing a move towards complex, serialized programming that attracted smaller, niche audiences; was funded by luxury advertisers willing to pay more for these high-end, niche audiences; and that could be enjoyed on repeated VCR viewings.

The multi-channel transition was a two decade period of gradual changes in viewer control and choice. By the mid-2000s, channel proliferation was near-infinite, with cable packages offering upwards of 1000 channels, all available on HDTVs, and accessible via DVRs and On-Demand programs. With *The Sopranos* and *The Wire*, pay cable had entered the original programming market in a big way, soon to be followed by basic cable networks like FX [*The Shield* (2002-08)*, Rescue Me* (2004-11)] and AMC (*Mad Men, Breaking Bad*). The level of television's narrative sophistication was unprecedented, but more changes were still to come.

The Digital Era

The television industry is currently in what Lotz calls the 'Post-Network Era,' which I will be calling the digital era. If the Multi-Channel Transition was marked by increased viewer control over what and when they watch, the digital era has given viewers control over where and how they watch. With as-yet not-fully-realized TV Everywhere strategies, viewers can watch television programs on TV sets in their living rooms, laptops in dorm and bedrooms, tablet computers while commuting to work, and mobile phones while at the gym. Shows can be watched in weekly installments, or saved up to be binged months or years later. The effects of these changes in television distribution on content, production, and viewer strategies are hard to overestimate.

The niche audiences of the Multi-Channel Transition have, over the last decade, become further fragmented. While a successful program garnered 30 or more million viewers in the 1970s, the highest-rated original program in the 2013 - 2014 television season – *The Big Bang Theory* (CBS, 2007-) – averaged fewer than 20 million viewers (Deadline, 2014). On cable, *Game of Thrones'* 2014 season final garnered 7.1 million viewers and was considered a massive success (Kondolojy, 2014); the 15.7 million viewers who took in *The Walking Dead's* (AMC, 2010-) season finale in March 2014 were unprecedented (Ross, 2014). The boundaries between network and cable audiences are diminishing even as many viewers have, or are threatening to, adopt a chord-cutting strategy, ready to watch TV over the Internet rather than pay cable bills into the multi-hundred dollar range.

Increased choice has extended past viewers, however. Decreasing barriers to entry have, to some extent, broken the wall between viewers and producers. Amateur producers have created works for sites like YouTube, have been funded by crowdsourcing on sites like Kickstarter and Indie Go, and established producers have given content away over the Internet, such as Joss Whedon's "Dr. Horrible's Sing-Along Blog."

Choices have also increased for advertisers and program schedulers. 1950s-style branded entertainment and product placement strategies have made a return, as an alternative revenue stream to declining spot advertisement revenue. Gone are the artificially-disguised, generically-labeled 'Cola' cans, replaced with 'Coca-Cola,' 'Pepsi,' and 'Fanta' brand engagements.[5] Broadcast networks have increasingly advocated for retransmission fees as a secondary revenue stream, in an effort to compete with the subscriber fees that support, in large part, the huge influx of sophisticated cable production, not only in quality dramas, but in sports and reality TV

[5] As mentioned earlier in the chapter, product placement was a mainstay in the first decade or so of television's existence. In those early years, companies often created the most popular shows on television. Milton Berle's *Texaco Star Theatre* is a good example.

(traditionally the bread-and-butter of broadcast television), as well. The broadcast season has also adapted to viewer mindsets changed by cable schedules. Instead of traditional 22-24 episode seasons, many broadcast shows are going to 10-13 episode seasons. Winter premiers have also become popular, especially with Fox, driven by Major League Baseball and the January premieres of *American Idol* (2002-) and *24* (2001-10, 2014). In the digital era, the television season is year-round.

Paradoxically, the increase in viewer choice is simultaneous with media industry consolidation. A long period of de-regulation, begun during President Reagan's administration, has led to massive conglomeration, best seen in a series of large-scale media mergers over the past decade, starting in the 1980s[6] and culminating with the NBC-Comcast merger in 2011. At the same time as de-regulation and consolidation, a number of new Internet media conglomerates have burst onto the scene, straining the hegemony of old media companies. These Internet entities – Google, Amazon, Facebook, Netflix – have, in a very short time, greatly affected both digital and traditional forms of program development, distribution, and content.

Enter: Netflix

Netflix is an important microcosm of the changes in distribution, syndication, and viewer habits that comprise the digital era. Today, Netflix epitomizes the "TV Everywhere"[7] strategy, with a series of seamless access points across computers, tablets, mobile phones, and traditional television sets. Viewers can watch Netflix when they want, how they want, wherever they want. In fact, they can start an episode of *House of Cards* on their Samsung Galaxy on the subway home from work, pick up the episode on their iPad to watch in the kitchen while making dinner,

[6] The decades of media conglomeration started in the 1980s when, in the aspen of 18 months, CBS, NBC, and ABC were all bought out. For more on this, see Ken Auletta's *Three Blind Mice* (1991).

[7] TV Everywhere is Cable Service Providers' (CSPs) response to the convenience, access, and choice of the digital era. Subscribers can download the CSPs' app on their PCs and mobile devices and sign-in with their usernames and passwords to watch in-season programming, sometimes live and sometimes in playback.

and finish it on their television sets for the rest of the evening. This uninterrupted viewer experience has proven incredibly attractive to the over-65 million Netflix subscribers worldwide.

Netflix owes its success, in large part, to its ability to both capitalize on, and adapt to, the rapid changes of the digital era. In chapter one of this book, I build on Gina Keating's *Netflixed: The Epic Battle for America's Eyeballs* (2012), which follows, from a journalistic perspective, the rise of Netflix and the battle between Netflix, Blockbuster, Hollywood Video, Walmart, and Redbox to be America's primary movie/TV rental company. While Keating's book – the only Netflix monograph today – spotlights the fall of Blockbuster as much as it does the rise of Netflix, my first chapter focuses on two things. First, the ways in which Netflix's development during these early years – 1998-2007, a period I am calling "Netflix as Rental Company" – lay the foundations for the company's future iterations and successes as the first true Internet-based television network. Second, I contextualize Netflix, not as much in the movie rental industry, but in the television industry. Thus, this chapter draws connections between Netflix's specific brand of DVD rentals and the beginnings of industry-wide changes in viewer habits, film and television distribution, the first wave of quality cable dramas, and the implications of all of these on television ratings and advertising.

Netflix is only eighteen years old. In that brief existence, however, the company has showcased its dexterity and foresight through two full-scale re-brands. Chapter two focuses on the first of these: what I am calling "Netflix as Syndicator," which spans the years from 2007-12 (although, to some extent, it continues today, albeit with less focus). This chapter picks up where Keating's *Netflixed* ends, i.e. at the transition to Internet streaming. During these years, Netflix made a number of fundamentally important innovations in the way television programming is distributed and viewed. Most importantly, by moving play-back away from

DVRs and On-Demand services – both of which are inextricably tied to cable boxes and, thus, gave viewers control over when, but not where, they watched programs – and onto the Internet, Netflix drastically increased the control viewers have over where and how they watch TV.

This period coincides, not coincidently, with the smartphone boom and the development of tablets. Suddenly, viewers could watch Netflix shows on mobile devices as well as their computers. The untethering of television from the living room had ramifications for the organization of leisure activity in the United States (and, increasingly, internationally) as well as for producers and distributors of content. The effects were specifically felt in the area of syndication which has, traditionally, been extremely lucrative, highly ritualized, and advertiser-driven. Netflix, however, offers an alternative to watching reruns of *How I Met Your Mother* on the local Fox affiliate weekdays at 5:30 pm. This has important implications for advertisers, local stations, and syndicators – who make and spend most of their dollars for those all-important access hours – but also for producers who have always designed shows, specifically, for their long and incredibly lucrative second lives in syndication. Netflix's entrance into the syndication game opened up the types of programs that could have a successful second-run. Specifically, shows with short seasons, highly serialized narratives, and dramas – all of which have played second-fiddle to sitcoms and episodic dramas in the syndication market - have very successful second runs on Netflix.

Netflix's Entrance Into Original Programming

Netflix's early years as a syndicator follows the pattern set by cable networks. HBO and AMC, for example, both distributed movies, uncut and inappropriate for broadcast networks, long before they began producing original content. And, while HBO premiered in 1972 and did not start producing original shows until the late 1980s (and, for the most part, with limited success until *The Sopranos* premiered in 1999), Netflix's first original program premiered in 2012 (*Lillyhammer*), a mere five years after the company began syndicating movies and television shows via Internet streaming. Only a year later, Netflix released both *House of Cards* and *Orange is the New Black* to critical and viewer acclaim.

While Netflix's move into original programming is, then, not without precedent, the rapidity and success of this move has been unique. In chapter three, I historicize Netflix's transition into a television network during a period I am calling "Netflix as a Internet Network." In this second major re-brand since its inception, Netflix now competes as much with the broadcast and cable networks as it does with the Blockbusters and HMVs of the rental and purchase industries. Importantly, Netflix has also led the charge for Internet-based networks. While many of Netflix's concerns parallel those of traditional networks – in terms of production and financing, for example – Internet networks also have a number of unique concerns in areas such as Net Neutrality and distribution windows. Chapter three explores Netflix's role as a Network, including the development of its binge-viewing strategy and its push into international distribution.

Chapter four takes a closer look at Netflix's development as a network, specifically its move into original program production and distribution. This chapter explores Netflix's first foray into original programming, starting with *Lillyhammer,* which premiered on February 6, 2012, a full year before Netflix's major programming push in early 2013. *Lillyhammer*, a Norwegian series about an American gangster in witness protection in Lillehammer, Norway, served as a soft-launch practice ground for Netflix's future programming. Namely, *House of Cards,* which premiered on February 1, 2013. Starring Kevin Spacey and directed by David Fincher, *House of Cards* garnered critical acclaim, industry attention, and positive viewer reviews out of the gate. Taken together, *House of Cards* and *Lillyhammer* set the template for Netflix original programming: serialized programs, created out of Netflix's unprecedented viewer preference data, and distributed all at once to facilitate viewers' desire for control over when and how they watch television.

Netflix's original programming can be categorized into three traditional genres – quality dramas, quirky comedies, and cult television – that Netflix has adapted to the freedoms in production, marketing, and content that the Internet affords. The first genre – quality dramas – is typified by *House of Cards*, Netflix's answer to the HBO and FX male anti-hero shows, but also by *Marco Polo* and *Bloodline. Marco Polo* premiered on December 12, 2014, a drama written, specifically, for Netflix's 65 million international viewers. For *Marco Polo's* first season, Netflix hired an 800-person cast and crew who spoke 26 different languages (Spangler, 2014c) to produce a series whose narrative, characterizations, and rights structure uniquely fit Netflix's global network. While *Marco Polo* was written for Netflix's global mindset, *Bloodline* was written for Netflix's binge-viewing distribution strategy. Released on March 20, 2015, *Bloodlines* was written by the team behind FX's *Damages*, who adapted *Damages'* wonky timeline to Internet television, i.e. with less cliffhangers and even more playful uses of time designed specifically for binge-viewers.

If Netflix proved its ability to make quality serialized dramas with *House of Cards*, its true legitimacy as a network came with the premiere of *Orange is the New Black* on July 11, 2013. The first of Netflix's quirky comedies, *Orange is the New Black* is written by Jenji Kohan [*Weeds* (Showtime, 2005-12)], based on a memoir by Piper Kerman. The show stars the most diverse cast of women ever seen on television, *Orange is the New Black* has been showered with praise from critics, viewers, the LGBTQ community, and the Academy of Television Arts and

Sciences. With its diverse cast of characters, *Orange is the New Black* pushes the boundaries of televised gender, race, and sexuality. The show also explores the narrative possibilities of a series released, all at once, in a thirteen hour block. With *Orange is the New Black,* Netflix takes advantage of the lack of content restriction on Internet television programming, a strategy it employs with all of its quirky comedies: *Arrested Development* (May 2013), *Bojack Horseman* (August 2014), *Unbreakable Kimmy Schmidt* (March 2015), and *Grace and Frankie* (May 2015).

Rounding out its genre trio, Netflix released its first cult show, *Hemlock Grove*, on April 19, 2013, two months after *House of Cards* and two months before *Orange is the New Black*. Traditionally, cult television has had trouble attracting the mass audiences needed to be successful on broadcast – or, often, even on cable – television. *Hemlock Grove* is a werewolf-based fantasy-horror series, a genre that, until the popularity of *American Horror Story* (FX, 2011-), has been sparse on broadcast and cable TV. *Hemlock Grove's* incredible success was followed by the psychological sci-fi series, *Sense8* (June 2015) and the first Marvel series, *Daredevil* (April 2015). With the premiere of *Daredevil,* Netflix and Marvel embarked on a landmark transmedia storytelling experience, pushing the boundaries of serialized storytelling with four individual series – *Daredevil* (May 2015), *Jessica Jones* (TBD), *Luke Cage* (TBD), and *Iron Fist* (TBD) – and a culminating mini-series. This deal brings a comic book style of storytelling to television, as well as offering viewers the first superhero shows starring a female (Jessica Jones) and a black (Luke Cage) superhero.

Netflix's success as an Internet television network providing successful and culturally-relevant original programming has made it the gold standard in the OTT[8] space. Netflix's main competitors – namely, Amazon and Hulu – have taken Netflix's success as a template for their own, albeit tweaked for the peculiarities of Amazon and Hulu's individual business model. In

[8] Over-the-Top, meaning content delivered over the Internet, rather than through a CSP or over the air-waves.

the conclusion, I explore the ways in which Amazon and Hulu, specifically, compete with and follow the model that Netflix has developed.

Methodology

In the vein of Todd Gitlin's *Inside Primetime* (1983), Jane Feuer, Paul Kerr, and Tise Vahimagi's *MTM 'Quality Television'* (1985), Robert Thompson's *Television's Second Golden Age* (1996), and Jason Mittel's *Genre and Television* (2004), this book combines historical, industrial, and textual analysis. As this entails an historical analysis of a contemporary phenomenon, I will be using a three-pronged case study approach (Yin, 2014), to triangulate a holistic, nuanced, and multi-faceted understanding of Netflix's entrance into the original programming market (Hesse-Biber & Leavy, 2011).

As Yin (2014) argues, case studies are also best used when a phenomenon's boundaries are unclear. The boundaries of the television 'text' have always been unclear, but have disintegrated even further in the digital era. Forty years ago, Raymond Williams (1974) argued that a TV show must be studied in flow with other texts – commercials, promotions, the shows that come before or after, possibly, even, the shows on competing networks at the same time. Theorists such as Henry Jenkins (2006; 2013) and Jonathan Gray (2010) have extended, and complicated, this concept of flow to include other para-texts, both user-generated and Hollywood-produced. The boundaries of contemporary television texts are ill-defined and indistinct, and thus, well-suited to a case study.

The first methodological approach taken, then, in this book is historical analysis. Historical analysis will be employed to situate, contextual, and historicize Netflix within larger industrial, economic, technological, cultural, and artistic histories of the late 20th and early 21st century, as well as within the history of television, itself. For the latter, I will rely on the field's most sustained full-scale histories. Specifically, Eric Barnouw's *A Tower in Babel* (1966-70), which contextualizes programming and business decisions within larger entertainment, business, and technological changes; Christopher Sterling and John Kittross' more social scientific *Stay Tuned* (2001), with its emphasis on over-all trends and basic principles; Gary Edgerton's more narrative and personal telling in the *Columbia History of American Television* (2007); and Harry Castleman and Walter Podrazik's detailed programming history in *Watching TV* (2007). Taken together, these works provide an important and holistic framework for an analysis of Netflix's place in television history.

The second methodological approach is industrial history and analysis. For this, I will rely on two data points: the popular press and interviews with Netflix personnel. For the popular press, I will read all Netflix-related articles in the four major trade presses – *Broadcasting and Cable, Variety, The Hollywood Reporter,* and *Multichannel News* – as well as a snowball sample of articles found through Google searches, daily digests (e.g. *I Want Media, Cynopsis Media, TV Media Insights,* and *TV by the Numbers*), and direct correspondences and corporate documents from Netflix, itself.

Finally, I will support my findings in the press with textual analysis of Netflix's original programs. One of the most unique characteristics of Netflix's programming is the flexibility with which they can be watched. The assumptions that viewers watch television live, from their living rooms, on a standard television set are no longer valid. With that in mind, I will watch each of Netflix's original shows – *Lillyhammer, House of Cards, Hemlock Grove, Arrested Development, Orange is the New Black, BoJack Horseman, Marco Polo, Unbreakable Kimmy Schmidt, Bloodline, Marvel's Daredevil, Grace and Frankie,* and *Sense8* – multiple times, with different viewing patters. My first viewing of *Orange is the New Black*, for example, was binging the thirteen-episode first season over a two-day period. My second viewing occurred in one-to-two episode blocks over an eight-day span. Similarly, I have varied how (technology-wise) I watched the shows: mobile phone, tablet, laptop, and Roku box. Viewing patters have important implications for narrative complexity, character development, and serialization, so it is important to imitate – to the best of my ability – viewers' binging habits.

Chapter 1: Netflix as Rental Company

Netflix. Noun. A company found in 1998 that distributes video through the postal service and the Internet.

Netflix. Verb. Meaning to rent a movie or TV show on DVD: *What do you want to Netflix tonight?* Synonyms: to watch, to rent.

Netflix launched as "NetFlix.com, Inc." in April 1998. It launched with 30 employees from a small storefront in Scotts Valley that maintained an inventory of every one of the 925 titles that had been released in the new DVD format to date. The company offered something unique: a service that allowed customers to log-in to an Internet movie database, create a profile, and order DVD titles to be delivered directly to their homes. Within 24 hours, demand was so high that its servers crashed. Without a dollar spend on advertising, Netflix shipped over 20,000 DVDs in its first four months of operation; an impressive start for a company shipping content in a new and untested medium – the DVD – through an embryonic interface – the World Wide Web.

From the very beginning, Netflix pushed the boundaries of technological innovation. In fact, Netflix was never in spirit just a DVD-by-mail company. Common knowledge sees Netflix as a DVD rental company that, when faced with changing industry standards, rose to the occasion and transitioned to a video streaming company in order to stay ahead of the curve. This, however, is a simplistic, inaccurate writing of history. Netflix was always an Internet company – a *streaming* company – biding its time until technology, and the consumer behavior towards that technology, developed enough to support a streaming Internet service.

This is not to say that Netflix's years as a DVD rental company were wasted. Over those ten years, Netflix faced a number of challenges from competitors, industry fluctuations, and consumers. Throughout, though, the executives at Netflix built on what they knew from the first days of incorporation: that to succeed as a purely Internet company its service would need to be extremely personalized, with an attractive and easy-to-use interface and a huge video collection. These basic tenants served Netflix as well in 1998 as they did when the company started streaming in 2007, when it first started expanding internationally in 2010, and, in its latest phase, began producing original programming in 2012.

Netflix's first decade may, in fact, be Netflix's most important era, particularly in terms of brand development, understanding direct-to-consumer relationships, and exploring what it means to be a uniquely Internet-based company. Namely, to create a personalized experience that puts control in the hands of the customer. If the cable revolution in the 1980s was about viewer choice, the Internet revolution in the 2000s was about personalized viewer experiences. Now, viewers not only have control over what they watch, but how, when, and where they watch their content. Netflix has always known that, in order to provide these personalized experiences, it must innovate in the space where technology and content intersect. In its first era, Netflix's innovations with devices, its matching algorithm, and its approach to long tail content[9] set the stage for its later iterations. So that when Netflix did start streaming in 2007 it was a well-established brand, known for technological innovation and a direct-to-consumer philosophy that was more than mere lip service. Because these things were in Netflix's DNA from the very beginning, it was able to lay the groundwork for the innovative Internet network that it would become.

[9] The long tail is a term coined by Chris Anderson, first in a *Wired* article in 2004 and then in his book *The Long Tail: Why the Future of Business is Selling Less of More* (2006). The term describes a cultural and economic phenomenon of the 21st century: the shift from selling a lot of very few items (mainstream products) to selling fewer numbers of more items (niche products). More money can be made, for example, by selling lots of different types of music to targeted music lovers – as Amazon and iTunes do – than by selling a few Top 40 hits to the mainstream – as radio stations and brick-and-mortar stores like HMV and Tower Records used to do. The shift has been made possible, in large part, by the advent of the Internet, digital storage and delivery, and matching algorithms, as well be discussed in detail later in the chapter.

1998-2007: Netflix's Early Years

Netflix has as many origin stories as a super hero. The official story is simple. On the way to returning a long-overdue copy of *Apollo 13* – the astronaut metaphor is a nice touch – co-founder Reed Hastings was inspired to find a way out of the exorbitant late fee, and the ensuing nagging from his wife regarding that late fee. So, in response to this inconvenience, he developed a model of video distribution that eliminated the late fee.

In her book, *Netflixed*, Keating tells a different version of the hit-by-a-bolt-of-lightning moment. Her version describes a moment when co-founders Hastings and Marc Randolph met in a commuter parking lot in Silicon Valley, an envelope in their hands. That envelope held a CD, which they had proven could be successfully shipped through the US Postal Service, without scratches or cracks. Whereas the size and vulnerability of VHS tapes made them difficult and impractical to ship, the flatness and stability of DVDs was tailor made for USPS shipping. That version of the story, then, infuses Netflix's origin story with technological innovation, rather than the more consumer-centric approach of Netflix's official story.

The truth is probably somewhere between these two variations of Netflix's origin story. Netflix's initial operation was based entirely on two technological innovations: the Internet and the DVD. To create a company based on those two innovations, Netflix had to rethink the changes and possibilities of consumer behavior; a lesson its brick-and-mortar competitors never learned. Netflix realized that technological change and behavioral change would have to go hand in hand. To have one without the other would bode failure.

NetFlix[10] was founded by Reed Hastings and Marc Randolph who, themselves, symbolized the meeting of technology and consumer behavior. Hastings, the tech guy with

[10] The name was changed to "Netflix," without the uppercase "F," because executive thought it looked better printed on the red-branded shipping envelopes .

previous CEO experience, and Randolph the consumer guy who was, at one time, considered the soul of the Netflix start-up.

Hastings initially put up the money, and some of the brains, for Netflix. Born in Boston to a wealthy family, Hastings was liberal arts educated at Bowdoin College. Always invested in education, Hastings did a post-undergrad stint teaching math in Swaziland before he moved to the West Coast to pursue a graduate degree in computer science at Stanford. He never left, founding his first company, Pure Software, directly out of graduate school. He made his first fortune selling the company only a few years later for $750 million dollars, providing the start-up money for Netflix. Even more importantly, during his years at Pure Software Hastings learned the wrong-way to be a CEO, vowing to do better at Netflix, and met Marc Randolph.

Randolph is also from the East Coast. Raised in a wealthy suburb of New York City, Randolph was similarly liberal arts educated at Hamilton College in Upstate New York, before he started his hands-on training in direct-to-mail marketing. Randolph co-founded Micro Warehouse, the country's largest mail-order supplier of computer parts, and the magazine *MacUser*. He then helped software giant Borland International become the first software company to bypass resellers and sell directly to consumers. When he met Hastings, he was the head of marketing at Atria, before his company was bought out by Hastings' Pure Software.

Although he stayed on to run Hastings' marketing department, Randolph was fascinated by the possibilities of the Internet and knew that his next company would be Internet-based. For Randolph, the Internet was less about new technology and more about new ways to relate to and communicate with customers. As he said about Netflix in its very early days, "the model is not to be a geeky Internet company. We want to set it up so that anybody who owns a DVD player has a place they can go that rents every DVD and always has the title they want available" (Espe, 1998). Of course, in 1998 both DVDs and Internet consumerism appealed mainly to early technology adopters, but Randolph's point is well-made: the Internet has a way of democratizing access and minimizing the barriers between direct two-way contact between company and consumer.

Randolph has since faded into Netflix lore. His expertise in direct-to-consumer marketing and manipulating the USPS system were essential to Netflix's DVD-by-mail phase. As Netflix grew, though, and started building towards its failed IPO in 2000 and its successful IPO in 2002, Randolph's expertise gave way to Hastings'. Originally, Hastings had taken a back seat, playing more of a silent investor's role while he started a masters degree in education at Stanford and left the day-to-day operations to Randolph and Mitch Lowe, who was brought on to develop partnerships with studios and video distributors. Lowe had years of experience in the rental industry, having founded Video Droid in the 1980s and opened a number of rental stores throughout the 1990s. As Netflix's VP of purchasing and business development, he was responsible for developing profit-sharing deals with the studios for cheaper DVDs and shortening the windows between theatrical release and when a movie was available for rent on Netflix. Hastings, though, was a seasoned CEO with knowledge of, experience with, and friends in the investment community.

Netflix became a publicly traded company and started inching towards new forms of distribution. As part of this process, Hastings became the public face of the company, while Randolph was demoted to co-CEO, then president, and then to executive producer. In the summer of 2002, shortly after the successful IPO, Randolph and Lowe experimented with a physical DVD kiosk in Las Vegas. They hoped to plug what they saw as a hole in Netflix's business model. The experiment failed and neither returned to Netflix. Randolph took a break from the rush of Silicon Valley start-ups; Lowe founded one of Netflix's biggest competitors: Redbox.

Subscription Service as a Business Plan

The subscription business plan is radically different from both the purchase-to-own and a la carte rental business plans that dominated the rental industry up until this point. Netflix first had to shift its appeal to consumers from ownership to access, and then from a la carte or pay-per-view rentals to monthly subscription rental plans. In 1998, the video rental industry was entirely based on a la carte distribution. Even Netflix started that way, charging $4 for a seven-day rental, plus $2 for shipping and handling. At the time, only a few DVD-by-mail companies existed, and one of them – reel.com – had supposedly taught the industry a hard lesson about a la carte vs. subscription-based business models.

Reel.com was launched by a small California rental store in 1997 as its online rental arm. Only a few months later, suffering from high overhead costs and minimal consumer interest, reel.com deserted rental in favor of a "purchase-to-own" business model. Rental is "not an ideal business model for the Internet," admitted a reel.com spokesperson. Joe Buesgen, of West Coast Video, admitted that he was reluctant to pursue Internet rentals because "reel.com's move out of the rental market is a decent indicator that that's not what consumers are looking for" (Graser, 1999). With so few DVD players in the marketplace and so few consumers willing to desert the face-to-face interactions and immediacy of brick-and-mortar stores, 1997 was probably too early for the introduction a subscription DVD-by-mail business.

Netflix, however, took this as a challenge rather than a set back. "People like convenience," Hastings insisted. "We just had to wait for more people to get used to the Web and DVD before our business could take off" (Graser, 2000). And for Netflix, itself, to work out the kinks of a web-based rental business and settle on subscriptions as the most Internet-friendly means of video rental.

In 1999, less than a year after launch, Netflix introduced what it called its Marque program. The program cost $15.95 a month and subscribers could have 4 DVDs out at a time. By February 2000, a la carte rentals were dropped altogether, in favor of the Marque program, which was by then split into different price points based on the number of DVDs a subscriber wanted to rent at one time. The monthly subscription plan allowed Netflix to offer a number of consumer-centric services that brick-and-mortar stores – locked into a la carte business plans – didn't have the luxury of offering. Namely, Netflix had no late fees, a no-hassle policy towards lost or damaged discs, and a similarly no-hassle cancellation policy.

Faced with an entirely different business model for online rentals, legacy video rental companies didn't fight online-only companies for supremacy in the Internet video rental market. The Internet rental business is based on an entirely different business model meant to target a different kind of consumer behavior. The subscription model isn't readily viable in a physical store, and would have been unaffordable because of increased costs in DVD turn-around, lost late fee revenue, and the costs of purchasing, maintaining, and storing the expansive inventory needed to make a subscription service work. On the other hand, the a la carte business model that works so well in stores limits the control and choice that fits so naturally with, and is expected of, Internet companies.

Case Study: Blockbuster

As a DVD-by-mail business, Netflix had many competitors – national chains, mom-and-pop rental stores, big box companies that sold DVDs at deep discounts – but its largest competitor was Blockbuster. In fact, when Netflix successfully completed its IPO in 2002, Wall Street listed Blockbuster as Netflix's biggest nemesis. These initial worries didn't go away. In 2007, Barron analyst Cantor Fitzgerald still worried that "competition from Blockbuster has been wreaking havoc with Netflix's business" (Fitzgerald, 2007). Two years later, Lazard analyst Barton Crockett downgraded Netflix's stock to "sell" in the face of stiff competition from both Blockbuster and the newly founded YouTube (Savitz, 2009).

Blockbuster was founded in 1985 by Texas entrepreneur David Cook. Cook made his initial money in oil before he opened his first video store in Dallas, TX, with 10,000 VHS movies and an instantaneous fan base. Even at the embryonic stages of Cook's success story, however, the seeds of his downfall were already in place. While Cook was standing at the doorstep of incredible success in the rental market, that very success was based on a distribution model that was transitory, doomed to be overturned after 20 - albeit 20 very good – years.[11] All of Blockbuster's early decisions were made with that early success in mind, and the company was entrenched, from the very beginning, in big-box-store thinking that would prove fatal. Importantly, Cook was a fan of franchising, which allows a company to spread nationally while installing local franchise owners in each store. In need of cash, though, Cook turned to waste-management business man H. Wayne Huizenga, who favored building stores entirely under the national Blockbuster umbrella. Cook walked away two months later, and Blockbuster was set on a path to large, national success based on scale rather than localization.

Blockbuster also suffered from being the only name in the game for too long, and suffered from slow reactions to changing industry forces, an ineffectual grasp of technological changes, and a number of misreadings of consumer behavior. "It makes no sense that the

[11] Blockbuster shares its doomed origin story with the Erie Canal. At the time that the Canal was conceived, it was a necessary link between the Great Lakes and the Hudson River, effectively making New York, rather than New Orleans, the commercial center of the East Coast. By the time the first feet were dug in 1820, however, the Canal was doomed. In less than a decade, the railroad would drastically change the way goods were moved in the United States, rendering travel-by-boat obsolete and ushering in the Industrial Revolution.

Blockbuster on 85th and Lex was the same as a Blockbuster in Nebraska," explained New York City local storeowner Peter Feingold. "They look to see if they have competition, but don't look to see who their customers are" (Goldsmith, 2002). Lack of personalization and a focus on competition, rather than customer satisfaction, inevitably made Blockbuster vulnerable to changes in technology and consumer habits.

Blockbuster's first competition wasn't from Internet rental services, it was from the DVD itself. In 2004, the entire US rental business slipped 18% from the previous year (Arnold, 2005). Although VHS movies were originally so expensive that only rental companies could afford them, DVDs were, from the very beginning, priced at low enough for middle America to start their own movie collections. Stores like Wal-Mart even priced them below wholesale for the first week or two, in an attempt to draw customers into the store to buy the type of diverse products Blockbuster just couldn’t compete with. Media stores penetrated the nation, with a Best Buy or a Circuit City in nearly every mall, and 30-40% off DVD coupons from Barnes & Nobles and Borders in daily emails. Resale stores like FYE also flourished, and local resale shops became city hangouts, as record stores were a generation earlier. Blockbuster had a hard time competing with the shift in consumer culture from a rental- to a purchase-based model.

If the DVD was bad news for Blockbuster, the emergence of the Internet signaled the beginning of the end. To some extent, Blockbuster's attempt to adapt as an Internet rental service was doomed from the start. Blockbuster’s over-reliance on new releases was a difficult business model for physical stores, customers, and movie studios. Eventually, Blockbuster entered into revenue-sharing deals with the studios to bring in more and more copies of new releases, but this was never sustainable. Not when these movies would be wasted, piling up in $5 bins a mere few months after they graced rows and rows of Blockbuster new release shelves.

This reliance on new releases is also a symptom of Blockbuster's one-size-fits-all strategy to movie rentals; a strategy that just doesn't accommodate the personalized, consumer-driven, choice-is-king strategy that works on the Internet.

Blockbuster also took a number of specific missteps with its online business. Although Blockbuster launched a website in 1996, it was only meant to push in-store promotions and sell a small number of movie titles. The rental website didn't launch until 2003, and the Internet and in-store businesses weren't integrated until three years later. The Total Access plan allowed subscribers to rent DVDs on-line, have them delivered to their homes by the post office, and left them the option to return the DVD in store. During the years before Total Access, however, Blockbuster focused on luring Netflix subscribers to Blockbuster Online, rather than adapting its business model to satisfy *Blockbuster* customers with an online version of the company they were already habituated to using. As analyst Dennis McAlpine bemoans, "You can't out-Netflix Netflix," and Blockbuster was never successful at doing so (Bond, 2005).

By 2002, before Blockbuster even launched its online business, *Variety* declared that Blockbuster "has become a dinosaur almost overnight" (Goldsmith, 2002). In 2010, it declared bankruptcy and, in a move that never paid off, was bought by DirecTV for $320 million. Total Access was incredibly damaging to Netflix, but it wasn't enough to support the losses it was costing Blockbuster. The final blow came when Blockbuster CEO John Antioco – Total Access's greatest champion – was replaced by Jim Keyes, formerly CEO of 7-Eleven and tied to a physical-store mindset. Blockbuster pulled back on its investment in Total Access and in January 2014, closed its last remaining 300 stores. In the end, what Blockbuster didn't understand is that "Netflix doesn't just want to overtake Blockbuster in the video rental biz. It wants to reinvent the Hollywood blockbuster" (Zeitchik, 2006). Netflix was set on innovating the entertainment industry, and Blockbuster, stuck in an old business model, wasn't able to keep up.

Developing a Brand Synonymous with Innovation

Netflix, during its first decade, developed a culture of innovation that would help them not only survive, but thrive, through the bust of the dotcom bubble, the development of mobile technology, the economic recession, and subsequent changes in consumer media and technology behavior. The innovations Netflix promoted during its early years – innovations in technology, algorithmic recommendations, and the long tail – set strong foundations for its subsequent iterations as a streaming syndication company and, finally, as an Internet TV network.

Innovations in Technology: The DVD

Netflix's origin story is very much entwined with the development of DVD technology. DVD premiered in spring 1997, with less than 1000 titles available. DVD players were expensive luxury items and faced stiff competition from Circuit City-backed Divx.[12] Even cinephiles wouldn't invest in the new technology until this modern-day replay of the VHS vs. Beta war played out in full.

Divx was released soon after the DVD, as an alternative method of film storage and distribution. Importantly, Divx was based on more of a rental mentality, and would have given distributors the upper hand. The idea behind Divx was that customers would buy low-cost discs that they could take home and watch for a few days. The discs would then expire and become unplayable, unless additional fees were paid. DVDs, on the other hand, could be bought and watched for as long, and as many times, as customers wanted, putting control firmly in their

[12] Both the DVD and Divx had their roots in LaserDisc. LaserDisc premiered in North America in 1978 as a rival for VHS and Beta. Although LaserDiscs were superior in video and sound quality to VHS, it remained fairly obscure in the US and Canada, due to the expense of both the LaserDisc players and the discs themselves. Nevertheless, the LaserDisc technology laid the foundation for DVD, Divx, and Blu-ray.

hands. The triumph of the DVD over Divx predicted the success of the streaming technologies that would give viewers even more control over their media usage. Ironically, Divx failed, in large part, because studios wouldn't back it because of the problems Divx presented to rental stores like Blockbuster and Hollywood Video (Hettrick & DiOrio, 1999). Divx would keep people from coming into rental stores every time they wanted to rent or return a movie, but, in the end, DVD technology allowed Netflix to flourish and set Netflix on the path towards video streaming that would, inevitably, kill the very rental stores the studios were trying to protect.

When Netflix was founded in 1998, it was one of the first companies to capitalize on DVD technology. At the time, brick-and-mortal rental stores had extremely limited DVD inventory. In fact, when Netflix premiered, founder Randolph's quote said that "Netflix promises DVD fans the ultimate in DVD shipping" (Hettrick, 1998), branding Netflix as a destination for *DVD fans* as much as for film fans.[13] To that end, one of Netflix's main selling points was that it carried all available DVDs: under 1000 when Netflix launched in spring 1998, up to 2300 by end of the year. By 1999, Netflix's library boasted all 4000 DVD titles, while Hollywood Video only offered only 120 (Bond, 1999).

DVDs, however, remained a niche market. In 2000, DVD represented a respectable $4 billion market – a number expected to almost quadruple over the next five years (Graser, 2000) - but still not large enough to support Netflix's growing competition with Blockbuster, Hollywood Video, Amazon, and Wal-Mart. Netflix was about to close its doors when, during the 2003 holiday season, the price for DVD players plummeted to as low as $29 and became the year's most popular gift. Suddenly, DVD player sales were up 40% from the previous year (Szalai,

[13] DVD fans included early adopters who loved and admired the superior quality that the DVD format offered over VHS. DVD fans also included film buffs who embraced the extra content that DVDs came with, including outtakes, behind-the-scenes footage, and commentary tracks from directors, writers, and critics. Where VHS tapes are linear and spatially-limited, DVDs do not have these restrictions. In fact, movie extras remain the one thing that works better on DVD than it does in streaming. Film buffs are some of the last DVD and Blu-ray collectors for this reason.

2003). By 2005, 75% of Americans had at least one DVD player in the home and DVD sales had surpassed theatrical revenue (Sporich, 2005). Not only did the DVD player boon give Netflix more potential customers, but Netflix had deals with Toshiba, Pioneer, Sony, HP, and Apple so that DVD players and computers with DVD drives came with free Netflix trial subscriptions. These new DVD customers, then, were initiated Netflix customers at the same time as they were introduced to DVDs, making Netflix, for all intents and purposes, synonymous with DVD rentals.

Innovations in Technology: Shipping

DVD technology played a much more practical purpose. When founders Hastings and Randolph were developing their concept for an Internet rental company, they knew that films would have to be shipped, quickly and easily, through the US Postal Service. VHS tapes were large, fragile, and impractical. DVDs, however, were smaller – small enough, in fact, to ship in a first class-stamped envelope – and withstood the wear and tear of shipping much better than VHS tapes ever could.

Netflix spent time innovating and perfecting the DVD mailer. They tried over 200 packages, until they found a mailer that would ship a disc for the price of one stamp, with a return, pre-stamped mailer already included. Netflix also modified the machines that the post office uses to sort envelopes by barcode, so that the machines could handle the strangely uniquely envelopes that Netflix settled on. Netflix wasn't just putting brick-and-mortar rental stores out of business, it was altering the way that the US government delivers mail. Specifically, Netflix's new machines could handle the rectangular envelopes, read the barcodes, and print addresses on the packaging at a staggering rate of 5,000 envelops an hour. Finally, Netflix developed and patented a series of special software that tracked DVD rentals, compiled consumer requests, and made sure that shipping was as efficient as possible.

After making the adjustments to software and packing, Netflix then had to work directly with the USPS to develop an easy, efficient, and rapid shipping process. The goal was to reach as many subscribers as possible via overnight delivery because, Netflix found, fast shipping lead to higher usage, more DVD turnaround, higher satisfaction, and better word-of-mouth. These innovations – the development of distribution centers, shipping software, and the recommendation algorithm that spurred higher DVD usage – also increased the barriers to entry into the DVD Internet rental business, which gave Netflix an increasingly sure footing in the new industry it was helping to mature.

With one-day shipping in mind, Netflix began developing an innovative and unique shipping plan. Today, we have taken immediate access to media for granted, but pre-Netflix and pre-Amazon, one-day shipping was a luxury. In 2002, they opened their first distribution warehouses in LA and Boston, with three more in Chicago, Dallas, and Portland the year after. The warehouse locations were chosen because they were the most centrally located to the largest percentages of Netflix subscribers, and by 2004 80% of Netflix's 1.5 million subscribers were receiving their DVDs by overnight delivery (Staff, 2004).

Netflix's shipping strategy became a national curiosity, with published walk-throughs by *The Chicago Tribune*, *60 Minutes*, and *Nightline,* all impressed by the lengths Netflix went to in order to meet consumers' changing behavior and emphasis on immediacy. Christopher Borrelli of *The Chicago Tribune*, for instance, spent a day at Chicago's localized distribution warehouse. To cut down on time, Netflix goes directly to the post office and returns, full of returned red envelopes, for employees to sort. Despite Netflix's impressive technological advancements, it still relies on employees – each analyzing about 1000 envelopes an hour (Borrelli, 2009) – for quality control.

The acceptable discs then move to Netflix's proprietary sorting machine. The machine reads 30,000 bar codes an hour and sets off the 'your disc has arrived' email. Discs that are not requested for re-circulation are sent back to the warehouse, discs that are requested are sent to a Stuffer machine that stuffs, seals, and addresses the new envelopes. These envelopes are then loaded onto the truck and, at about 5pm, sent back to the USPS office (Borrelli, 2009). Most DVDs are immediately sent out again, without ever seeing shelf-time (Stahl, 2006). By dropping off and picking up discs directly from the post office, Netflix was able to skip half the shipping process and cut down shipping times drastically. Netflix also gets a discount from the post office by pre-sorting by zip code; even with the discount, Netflix had a $300 million postal bill in 2009 and represented one of the post office's biggest customers (Donvan, 2009).

Innovations in Corporate Culture: The Netflix Culture Deck

It's important to note that Netflix wasn't only innovating on content delivery and technology, but also on corporate culture. In 2009, chief talent officer Patty McCord and CEO Hastings released a document[14] outlining their philosophy for the relationship between employees and employer in an industry that moves as quickly as the Internet media industry does. The document has become something of a legend, circulating around Silicon Valley and raising eyebrows from tech companies that have, traditionally, been known for all-day espresso machines, game rooms, complimentary sushi lunches, and conference rooms filled with beanbag chairs. Not to say that Netflix treats its employees badly – Netflix employees are paid top-market rates and are given unlimited vacation time – but the principles behind Netflix's corporate philosophy are unique.

[14] The 124 slide powerpoint presentation called the "Freedom & Responsibility Netflix Culture Deck." It can be found at http://www.slideshare.net/reed2001/culture-1798664.

Namely, Netflix's corporate culture is based on a few specific principles meant to encourage innovation, intellectualism, and high expectations: first, performance is worth more than effort; second, Netflix trusts its employees, giving them unprecedented freedom in exchange for equally unprecedented expectations for personal and corporate responsibility; and, third, Netflix only keeps people whose skills are relevant. No matter how innovate or important an employee may have been in the past, if their skills are no longer needed, they are let go with a 'thank you' and an aggressive severance package. This last principle doesn't only apply to low-level employees; in its short fifteen-year existence, Netflix has had two major leadership overhauls. In the first, Randolph and Lowe left when their expertise – so important to Netflix's success as a rental-by-mail company – was no longer needed in Netflix's transition to a media streaming company. The second after the Qwikster debacle that will be discussed in chapter two. Netflix's willingness to overhaul its leadership structure has been integral to its flexibility as a company, allowing it to nimbly and quickly adapt to the vast and rapid changes the rental industry has faced over the last two decades.

Innovation Reaches its Peak: The Netflix Algorithm

At the same time as Netflix was innovating as a DVD company, it was also developing what it meant to be an Internet media company. In her book on Netflix's early years, Keating claims that "in the pursuit of elegant software and intuitive user interfaces, they created a tastemaker to rival Apple, an innovator on the order of Google, and a brand power equal to Starbucks" (2012, p. 4). That may be overstating it a little, but Netflix has made innovating on the relationship between technology and consumer behavior an art form. Netflix outlasted both the dotcom bubble and the DVD rental wars on the strengths of an easy-to-use, clean, and appealing website and consumer-centric practices like no late fees and a no-hassle cancellation policy.

Netflix's goal is to create simple and sophisticated software to run everything from its website to shipping efficiencies. They built their own customer-support software, for instance. In its early years, Netflix had 115,000 subscribers and 100 support reps, and in 2005 only 43 reps for over 3.2 million subscribers. Instead of outsourcing customer support, Netflix built an internal system of alerts, meant to prevent and fix the roots of problems rather than work retroactively (McGregor, 2005). The pinnacle of Netflix's software innovation, however, is in its matching algorithm.

In February 2000, Netflix premiered CineMatch, its recommendation software. After each rental, Netflix asks viewers to rate the movie on a five-star system, and CineMatch looks for clusters of viewers who rate films in similar ways. As Hastings explains, "our warehouse employees never interact directly with the customer, so what we focus on instead is having the website be the most personalized website in the world. If the Starbucks secret is a smile when you get your latte, ours is that the website adapts to the individual's taste" (McGregor, 2005). The algorithm initially started as the necessary equivalent to the video store clerk and then, in true Netflix fashion, Netflix innovated on the clerk to fit the specific abilities of the Internet to personalize content.

The algorithm has become the most important element of Netflix's business model. In both of its IPO applications, Netflix emphasized the algorithm. In the initial 2000 document, Netflix references the "personal" possibilities of its business three times in the opening two sentences. In fact, Netflix defines itself as "an authoritative online source for movie recommendations and selection based on personal preferences" (Netflix, 2000). In 2002, Netflix's first report to shareholders emphasized

> what we believe is the true strength of the Netflix model: a proprietary system for personalizing movie recommendations for each subscriber via a remarkably

> powerful and innovative rating system. Instead of someone else's tastes to guide a subscriber's choices, Netflix builds a profile of each person's movie likes and dislikes to truly personalize a DVD recommendation. (Hastings, 2002, p. 3)

The clerk, then, in Netflix's case, is a highly sophisticated algorithm based, not on a clerk's individual knowledge, but the combined knowledge of all of Netflix's millions of users.

The algorithm is so important that, in 2006, Netflix opened the Netflix Prize. The contest offered a million dollars to anyone who could improve the algorithm's predictive powers by 10%. The contest also opened a real-world data set to scientists and amateur programmers all over the world; at 100 million customer ratings – with stringent privacy settings to ensure subscriber anonymity – it was the largest data set ever released publicly (Hafner, 2006). The Prize was strikingly egalitarian, for, as Hastings explained, "all you need is a PC and some great insight" (2006). The Prize was also a great marketing campaign for Netflix, who already had the world's most advanced recommendation algorithm, and got to show it off at the kick-off and Prize events, as well as through press articles continually marking the Prize's progress throughout its two year run.

The results of the Prize were fascinating, both from a technological and a psychological perspective. Both the first and second place teams were amalgams of other teams, which "proffered hard proof of a basic crowdsourcing concept: Better solutions come from unorganized people who are allowed to organize organically" (Van Buskirk, 2009). Crowdsourcing is a business model native to Internet culture, where bringing talent together to solve tech problems has become almost commonplace. For the Prize, it resulted in a lot of out-of-the-box thinking. Second place team Big Chaos, for example, took into consideration the relationship between mood and time, i.e. subscribers rate movies higher on Fridays than they do on Mondays. First place BellKor considered that subscribers rate movies differently based on the time in-between watching the film and rating it, i.e. some movies age better in our memories than others. In the end, that thinking pushed BellKor over the 10% mark and won them the Prize.

An accurate predictive algorithm has a number of important implications. It decreases churn, because every time Netflix subscribers come to the website they're confronted with lists of titles they love and, perhaps, didn't expect. It also creates fan for genres that may not otherwise reach many viewers. Between 2003 and 2006, for example, the number of Americans who said they're indie film fans doubled. "I have to think a lot of that has to do with Netflix," admitted Warner Independent's Mark Gill (Zeitchik, 2006). Netflix stocks all possible DVD titles and then, using the algorithm, puts them directly in front of the exact viewers who are most likely to enjoy them.

The possibilities for film marketing are significant. Traditionally, there's a great deal of pressure for studio marketing departments, as films and TV shows are expected to do well in the first week or so of release. However, as filmmaker Steve Hamilton explains, "the Internet has opened up a whole new world of possibilities for advertising and publicizing one's film" and Netflix is "a company whose model and philosophy produced a much more direct link between the filmmaker and the viewer" (Kilday, 2005). Netflix can get films into the hands of people who will really love and champion them, building an important word-of-mouth marketing campaign based on its predictive algorithm.

This shifts the traditional paradigm of video renting in drastic and effective ways. Blockbuster's distribution, marketing, and inventory decisions were based on the assumption that people want to watch the latest and biggest blockbuster hits; even the name of the company reflects this strategy. Netflix, however, based its decisions on the assumption that people want to watch stuff they'll like, not necessarily what's new or a hit. Netflix's reliance on long tail content has been foundational to all stages of Netflix's development; a foundation Netflix began building from its first day.

The Long Tail

The term "the long tail" was coined by *Wired* magazine's Chris Anderson in 2004 to encompass the new economic model that Internet-based companies like Netflix and Amazon were offering as an alternative to the "hit culture" of the last century or so. The world of physical entertainment – be it brick-and-mortar film and music stores, movie theaters, concert venues, or broadcast and cable television – are bound by the limitations of time and space. They need to pull in a large local audience willing to go to a particular movie theater or patronize a particular record store. Physical entertainment also needs to attract that audience at particular times. The radio spectrum can only support so many radio stations, coaxial cable only so many TV channels, and 24-hour programming schedules only so many TV shows. These limitations, then, require each media property to aggregate large audiences at the same time and in the same location.

The limitations of physical media led to hit culture: lowest-common-denominator media that could attract large groups of people at the same time. The problem with hit culture is that it *seems* like it's consumer-driven, when it's actually pre-determined by marketing and studio executives; a problem that has been driven home by consumer reaction to the choice and control of Internet media distribution. While executives make decisions based on years of consumer data, they, by definition, limit consumer choice in order to build mass products around a small number of content offerings. "Unlimited selection is revealing truths about what consumers want and how they want to get it," Anderson explains. When offered a deep catalog, consumers are exploring the entire catalogue and "as they wander further from the beaten path, they discover their taste is not as mainstream as they thought" (Anderson, 2004). Just as importantly for companies like Amazon and Netflix, the long tail can be extremely profitable. For companies that can provide access to such content, the combined offerings of long tail programs can often produce an audience in excess of that for a Blockbuster hit.

When applying Anderson's concept of the long tail to Netflix's business model, the algorithm is especially important: first in search functionality and second in access to inventory. The predictive algorithm directly solves the first. While hit culture limits viewer choice – a walk through Blockbuster only offers a select number of titles to choose from – the long tail offers thousands and thousands more options. This would be overwhelming, if the algorithm wasn't able to sort through it for viewers and personalize long tail content for every individual viewer. In this way, Netflix takes what chief content officer Ted Sarandos calls "a more democratic" approach that makes niche content not only viable, but profitable (Bond, 2003). Movies like the indie film *Memento*, for example, did well on the film festival circuit and very well on Netflix. Its success opened new doors for Christopher Nolan's first film, *Following* (1998), which, up to this point, was relatively obscure. Netflix, though, recommended *Following* to its subscribers who liked *Memento* – subscribers who rated *Memento* four or five stars out of five – and subscribers started renting, rating, and spreading *Following* by word of mouth (Thompson, 2006). *Following* is a perfect example of way Netflix's matching algorithm can bring long tail content out of obscurity and put it in front of viewers who will like and share that content.

Expanded viewer choice requires a large inventory. As Sarandos explains, "if you have the tools to unlock the viewer's taste, you have to have something for them" (Thompson, 2006). For Netflix, this has meant stocking every DVD title available. While it is impractical for physical stores like Blockbuster to have the shelf space for current hits, historical film libraries, indie films, foreign films, and all genres in-between, Netflix's digital shelves and physical warehouses are equipped to do so. Netflix's algorithm also makes this more practical: because Netflix knows exactly what its customers rent, it doesn't over or under stock individual titles and, therefore, it can invest in a large and efficient library, rather than hedge its bets on hit films.

The long tail film library was also more financially viable for Netflix in its early years. While 70% of Blockbuster's rentals were typically new hit releases, Netflix flipped those numbers: 70% of rentals were long tail titles, with only 30% new releases (Zeitchik, 2006). As a result, Netflix uses a financially-rewarding 98% of its inventory (Bond, 2004b). It's expensive to maintain a large library of current hit movies, cheaper to maintain a more diverse library with more titles but fewer copies of each. Long tail content also decreased churn, as Netflix's large library offered subscribers fresh choice each time they signed onto the website. In fact, Netflix's success with long tail content actually encouraged the studios to release older films on DVD, furthering the diversity and size of Netflix's content offerings (Bond, 1999).

Netflix's emphasis on long tail content fits with the Internet's emphasis on personalization, consumer choice, and access to all content anytime and anywhere. Illustratively, the new release section was the only section of Netflix's inventory with low ratings, because new releases aren't personalized content (Sarandos, 2011a). As Netflix moved from DVD distribution to video streaming, the algorithm became even more accurate, as it relied less on self-reporting and more on passive data collection, such as when viewers started films, how many episodes of a TV show they watched in a row, and what title they watch directly after. With this new information, recommendations became even more personalized and long tail content even more important to the success of Netflix's business model.

Conclusion: Towards Internet Streaming

In its first decade, Netflix set the foundations for its future as a video streaming company. It developed innovations – the algorithm, a business model for long tail content, and a simple, clean, and easy-to-use website – that would transition seemly to video streaming. It also developed a brand based on innovation, consumer choice, and personalized experiences that were even better suited to Internet streaming than they were to DVD rentals. By the time Netflix launched its Watch Now streaming in January 2007, "Netflix" was already synonymous with "to rent" or "to watch" a movie or TV show.

While Netflix was developing its DVD rental business, it always had an eye towards Internet-based media delivery. "Today we're 100% focused on what the living room will look like" in 10 years, Sarandos said, explaining Netflix's business plan in 2006 (Thompson, 2006). Netflix actually started working on streaming in 2000, just eighteen months or so after it launched as a DVD streaming service. At the time, though, it took sixteen hours and $10 in bandwidth cost to download a single movie (Copeland, 2010). Four years later, there were already reports that early adopters were leaving DVDs in favor of in-house rental options like DVR and VOD (Bond, 2004a). That same year, Netflix began working with TiVo to develop a set-top box that would deliver content in a similar manner to DVR and VOD, with the living room still at the center of the home entertainment universe and no need to leave the couch to rent a movie. The set-top box, Sarandos argued, "has to be in place for the Internet to be a mainstream consumer proposition" (Thompson, 2006).

That philosophy changed with the launch of YouTube in 2005. YouTube proved that it was possible to stream instant video online, rather than downloading content to a set-top box or a laptop. "It was immediately apparent that the click-and-watch approach was fantastic," Hastings exclaimed (Copeland, 2010). Finally, technology had developed to the point that direct-to-home rentals were viable via Internet streaming. Just as importantly, YouTube's success proved that consumer behavior had warmed to Internet-based video viewing. This was the tipping point moment that Netflix had been waiting for, and it immediately began working on a web-based Internet streaming option that would transform Netflix from a DVD-by-mail rental company to an Internet TV network.

Chapter 2: Netflix as Internet Syndicator

Netflix was never meant to be a distribution-by-mail service. Despite its success with DVD distribution and the innovations it put in place to be successful, Netflix seems to have always had its sights on Internet distribution. The name itself – *Net*·Flix – betrays that.

Although Reed Hastings had his sights on Internet streaming, 1997 technology was not able to support the Internet delivery systems he imagined. In fact, even Hastings couldn't imagine the type of cloud technology that has made high quality video streaming an option for at-home consumers. Instead, he foresaw a downloading service, where bits of data were downloaded from a central Netflix hard drive to subscribers' computers; a process that took a couple of hours in 2005 and was near-impossible in 1997. DVD distribution was, then, "a bridge technology to deliver bits through the mail" rather than over the Internet, as DVDs at the time were faster, cheaper, and more reliable (Sarandos, 2013b).

So, while Netflix's Internet streaming service didn't start until 2007, the innovations, processes, and game plans for Internet distribution were in place for a decade before that. As Reed Hastings says:

> We had set up the whole business essentially for streaming, but the network wasn't big enough years ago. But in 2005 we clicked on YouTube and watched cats on skateboards – and we thought, it's here! Since then, we've had so much fun finally delivering on our name: Net. Flix. (Pepitone, 2011)

And so he started making company-wide decisions with an almost single-minded focus on developing Netflix as the leader in streaming video content.

The first, and perhaps most important, decision Hastings made was to hire Ted Sarandos. Netflix's Chief Content Officer since 2000, Sarandos is known, first and foremost, as a "superfan" (Tambor, 2013) and an "unabashed movie buff" (Chmielewski, 2013a). One of five children, he spent most of his childhood in front of the television set. "The structure of TV was the structure of my life," Sarandos told the New York Times. "I scheduled myself around when shows were on" (Segal, 2013). It is ironic, then, that Sarandos' greatest legacy will be his disruption of that very schedule.

Armed with an encyclopedic knowledge of movies – Sarandos calls himself "the original algorithm" (Segal, 2013) – and a deep understanding of what people want to watch, his first job was as a clerk at rental store Arizona Video. He quickly advanced from clerk to manager, then manager of Arizona Video's eight-store franchise, supplementing a community college degree with the best kind of hands-on business experience. Experience that came in handy when he was hired as the Vice President of Product and Merchandising at another rental franchise, Video City, in charge of inventory and relationship deals with the Hollywood Studios.

While at Video City, Sarandos negotiated a first-of-its-kind revenue-sharing deal with Warner Bros., catching Reed Hastings' attention. Hastings recruited Sarandos to head Netflix's content department, and together they have upended Hollywood's traditional models of content acquisition and distribution.

From their first conversation, Hastings lured Sarandos to Netflix with talk of Internet distribution. Netflix's second phase – what I am calling Netflix's syndication phase – encompasses Netflix's move from an old-fashioned DVD-by-mail company to a cutting-edge Internet distribution company. Sarandos was at the center of this transition, positioning Netflix to take advantage of new technological advancements, meet (and, in part, steer) consumer's burgeoning expectations for Internet video, and forcefully pull Hollywood's film and television industries into the realm of Internet distribution.

Managed Dissatisfaction

In embracing Internet streaming, Netflix rejected almost a century's worth of what Hastings calls "managed dissatisfaction." The traditional television structure, and broadcast radio before it, is built on a system of artificial supply and demand meant only to satisfy the needs of media corporations:

> The traditional entertainment ecosystem is built on [managed dissatisfaction], and it's a totally artificial concept. The point of managed dissatisfaction is waiting. You're supposed to wait for your show that comes on Wednesday at 8 p.m., wait for the new season, see all the ads everywhere for the new season, talk to your friends at the office about how excited you are. (Hass, 2013)

This process of waiting, then, creates a pent-up demand that is only satisfied when, where, and how broadcasters and cable operators want to satisfy it. This system of managed dissatisfaction has been the basis for a television industry sustained by expensive advertising spots, bloated cable packages, and large audiences, all watching on large, preferable HD television screens at specified dates and times.

Hastings rejects this system of managed dissatisfaction.

In early 2007, Netflix set out to almost-single-handedly dismantle the traditional television system and the process of managed dissatisfaction behind it. First, Hastings rejected the idea that viewers only value live – or same day - access to all kinds of content. It was surprisingly easy for Netflix to break down 60-plus years of viewer habits around live TV. Television, Hastings argued, did not have to be a mass, cultural event tying the nation together over water coolers (be they actual or twitter-shaped) the next day at work or the community BBQ. In fact, Netflix found, there were certain genres – independent films, documentaries, highly serialized TV shows – that are better consumed on individual viewer timetables. As Hastings describes it, streaming is the TV set "where people get to control their viewing experience" (Stelter, 2013b) by choosing what they watch, when they want to watch it, and how they want to access it.

Viewers do not have control over the traditional television experience. Networks schedule shows on a particular weekly and yearly calendar, and viewers have little choice over when and how they watch it. This changed with the development of the VCR in the 1980s and the DVR in the 2000s, but both the VCR and the DVR are tied to a television set and a cable box and, therefore, to the living room or, in some cases, a playroom or a bedroom.

Viewers couldn't control how and where they watched TV until the media convergence of the 2000s. Media convergence is the "flow of content across multiple media platforms" (Jenkins, 2006), meaning that viewers could access a show seamlessly on their television set, their smartphone, their tablet, and their computer. Netflix took advantage of this second trend to offer viewers continuous and instantaneous access to a huge library of content, all easily available on simplistic interfaces across the gambit of devices, all for a low monthly fee. "Having the complete season," Sarandos argues, "is so much more valuable, in our business model, than having last night's episode. That is demand fulfillment more than demand creation" (Anonymous, 2011). So, rather than artificially creating demand and managing dissatisfaction, Netflix took advantage of already-existing technological trends to give viewers what they wanted, i.e. television anytime, anywhere, and however they want to watch it.

And it worked. When streaming took off in 2010, Netflix had 20 million subscribers, up from 4 million five years before that. This was an extremely rapid change in viewer behavior. "Watching video on the TV is a well-established form of media behavior," president of research at The Diffusion Group Michael Greeson said in 2008. "Watching full-length movies on the PC or on a mobile device, however, requires a paradigm shift of sorts." (Cendrowicz, 2008). Again, Netflix's innovations sat in that space where technological advancement and consumer behavior overlap.

In 2008, American entertainment budgets skewed widely towards physical media: Americans spent only 0.5% on digital media compared to 81% on DVD viewing (Spangler, 2008a). Spending on DVD rental and purchasing has fallen steadily ever since, until, in 2012, Americans watched more movies on-line than in physical form for the first time. In 2012, they watched 3.4 billion movies digitally and only 2.4 million on DVD or Blu-ray (IHS Screen Digest qtd. in Cynopsis, 2012c). IHS Screen Digest, the research company that compiled that data, attributed the change to the rapid growth of tablets in 2012. In fact, tablet adoption was growing faster than computer or smartphones ever had, as 80 million tablets were shipped in early 2013, a mere three years after they arrived on the market (Meeker, 2014). Tablets seemed tailor made for Netflix viewing, with bigger screens than mobile phones, more mobility than clunky laptops, and longer battery life than either smartphones or laptops. Tablets and Netflix, then, had a symbiotic relationship: Netflix users bought a lot of tables and tablet owners watched a lot of Netflix. In 2012, Netflix users watched an average of 10 hours and 7 minutes watching Internet video, seven more hours than the second-most watched Internet service (Hulu) (Nielsen Media Research qtd. in Cynopsis, 2012a). This suggests a major shift in how, and on what devices, viewers are watching television; a shift that has lasting consequences on the distribution, production, and success of television content.

New Distribution Strategies: Media Convergence, TV Everywhere, and the Rise of OTT Distribution

In October 2010, Hastings proclaimed that "by every measure, we are now primarily a streaming company that also offers DVD-by-mail" (Bond, 2010). The pronouncement came three short years after Netflix started to offer streaming content in 2007. The rapid deployment of streaming – and subsequent pull back from DVD delivery – was made possible by a series of technological advancements in digital storage – namely, "the cloud"[15] – and the proliferation of consumer devices – smartphones, tablets, set-top boxes – that made it easy, affordable, and practical to stream Internet video. Capitalizing on viewers' desires for portable, personalized, and convenient access to media content, Netflix developed a platform- and device-agnostic approach to content distribution that has catalyzed an industry-wide move to alternative distribution methods.

The Cloud

When Hastings envisioned Internet-based media distribution in the early 2000s, he was thinking about individual downloads, a rental service in the model of iTunes and Amazon. Downloading, however, is expensive, time consuming, and requires complicated technologies to ensure that the content is deleted after the rental period is over. The development of cloud technology offered a critical solution to each of those issues.

The foundations for cloud computing were laid in the 1950s, but it wasn't commercially employed until the early 2000s. With the development of high-speed bandwidth, low cost computers, and virtualization standards in the years after the dot-com bubble burst, companies like Amazon and Google began developing an easy and efficient storage system that is easily accessible from anywhere, on any device, by anyone with the access codes.

Cloud computing has been essential for the apps that dominate smartphone and tablet usage: personal storage services such as Dropbox, Google Drive, and iCloud, and content sharing

[15] The cloud is a tech term that refers to data stored on servers, independent of computers, that can be accessed from any Internet-connected devices. The cloud allows for ubiquitous, seamless, and on-demand access to content (e.g. documents, information, music, video).

applications, including Netflix. Through the use of cloud computing, Netflix hosts its video library in the cloud, accessible by each of its subscribers. The cloud stores subscribers' preferences, recommendations, and viewing history. Most important, the cloud facilitates easy and ubiquitous access to Netflix via any device, so that subscribers can start an episode of *Breaking Bad* on their iPhone, continue it on their iPad, and finish that same episode on their laptop.

Mobile Technology

The development of the cloud opened the door for a number of important devices meant to capture content from the cloud and deliver it directly to consumers. Most importantly, the cloud is accessible by Wi-Fi enabled devices – laptops, Roku boxes, video game consoles – and devices run on mobile data – smartphones and tablets – so that subscribers could now stream Netflix content through cellular carriers' data plans as just as well as it is streamed through in-home Wi-Fi. For Netflix, then, the mainstream adoption of smartphones and tablets untethered television viewing from the home, opening up new markets that Netflix was uniquely situated to capitalize on.

Although smartphones did not dominate the home entertainment market until the iPhone and the Android operating system, the smartphone is over twenty years old. In 1992, the Simon Personal Communicator prophesized the defining characteristics of the smartphone: a touchscreen, apps, predictive typing, the ability to call, fax, page, and compute all in one, 18-ounce machine (Sager, 2012). Although Simon only sold 50,000 units, it laid the groundwork for the smartphone revolution of the next decade. When the iPhone premiered in 2007, it was able to refine Simon's original features and take advantage of the vast mobile ecosystem that had developed in the intervening decades, including web browsers, high speed mobile networks, smaller and more efficient batteries, and the apps made possible by the ubiquity of cloud technology.

According to Asymco Research, smartphone penetration increased rapidly after the launches of the Droid and the Galaxy S in 2010, so that, by the end of 2012, 50% of Americans owned smartphones (Dediu, 2014). By 2014, smartphone penetration surpassed 70%, with even higher rates in key demographics: 85% of 18-24 year olds, 86.2% of 25-34 year olds, and 80.7% of the 35-44 demographic (Nielsen, 2014). This is nearly the quickest rate of adoption for any technology in history (Dediu, 2014).

The rate of tablet adoption, however, has been even faster. Early data for tablet usage showed that tablets had gained traction – defined as the point when 10% of the population uses the device – quicker than any other electronic device in history (see Figure 1).

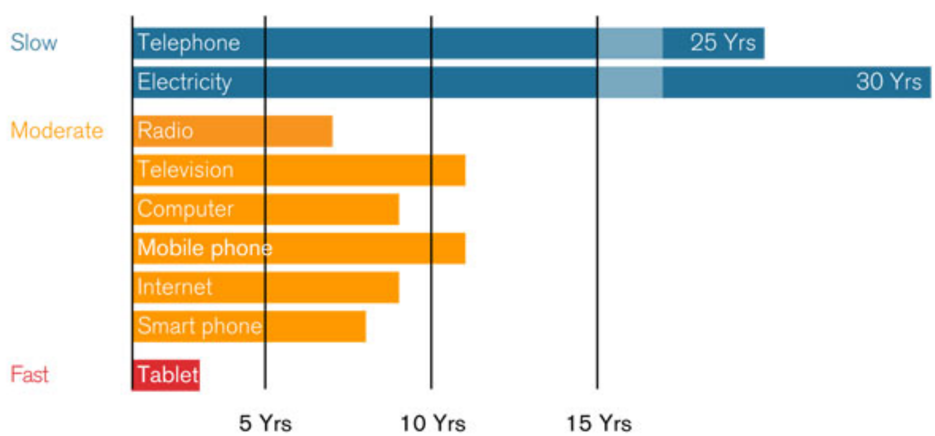

Figure 1. US Technology Adoption Rates, as of 2010. Data for time it took each device to get traction (10% penetration). Figure from MIT Technological Review (Degusta, 2012), with data from ITU, New York Times, Pew, Wall Street Journal, US Census Bureau.

The speed of tablet penetration was helped by the prior adoption of smartphones, as tablets use the same operating systems, apps, and capitalize on the same user habits as smartphones do.

This quick adoption of mobile devices radically changed viewers' habits and expectations. As Citigroup found, mobile viewing has altered television viewing from "the push-based delivery of linear channels over closed TV systems, to the pull-based delivery of specific shows via an app over an open system" (Lauria, 2013). Instead of watching at network-determined times and in CSP-determined places, viewers now could to watch television shows when, where, and on whatever device they preferred. Netflix offered this alternative to the traditional managed dissatisfaction of linear television viewing.

Set-Top Boxes

Mobile viewing opened up the how and where of television viewing, but the great majority of viewers still liked watching television on the large HD screens of their TV sets. In one of the most vexing contradictions of the digital era, the move to mobile – with its small, eminently portable screens – was paralleled by a simultaneous transition in TV sets to HD and 4K screens that were massive and immobile. These two conflicting revolutions in viewing technology resolved themselves in the development and popularity of set-top boxes that connected the fancy new HD TV sets to Internet streaming services like Netflix, Pandora, and Crackle. These devices allowed Netflix to offer easy, simple, and inexpensive ways of watching commercial-free content whenever subscribers wanted, connected directly to their TV sets.

By 2012, 38% of US households had at least one TV set connected to the Internet (Cynopsis, 2012d). According to a Nielsen study in July, 2011, Netflix subscribers, specifically, connected to Netflix in a variety of ways and overwhelmingly on their TV screens. In contrast, 89% of Hulu subscribers connected to Hulu directly through their laptops and computers. Only 42% of Netflix subscribers did the same, instead spreading viewing across gaming consoles, Blu-ray players, and set-top boxes such as Roku and TiVo (see Figure 2) (Nielsen, 2011).

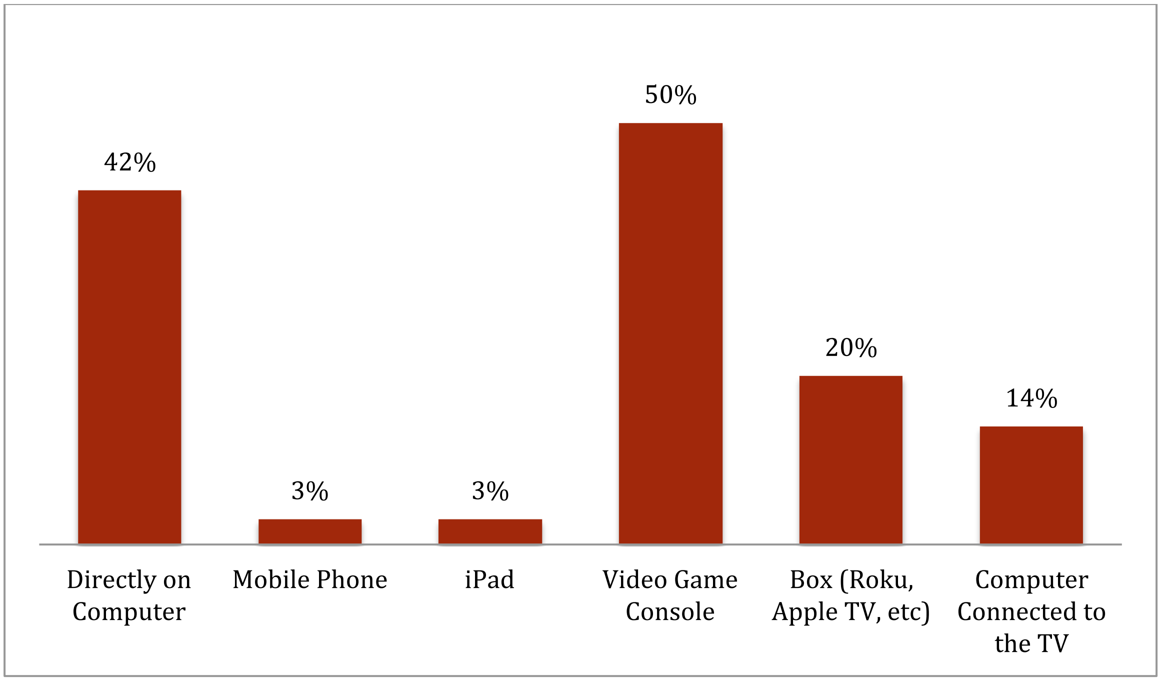

Figure 2. Netflix viewing, by device. Data from Nielsen Media Research (2011).

Netflix has gone to great lengths to be accessible by any device, which includes the myriad of ways users access content on their television sets, including smart TVs, video game consoles (X-Box, Playstation), Roku Box, Apple TV, Chromecast, Amazon Fire TV Stick, and directly connecting computers to the TV.

As early as 2004, Netflix was in talks with TiVo to create a Netflix/TiVo set-top box: "We've always talked about digital distribution of our assets, and we see TiVo as one step in that direction," Netflix rep Shernaz Daver told Broadcasting & Cable (Kerschbaumer, 2004, p. 27), three years before Netflix began streaming content. The deal was meant to create "the ultimate video-on-demand service" with TiVo as "the one-box solution for aggregating, searching, and delivering the best content available anywhere right to the TV" (Spangler, 2008b). Such a device would have been exclusive and, while possibly economically successful for both TiVo and Netflix, against Netflix's mythos.

Netflix seeks device agnosticism rather than proprietary hardware. "The value of Netflix," Hastings argues, "is really when it's on every screen that you want to use" (Toscano, 2013). If Netflix wants to be in all homes, it has to make itself available on all platforms. Chief Financial Officer David Wells adds that Netflix, "would love to reduce the friction to the end user" (Edwards & Sherman, 2013), meaning that Netflix wants to be accessible to any and all subscribers, no matter the devices they choose to invest in. Although, Netflix does have a stake in Roku, one of the earliest and most successful set-top boxes on the market. Netflix invested $6 million in the company (Bond, 2008) and has a relationship with Roku's founder, Anthony Wood, who worked at Netflix until Netflix gave up the development of an in-house, proprietary box of its own (Spangler, Jan. 2008). It is no coincidence that Roku was developed in the Netflix style of simplicity and ease of use.

Device agnosticism allows Netflix to focus on ubiquity, simplicity, and convenience, rather than exclusivity. Netflix is available on all set-top boxes, from Apple TV to all Blu-ray manufacturers to Google Chromecast. Furthermore, Netflix is featured on each of these devices. On the Roku remote control, for example, Netflix is accessible via a big red button labeled 'Netflix,' so that subscribers do not have to go through a lengthy and clumsy menu in order to access Netflix programming. Netflix is similarly featured on remote controls for Sharp, Sony, and Toshiba Blu-ray players. These deals were made "for members who want even more convenience," Chief Product Officer Neil Hunt said (Bergman, 2011), arguing that Netflix's prominent placement emphasizes Netflix's commitment to convenience, simplicity, and the suggestion of brand supremacy.

Netflix has a symbiotic relationship with set-top manufacturers. TiVo President and CEO Tom Rogers, for example, considers Netflix a necessary component of any hardware delivery:

> Our view has been that the merger of linear and television and streaming over-the-top TV is where the future is, and Netflix has clearly risen to the level of a must-have on the over-the-top side. I don't think consumers feel as if they have a full package of options until Netflix is included. (Baumgartner, 2013)

Netflix had such a stronghold on the streaming market in the early 2010s that any Internet video delivery platform that did not have access to Netflix would be incomplete and unattractive to consumers. Netflix also offers a free month of streaming when viewers buy certain devices, such as X-Box and Toshiba DVD players. These deals make the devices more desirable to consumers, and also increase Netflix viewers who might not otherwise have subscribed to Netflix streaming.

The relationships between new devices, Internet streaming services, and traditional means of content delivery are not all simpatico, however. Set-top boxes pose a particular problem to cable service providers. Streaming content disrupts the foundations of CSPs. As Brian David Johnson at Intel suggested, "We're at a key point where you have a lot of businesses who aren't used to talking to each other that need to . . . [despite their] different business models, legacies and languages" (Morris, 2010). While this quote could apply more generally to the relationship between Netflix and Hollywood, Johnson is specifically talking about set-top boxes and the deals that had to be made between hardware manufacturers – Apple, Google, Roku – and content providers – the broadcast networks, cable networks, new Internet content developers, and the major sports leagues.

These challenges were exacerbated by CSP's slow development of OTT set-top boxes. Rather than capitalizing on the proliferation of broadband in the US, CSPs left the door open for independent developers. If the CSPs had added Internet capabilities to their cable boxes – with access to Netflix, Hulu, Crackle, Pandora, and all the other Internet content providers - the story might have been different. "Cable companies have been in a competitive-advantage position to win this war," Drake Pruitt of digital media Ascent Media Group remarked, "but they've been slow to react . . . So, products like TiVo and Roku have been able to spawn" (Variety, 2010). CSPs were hindered by a fear of "cord-cutters,"[16] "cord-nevers,"[17] and the threat of a la carte cable. Instead of cooperating with independent OTT content providers, CSPs embarked on the slow, troublesome process of developing their own, proprietary OTT service: TV Everywhere.

TV Everywhere

TV Everywhere is an initiative by cable and satellite providers to allow mobile access to television content. By authenticating their subscription through an app or website, subscribers can access live and on-demand content anywhere and on whatever devices they want. Although Time Warner first developed the content in 2009, and many TV Everywhere services began rolling out in 2010, it has proved to be a slow, complicated, and, at times, frustrating endeavor, for a number of important reasons.

First, the initial development of TV Everywhere models was hampered by disputes over content rights. When Time Warner Cable first released an iPad app for live content delivery in March 2011, they received heavy backlash from cable networks. Fox Cable and Viacom both sent cease-and-desist orders to Time Warner, forcing them to remove channels like FX, Discovery, BET, MTV, Nickelodeon, and Spike from the app (Spangler, 2011c). Fox and Viacom agreed that subscribers should pay an extra fee for Internet content, either to Time

[16] Cord-cutters are people who used to have cable subscriptions but have cut those subscriptions. Mostly, cord-cutters are subscribers who have found alternatives to cable in OTT services like Netflix and Hulu. They can also, however, be subscribers who have simply decided to watch less TV, or have moved to areas of the country where they cannot access, or cannot afford, cable.

[17] Cord-nevers are people who have never had a cable subscription.

Warner or to Fox and Viacom, themselves. Time Warner, on the other hand, argued that subscribers have "already paid for these TV programs to be delivered to your home, and we believe you should be able to watch these programs anywhere in your house, on any screen you want" (Spangler, 2011c). Time Warner argues that they had assumed rights, asserting that existing carriage deals allow subscribers to access programming on any screen in the house.

Content providers, however, saw multi-screen viewing as a possible new revenue stream. It would be foolish to give away that content for free. "There has to be a balance and collegial relationship between content owners and distributors," SVP of digital media at Scripps Networks Lisa Choi Owens warned. "We need to figure out the economic model . . . I think we're on a path where that's not very friendly" (Spangler, 2011d). Denise Denison, EVP of content distribution at Viacom, added, "Netflix pays a lot of money to programmers for that type of device and technological opportunity" (Spangler, 2011d). Scripps Networks, Viacom, and Discovery Communications joined Fox in its reluctance to give away content and distribution freedom – to CSPs or consumers - without compensation.

These problems were aggravated by inadequate means of measuring multi-platform viewership. Without accurate measurements, it is difficult to sell ads and determine how many ads should be in each commercial break. Marc DeBevoise of CBS said that his network will be slow in developing TV Everywhere platforms, as broadcasters need "to figure out how we get paid" before jumping in with both feet (Spangler, 2013a). Joe Ambeault, director of product management for Verizon, warns that "there is a breaking point for what consumers can afford," and thus content providers should not expect consumers to pay more for mobile and online content (Spangler, 2012a). Therefore, Comcast's Marcien Jenckes concludes, "we have to change that dynamic by doing a better job of monetizing the content through advertising," i.e.

passing more of the expenses onto advertisers, rather than consumers (Spangler, 2012a). Nielsen, however, has made intimations towards measuring mobile and tablet viewing, but won't do so until Spring 2016. Until then, it cannot aggregate mobile TV viewing with linear TV viewing, and, therefore, content providers and CSPs couldn't charge advertisers per eyeball prices. Since Internet viewing isn't, so far, rolled into ratings, Hulu – the Internet site that airs episodes in-season – often doesn't release episodes until eight days after they premiere on linear TV. That way, all viewing of the episode must be done via live, DVR, or on-demand: the platforms that are measured by Nielsen ratings.

Without advertising, CSPs have struggled to offset the considerable start-up costs of the TV Everywhere infrastructure. Netflix has prided itself on its platform agnosticism, but it is time consuming and expensive to create easy-to-use interfaces across all platforms. John Chambers, Cisco chairman and CEO, said that 75-80% of their investment in TV Everywhere was in software rather than hardware. "It's not about devices, in our opinion, it's about intelligence in the networks. [It's] about how you have an infinite source of content- how do you allow any device, over any network, to [access] content it's authorized to get?" (Spangler, 2011a). It may seem extraordinary that Netflix had this streaming infrastructure and technology in place in 2007, while the CSPs and broadcast networks are still struggling with TV Everywhere in 2015. Netflix, though, had the great advantage of being a new company, with only a DVD-by-mail mentality to overcome. The linear networks, on the other hand, had an infrastructure in place based on advertising dollars, affiliate relationships, and content development practices that made them slow to react to streaming and reluctant to overturn years of successful broadcasting. Linear networks are - by definition and for good reason - conservative.

Finally, TV Everywhere challenges show and network branding. If a viewer watches an episode of, for example, *Pretty Little Liars* on Time Warner's TV Everywhere iPad app, is that viewer loyal to ABC Family? Time Warner? *Pretty Little Liars* as a unique entity? "We want to make sure we are not just a collection of shows and thumbnails that people can access on some new user interface that disconnects the network brand from the TV show," says Mike Hopkins, the president of distribution for Fox Networks. "Otherwise, we think you end up with a really tough model" (Winslow, 2013). Network brands are intricately tied to specific shows, and losing that brand identity would be damaging for networks.

Despite the troubles TV Everywhere has faced, it is an imperative initiative for CSPs. As Joe Ambeault at Verizon Communications argues, linear television is an old-fashioned notion. Television, he argues, "is an application, and all applications ride on all sorts of devices . . . If you're not on the screen, your competition will scoop the customer up" (Spangler, 2011d). As TV Everywhere strategies have been slow and clumsy in design and implementation, CSPs left the door open for unaffiliated Internet TV providers. By 2013, Netflix and Hulu made up 64% of mobile video viewing. Cable and satellite apps, in contrast, only accounted for 11% of TV viewing on tablets and 10% on smartphones (Spangler, 2013b). Phil Kent, chairman and CEO of Turner Broadcasting, urged the industry to adopt "a legal way and an easy-to-use way" of providing non-linear access to programming, in deference to losing customers all together (Basinger, 2011).

Skinny Cable Bundles and A La Carte Cable Offerings

TV Everywhere is meant to stem the growing – albeit still negligible – percentage of American broadband users who do not pay for cable. There are three types of users that worry CSPs: cord-cutters, cord-nevers, and cord-shavers. Cord-cutters are cable subscribers who have cancelled their subscriptions all together. Cord-cutters are a very small percentage of subscribers – they only represented a 0.1% decline in subscribers from 2013 to 2014 (Wallenstein, 2015b) - and CSPs are, generally, not too worried about them. Cord-nevers and cord shavers, on the other hand, are incredibly dangerous for the future of the CSP model. Cord shavers are subscribers that are reducing their cable subscriptions for cheaper options with fewer channels. Cord-nevers are viewers who do not have a cable subscription, and never have. Cord-nevers, Fox President Chase Carey told his company, are "a legitimate concern" (King, 2013).

A legitimate concern, indeed. Cord-nevers are young, tech savvy viewers who grew up using computers and mobile devices. These viewers care about quick and easy access to content anytime, anywhere, and on all their devices. In fact, they not only want on-demand access to content, they expect it. Coming of age during the recession, these viewers are often budget conscious, and don't mind waiting three months to binge the latest season of *Mad Men* on Netflix. Live-ness is not incredibly important to them, at least not when the choice is $7.99 a month for Netflix or $150 for a cable subscription. They know, and are loyal to, particular shows, not to individual networks, and know how to find their favorite shows online.

Most importantly, cord-nevers represent a generational shift in viewer behavior. In a survey conducted by The Diffusion Group in 2013, 49% of viewers aged 18-24 said they would opt for an online-only video subscription service when they move out of their parents' house (Snider, 2013). For young people, Internet bills and Internet-based video subscriptions are non-negotiable, while cable subscriptions are less necessary for their cultural literacy. While older Americans are five times more likely to subscribe to cable than Netflix, the results for young Americans are nearly 50-50: 46% of 18-36 year olds would subscribe to cable and 43% to Netflix (Harris Interactive, qtd. in Fox, 2013). Additionally, Pew Research has found that young people don't mind watching Internet video: 34% of Millennials watch most of their video online, compared to 20% of Generation Xers and 10% of Baby Boomers (Beaujon, 2013). So, while cable used to be a necessary expense, even for cash-strapped twenty-somethings, today's young people may be spending more and more disposable income on hardware – smartphones, tablets, game consoles, set-top boxes – that can be used to access cheaper sources of video content.

So, while CSPs aren't particularly worried about cord-cutters, they are worried about cord-nevers and, to a lesser extent, cord shavers. TV Everywhere is one way of counteracting these subscriber declines, as it offers portable and convenient access to content. TV Everywhere does not, however, alleviate concerns about money, anti-bundling, and behavioral changes. Desperate to find a way to attract cord-nevers – who are not behaviorally trained to consider cable a necessary good – and cord shavers – who find $70-150 cable bills egregious – CSPs and cable networks have looked to "skinny bundles" and a la carte cable offerings.

Both skinny bundles and a la carte offerings disrupt the traditional TV ecosystem. The traditional cable bundle, in which customers are forced to buy packages of channels rather than picking the channels they want, has been a foundation of the cable industry since its inception. While it seems counter-intuitive – and, for customers who only watch 17 channels on average, extremely frustrating – bundling actually minimizes the cost of individual channels. In an a la carte system, individual channels – e.g. HBO, ESPN, FX, AMC – would have to drastically increase their prices in order to receive the same revenue they get from CSPs under the bundling system.

Unbundling has a number of other problems, as well. It would also spell the end to hundreds of channels that do not have the customer base to survive in an a la carte system.

Although many of these channels may be unmissed, many of them – e.g. foreign language channels, news channels, channels targeted to specific ethnic or demographic groups - serve important cultural and societal functions. Secondly, bundles offer a number of benefits that would disappear. Bundling reduces transaction costs and the stress of choosing individual channels. Bundling also increases options, so that customers who do not love, for example, LOGO enough to pay a monthly fee for it, still have the option of watching it on a daily basis. Finally, unbundling has had drastic consequences on the music and newspaper industries, and the cable industry would like to find a way to exist in the digital era without the dismantling its sister industries suffered.

Cord-nevers grew up buying individual songs on iTunes. Michael Egan of Multichannel News suggests that this generation resents paying such high prices for so many channels they don't want and don't watch (2010). At least, not for the prices CSPs charge. Netflix, itself, is a bundled service. Customers pay for all of Netflix's inventory, rather than specific shows or movies. The difference, however, is that Netflix attracts tech-savvy viewers with its simple and easy-to-use interface that is accessible from all mobile devices, computers, and set-top boxes. Programming flows seamlessly across these devices and is, therefore, the definition of on demand. Netflix also charges a low, flat rate monthly fee, and is easy to cancel. The latter is something Hastings has insisted on, as one of the most frustrating aspects of CSPs is how difficult it is to cancel and barter for affordable monthly rates. Netflix, then, is transparent, simplistic, and subscriber-friendly in a way CSPs are not. Netflix's success, then, suggests that cord-nevers and cord shavers will buy bundled programming, as long as it makes sense to them.

While a full-scale unbundling might be years, if not decades, away, cable companies have launched a number of services to fill the gap between traditional bundled cable packages and independent OTT services like Netflix: a la carte OTT channels and skinny bundles. The a la carte option is when OTT channels are offered individually for consumers for a monthly fee. These are mainly major league sports packages, premium cable channels - which are already sold a la carte in addition to standard cable packages - and broadcast networks, which are struggling with CSPs for retransmission fees[18]. CBS, for example, charges $5.99 a month for its OTT service, CBS All Access, much more than the $0.80-$2 it gets from CSPs. All Access, however, offers no sports and no same-day network shows. Thus, it appeals more to binge watchers than to traditional broadcast watchers, but may be very attractive to cord-nevers and cord shavers, who appreciate CBS's vast library of classic TV shows but don't put as much value in live-ness.

Premium cable a la carte OTT channels appeal to the same cord-nevers and shavers. For viewers that binge most of their programming on services like Netflix, Amazon, and Hulu, HBO Now and Showtime's OTT service are great additions. In fact, in June 2012, more than 160,000 viewers signed a petition promising to subscribe to HBO GO – then only available to those who paid for HBO through their CSP – if it were offered as a stand-alone service. The website – TakeMyMoneyHBO.com – took off in less than 48 hours and, while 160,000 doesn't make a dent in the total number of cable subscribers, it did foreshadow changes that were only a few years away (Thompson, 2012).

HBO Now began in April 2015, followed by a comparable service offered by Showtime in July. These services are meant to attract viewers already subscribing to cable, but they were also designed to compete directly with Netflix. In January 2013, Hastings declared that Netflix's

[18] Retransmission fees are fees that broadcast networks charge CSPs for including their networks in cable packages. As broadcasters have struggled for viewers and advertising dollars, they have put more and more emphasis on retransmission fees. The result has been a number of stand-offs between CSPs and the broadcast networks, including a fight between CBS and Time Warner Cable that ended in a month-long blackout of CBS programming for many Time Warner subscribers, forcing many of those subscribers to switch CSPs. In September 2015, DirecTV subscribers in Salt Lake City suffered a three-week NBC blackout, and were unable to watch the first week of the NFL season. These are just two example of a bitter fight between the broadcast networks and the CSPs.

"goal is to become HBO faster than HBO can become us" (Hass, 2013). He backed up the statement with an aggressive original programming slate, meant both to attract viewers and compete with HBO on a programming level. Liam Boluk, media consultant at Redef, concludes that "Netflix is bigger than every single cable and premium-cable network in the US. No matter how well programmed, powerful, or profitable HBO is today, you can't look at that … and not feel the need to act soon" (LaPorte, 2015). Although HBO is much more profitable than Netflix - $1.8 billion compared to $403 million in 2014 (LaPorte, 2015) – technological innovation and consumer behavior are moving in Netflix's direction, and HBO knows that it has to innovate in order to maintain its dominance.

While some channels are offering themselves a la carte to consumers, CSPs are innovating within the traditional bundle structure. With skinny bundles, viewers still get the benefits of the bundle, without the high price tag, and often with additional benefits. Sling TV, for example, is Dish's OTT skinny bundle. For $20 a month, subscribers can watch 16 channels – including ESPN and AMC – with additional sports and kids programming packages for $5 each. Also, because Sling TV is distributed over the Internet, it can be watched on tablets and smartphones, offering the portability and convenience of other OTT services. Sony Playstation's Vue, on the other hand, offers a slightly more expensive package, with more channel offerings. For $50 a month, Vue subscribers can access 53 channels, including NBCUniversal networks like Bravo, Comedy Central, and CNBC. While this service is only distributed through a Playstation, and therefore is not portable, programming is available on demand and through an easy-to-use interface. A number of skinny bundle alternatives are slated to be released in late 2015 and early 2016, most notably Verizon Go90 in October 2015 and Apple's expected OTT offering in 2016.

The influx of skinny bundles and a la carte offerings does three things. First, it does make OTT a more attractive option for cord-nevers and cord shavers who may be happy with Netflix, Hulu, and an OTT cable offering like Sling TV or Playstation Vue. Second, it pushes for innovation in both the OTT and cable bundling space. CSPs are finding that they need to offer programming that fits new consumer expectation for portability, ease of use, and technological convenience. Finally, it wrestles some control away from CSPs, who are notorious for low customer service, a disregard for viewer complaints, unfriendly user interfaces, and slow reaction times to industry changes. In the next few years, viewers may very well be more comfortable with Silicon Valley – Amazon, Netflix, Apple – and mobile phone carriers – Verizon, AT&T – distributing video content than they are with traditional CSPs.

New Content Strategies: The Netflix Effect, Syndication, and the Golden Age of Serialized Dramas

While Netflix was pushing for advances in content distribution and the technology of Internet delivery, they were also focused on the content they would distribute through that new technology. They bet on the ubiquity of hardware – ensuring that Netflix would be distributed over any and all set top boxes, game consoles, and mobile devices – and on the appetite for content. As Wedbush Morgan Securities analyst Michael Pachter noted, "we all thought they were coming up with some amazing download technology, but what Netflix seems to be spending their money on is on content" (Spangler, 2007). So, while Netflix forfeited their proprietary set-top box attempts to the likes of Roku, Apple, and Amazon, they focused on revolutionizing the way Internet content deals were made in Hollywood.

VCR and DVD rental companies didn't have to worry about particular deals. As long as a renter – a mom and pop outfit, Hollywood Video, or even Netflix – had the DVD, it could rent that DVD to customers. Internet streaming is much more complicated, as Netflix had to make (and continues to make) deals to gain the rights to stream Internet content to customers. These deals are complicated and expensive to make. They are also not guaranteed, as there are numerous reasons for rights holders not to sell Internet rights to a streaming company like Netflix, Hulu, or Amazon Prime.

Many content producers have been slow to transition from DVD distribution to Internet distribution. In the beginning, "the amount of money that accrued from DVDs was substantially greater than what you're getting from Netflix," producer Mark Gordon explained in 2011. "It wasn't like you went from apples to apples – you went from apples to raisins" (Rose, 2011). Cable channels also worried that - in what they called "The Netflix Effect" – selling content to Netflix would decrease cable viewership. Others, however, argued that Netflix did the opposite. Netflix streaming actually increased cable viewership, particularly for certain types of programming that appealed more to Netflix's audience than to traditional cable audiences. With decreasing DVD revenue, a troubled syndication market, and the challenge of monetizing digital and mobile content, content producers are seeking alternative distribution streams and, for many, Netflix provides the answer.

The Netflix Effect

The debate over the Netflix Effect is multi-sided and long-debated. While Sarandos and Hastings have both argued, on numerous occasions, that Netflix is a friend to cable, cable executives disagree. Jeff Bewkes, Time Warner CEO, has most famously and publicly questioned these claims. He has compared Netflix to "the Albanian Army" (Arango, 2010) and a "200-pound chimp [not] an 800-pound gorilla" (La Roche, 2011), suggesting that Netflix is a small player in the sea of Time Warner's competitors. Hastings took the dig "as a badge of honor. For the next year, I wore Albanian Army dog tags around my neck. It was my rosary beads of motivation" (Auletta, 2014, p. 57).

The potential of cord-cutting among Netflix users – "The Netflix Effect" – is a legitimate concern for broadcasters, cable networks, and CSPs. In a survey done by Dallas-based media research firm The Diffusion Group (TDG), 61% of moderate and heavy Netflix users listed growing use of online video as their primary reason for cancelling cable subscriptions, while only 24% cited economic concerns. Additionally, while only 16% of Netflix users planned to downgrade or cancel their cable subscriptions in 2010, that number doubled to 32% in 2011 (Grotticelli, Jun. 23 2011, Broadcast Engineering). These statistics point to the possible influence of Netflix on cord-cutters, -shavers, and –nevers.

For children's programming, in particular, Netflix poses a very real threat. Children are particularly willing to watch video on alternative devices like tablets, gaming consoles, smartphones, effectively relegating linear television to an additional, secondary experience. In fourth quarter 2013, 72% of children under eight years old had used a mobile device, up from 38% just two years before. And, perhaps just as importantly, these kids are willing, able, and likely to watch long-form content via the small screens of mobile devices (Umstead, 2013b).

Nickelodeon – TV's undisputed children's programming champ for the past decade and a half – has been hit particularly hard. In October 2011, Nickelodeon ratings took a steep and sudden 13% fall, year to year in viewers older than two. The news was even worse for November: ratings were down 19% year-over-year (Molloy, 2011). Woes continued, as ratings in the key 6-11 year old demo dropped 22%. While they rebounded in 2013, overall ratings were down 13% in 2014 and an astounding 34% in the first quarter of 2015 (Trefis Team, 2015b). The ratings slip has been attributed to a number of things, including the possible saturation of key properties like *SpongeBob Square Pants,* competition from established cable networks like the Disney Channel, and inadequate Nielsen sampling. The shift to mobile viewing, where kids can watch the bulk of Nickelodeon programming on Netflix, accounts for a large part of the ratings decline as well. The numbers were staggering enough that a Todd Juenger analyst report on the matter was titled "Kids' TV Under Attack: Netflix Holding the Smoking Gun" (Spangler, 2012b).

Despite this data, Time Warner's Bewkes was backtracking just a few months after his original derogatory comments about Netflix. In May 2011, Bewkes was working overtime to smooth relationships between Time Warner and Netflix, and Netflix's loyal subscribers. "[I]t's been a useful thing to get subscription services for products you couldn't get before," he admitted. "There's been some utility for viewers in being able to get serialized shows that don't play as well on traditional cable networks or in syndication" (Kafka, 2011b). Bewkes has underestimated how powerful Netflix could be as a means of syndicating the types of serialized shows that do well on Time Warner-owned networks such as AMC (e.g. *Mad Men, Breaking Bad, The Walking Dead*) and ABC Family (e.g. *Pretty Little Liars, Switched at Birth*). All of these shows benefitted tremendously from Netflix: first, as a source of syndication income that would not have come from traditional syndication streams and second, as a means of bringing viewers directly to Time Warner networks.

Netflix as Syndicator: The Golden Age of the Serialized Drama

Netflix was a powerful force in the financial success, longevity, and popularity of quality serialized dramas. By providing a place for viewers to watch great serialized content that originally aired on the likes of Showtime, FX, and AMC, Netflix made important contributions to the art of TV storytelling, as well as to the financial viability of the resulting artistic, serialized programs. On the flip side, serialized programming was also important to Netflix's continued viability. By 2013, 70% of the billion hours streamed on Netflix was TV content, and a large part of that was the serialized content so uniquely suited for the viewing environment Netflix offers. As Sarandos (2013b) argued, serialized TV programs offered "super rich characters, very complex narratives, and creative worlds the audience can actually love themselves in for hours, sometimes days, at a time" and, therefore, are built for Netflix, where viewers can watch episodes whenever, wherever, and for however long they choose. Therefore, Netflix offered an important alternative for production companies desperate for a way to finance increasingly expensive shows, while simultaneously offering subscribers a viewing environment designed for viewing serialized programming.

Serialized dramas have been very important to the television revolution of the past thirty-five years. Since the 1980s, quality, literature, serialized shows have typified what Robert Thompson (1997) calls television's Second Golden Age. These shows have been important for network brands since *Hill Street Blues* and *St. Elsewhere* made NBC the home for smart, high income viewers. HBO, for example, based its brand - 'It's not TV. It's HBO' - on non-traditional, 'not TV' series like *The Sopranos* and *The Wire.* FX aired classic TV reruns and lifestyle magazine programming before it started creating original serialized dramas *The Shield* and *Rescue Me*. AMC was little more than a classic movie channel until it premiered *Mad Men* and *Breaking Bad*.[19]

Although these dramas have been important for the prestige, branding, and reputation of broadcast and cable networks, the big money in syndication was never in serialized dramas. Historically, syndication – the licensing of programs to local stations and cable networks to be

[19] For more on quality serialized dramas of the late 20th and early 21st century, see Robert Thompson's *Television's Second Golden Age* (1997) and Brett Martin's *Difficult Men* (2013).

rerun – has been the bread and butter of the television industry. Reruns are meant to be watched casually, so that viewers can pick up a program halfway through or miss an episode and still be able to watch the next without confusion. Syndication money, then, has always been in sitcoms and episodic dramas. TBS, for example, outbid both FX and the USA Network for the right to syndicated *The Big Bang Theory* – a show that is funny and entertaining even if a viewer only catches five minutes of an episode – for $1.5 million an episode. Similarly, USA paid $2 million an episode for *NCIS: Los Angeles* – an episodic drama that can be watched out-of-order and still be intelligible.

Without syndication dollars, serialized dramas are tough to produce. Netflix, however, provides an alternative to cable syndication. "The economics of serialized one-hour dramas are not looking great for networks," Sarandos admitted to *The New York Times*, "but they're really popular for viewers. We can be the savior for this genre of television" (Stelter, 2011a). Serialized dramas are popular on Netflix – "a reel sweet spot" (Block, 2012) – so Netflix is willing to pay top dollar for the right to stream these shows.

Netflix's syndication dollars balance a traditionally unstable market for serialized programming. The money Netflix spends "enables us to afford [producing] expensive shows," a TV executive told *TV Guide* (Schneider, 2013) while also supporting creativity in TV storytelling that would have been lost without a financial safety net. "[S]ubscription services like Netflix make spending on new programs less risky," Bloomberg announced in the wake of the 2011 upfront season. Knowing that Netflix is a platform for syndicating serialized programs, the broadcast and cable networks are more willing to spend money on creative, boundary-pushing, and more obscure types of storytelling.

In addition to financial support, Netflix provides a viewing environment specifically oriented towards serialized viewing. Netflix viewers choose the exact content they watch – either by searching for specific shows or agreeing to try the shows Netflix recommends to them – rather than passively watching the content linear TV has scheduled for them. Netflix viewers also have the choice over when, where, and for how long they watch a series. Serialized programs, with their on-going narratives and continually developing characters, reward such active viewing. Netflix, then, provides a space for – and a space that requires – the high level of attention, engagement, and commitment to a story that serialized programs are so good at.

First, serialized dramas have complicated multi-storylines that span episodes, seasons, and the entire runs of serialized shows. *Breaking Bad*, for example, has so many storylines running at once that it is hard to follow without careful, measured viewing. When it aired on AMC, viewers had to wait seven days in-between episodes and months in-between seasons. On Netflix, however, viewers can watch episodes continuously, without forgetting any storylines or plot points. Shows like *Breaking Bad*, with its literary and biblical references, often reward such careful viewing by drawing connections that might be lost by viewers paying less attention.

Second, serialized dramas showcase characters that develop across episodes and seasons of a show. As Brett Martin (2013) argues in his book on the quality revolution of the early 2000s, these shows – *The Sopranos, The Wire, Mad Men,* and *Breaking Bad* – are innovative in their attention to character detail and the slow, careful, in-depth development of characters over five to eight seasons. In order to gather the nuances of these storylines and characters, then, viewers have to be watching with rapt attention. AMC Networks' CEO Josh Sapan sites on-demand viewing, which Netflix makes possible, as the reason for this revolution:

> I personally think that it is fundamentally the technology which enables and invites the opportunity for storytelling that has more advanced craft – the writing

> is more nuanced, the character development is better and more obvious, and deeper. The technology of watching on-demand in a certain sense replicated a cinema mindset; what's associated with that is the need to pay a fair amount of attention to watch a movie by a great director. (Umstead, 2013a)

Importantly, Sapan compares this golden age of serialized dramas to the great movies of the last century. Now television not only allows for careful viewer attention, it requires it.

Third, serialized dramas must be watched sequentially. Until the development of the mainstream adoption of the VCR in the 1980s, viewers were entirely at the mercy of program schedulers. They had one option to watch a show – live – with a possible second chance in reruns months or years later. Without any option to catch up later, shows were designed to be missed. No single episode was necessary to understanding the plot. No storylines were so complicated that they needed to be watched two or three times.

With the VCR, and later the DVR, viewers could record shows to catch up on later. With VOD and DVD, viewers could access shows, sometimes the entire run of a series, whenever they wanted. Or watch them a second or third time. Suddenly, writers could write much more complicated stories that required viewers to watch – with rapt attention – every episode. "People found that they had a much wider landscape that they could tell on television," said Ed Carroll, COO at Sony, "because you didn't have to worry that if the audience missed the show they would be gone" (Weinstein, 2015). It's "nice to have something out there that people can catch up on," agreed another TV exec (Schneider, 2013). Especially for serialized dramas, Netflix offers that space for viewers to catch up on episodes and seasons that they may have missed.

With ever more entertainment options, viewers may not only miss episodes, but they may miss shows all together. So, the fourth function that Netflix serves is to offer an option to viewers who have a hard time fitting so many serialized dramas into their busy schedules. There's so much content out there, it can't possibly all be watched live. Especially not with the levels of engagement and presence serialized dramas require. Netflix is filling that space, offering an alternative to what Comcast CEO Brian Roberts calls rerun TV (Szalai, 2011a), and, by doing so, is changing the culture of TV even further. As Netflix VP of corporate communications Steve Swasey says, "Netflix values completeness over current content. We don't put a premium on live" (Spangler, 2011b). In changing the way television is syndicated, Netflix has changed the colloquial definition of what a television season is. Because Netflix doesn't show in-season episodes - that privilege has gone to Hulu and, to a much lesser extent, Amazon Prime - Netflix set about re-defining "in-season." TV was, for a very long time, watched live, by mass audiences, and peppered with "water-cooler" moments so that we could discuss the last episode of *The Fugitive* or *Law and Order* or even *Lost* at work the morning after it aired. While this definition of television has been slipping away for decades, Netflix was one of the last nails in the coffin. Now that television can be watched at the viewer's convenience, episodes may be watched months, or even years, after they originally aired.

Fourth, serialized dramas need time to grow. Serialized dramas require word of mouth, cumulative ratings, and extensive longitudinal marketing to catch on. Netflix is an important marketing tool for these shows. With its algorithm and 'suggested shows' functions, it can put shows like *Breaking Bad* and *Man Men* in front of viewers who have never turned on AMC. So, while viewing numbers typically go down as series age, Netflix has helped many serialized dramas buck this trend. A 2013 Nielsen report found that *Dexter* viewership increased 253% between seasons one and seven. Nielsen found a number of other serialized cable dramas with triple digits in viewership gains between their first season and current seasons (see Figure 3).

Network	Series	Season 1	Most Current Season	% Change	# Seasons
Showtime	Dexter	406,000	1.4 mil	253%	7
AMC	Mad Men	338,000	1.1 mil	237%	6 (to date)
HBO	True Blood	1.4 mil	3.4 mil	141%	5
HBO	The Sopranos	2.2 mil	4.8 mil	114%	6
AMC	Breaking Bad	682,000	1.6 mil	139%	5 (to date)
FX	Sons of Anarchy	1.4 mil	2.9 mil	101%	5
HBO	Game of Thrones	1.4 mil	3.2 mil	120%	3 (to date)

Figure 3. Serialized dramas with triple digits viewership gains. Ratings for core 18-49-year-old viewers (Umstead, 2013a)

Most of the shows in Figure 3 were streaming on Netflix during their runs, with the exceptions of HBO's *True Blood* and *Game of Thrones*, which were available to stream on HBO's proprietary HBO GO service. Importantly, this shows that viewers not only watch serialized shows on Netflix, but that Netflix can push these viewers to traditional live, linear TV viewing. "Good shows work, but the availability of shows-on-demand on all platforms have helped linear viewership," admitted Josh Sapan, whose AMC airs *Mad Men* and *Breaking Bad*.

Mad Men started streaming on Netflix in July 2011, in the two-year gap between seasons four and five of the series. "Then," Sarandos quips, "miraculously, a million more people showed up to watch new episodes when they premiered" in March 2012 (Block, 2012). While Sarandos may sound glib, he has the numbers to back it up: season five premiered to 3.5 million viewers; 600,000 viewers and 21% more than the show's previous high of 2.9 million (O'Connell, 2012). Especially considering *Mad Men*'s 18-month hiatus, that is an impressive jump in viewers that can, at least in part, be attributed to the show's streaming on Netflix. Vince Gilligan, creator of *Breaking Bad,* also attributes his show's success to Netflix. "I think Netflix kept us on the air," he said backstage at the 2013 Emmy Awards, after his show's Outstanding Drama win. "I don't think our show would have even lasted beyond season two. It's a new era in television, and we've been very fortunate to reap the benefits" (Schneider, 2013). *Breaking Bad* is often considered the best series television has ever produced, and without Netflix it wouldn't have lasted more than a couple of seasons.

The CW has similarly benefited from Netflix. Bruce Rosenblum, president of Warner Bros. TV Group, which shares ownership of The CW with CBS, admits that The CW was saved by its syndication deal with Netflix (Berman, 2012). The CW attracts a young audience that watches less and less live TV directly via cable or broadcast and is more likely to watch it later, on –demand, via alternative devices like laptops, tablets, and mobile phones. As Nielsen does not accurately represent these types of viewers, The CW needs to find alternatives to the advertising dollars that are so tied to these inaccurate ratings.

In October 2011, The CW signed a four-year licensing deal with Netflix that provided this alternative source of revenue. The CW president, Mark Pedowitz, praised the deal: "Not only will we be able to recruit new viewers for our shows through the powerful reach of Netflix, but it also makes The CW an even more attractive option to the creative community" (Szalai, 2011c). Leslie Moonves, President of CBS, also applauded Netflix's role in the new television environment, describing the deal as "a model that opens a new door for The CW programming to expand its audience reach through the terrific Netflix service," while Warner Bros. Chairman & CEO Barry Meyer agreed that Netflix is "adding value to the traditional TV ecosystem" (Gorman, 2011). The deal is beneficial to Netflix as well. While Netflix pushes viewers to The CW, CW programming also pushes viewers to Netflix. "We have long admired The CW's ability to connect so passionately and directly with a very important and difficult to reach demographic," Sarandos explained, citing the overlap between the Netflix and CW audiences as young, passionate, engaged, and tech-savvy (Gorman, 2011).

In the end, then, Netflix has at least a somewhat symbiotic relationship with content distributors. Even Bewkes – who, we might recall, once compared Netflix to a chimp - admitted that he was "seeing a positive impact of ratings for serialized shows by having old seasons of series available" (Gardner, 2013) as Time Warner-owned AMC reaped the benefits of Netflix for shows like *Mad Men, Breaking Bad,* and *The Walking Dead.*

Netflix has adopted its role as Internet syndicator completely, diving headfirst into content spending. In third quarter 2010, Netflix spent $115 million on video streaming rights, $105 million more than the year before and still growing. During that same time, DVD spending dropped 35%, to just under $30 million (AP, 2010). Netflix's attention was almost entirely on delivering syndicated content to Internet viewers in a simple, convenient, portable manner, while ingratiating itself into the industry as the premier Internet syndicator, like HBO and AMC had before.

At the 2011 meeting of the National Association of Television Program Executives, Netflix chief Sarandos claimed that Netflix is not "going head-to-head with HBO because we're not in the original content business" (Grego, 2011). Twelve months and one week later, Netflix premiered its first original program, *Lilyhammer*, and, like HBO fifteen years before, declared itself more than a syndicator. Netflix was becoming America's first Internet television network.

Conclusion: Growing Pains

Netflix's move from rental company to Internet syndicator was not without its growing pains. On July 12, 2011, Netflix introduced basic changes to its pricing structure that shook its subscriber base and the rest of the tech world. Originally, Netflix introduced Internet streaming as an add-on to DVD rental plans. First, with monthly limits to how many hours subscribers could stream, then as an unlimited addition. Streaming, however, was increasingly expensive for Netflix, both in terms of content licensing deals and in technological development. So, in July 2011, Netflix split its services, creating two separate plans with no discount for doing both: $7.99 for unlimited streaming and a minimum $7.99 DVD plan.

For Netflix, it was a necessary plan, meant to raise the revenue to support both sides of its business. For subscribers, though, it seemed like a 60% price hike. Rather than paying $9.99 a month for a DVD and unlimited streaming, they were now paying $15.98 for the same service. Subscribers were, unsurprisingly, angry. Netflix left its comment section open – for transparency sake, if not to help its ego – and subscribers left 12,000 comments bemoaning Netflix's weak streaming catalogue, its greed, and their own vows to cancel their subscriptions if Netflix didn't reverse the price hike.

Netflix didn't. And the problem ran deeper than just the price changes. On September 1st, 2011, Starz announced that it would not renew its streaming deal and Netflix would, therefore, lose Starz's library of 2,500 Disney and Sony Pictures movies. Netflix's stock plummeted from almost $300 to $63.85 the day of the announcement (Gilbert, 2012). The stock price eventually sunk to a low of $62.90 on November 25th (Bond, 2011).

Then, Netflix made its biggest blunder. In an attempt to stem its losses, Hastings moved up the announcement of Qwikster, the DVD-only business that Hastings wanted to spin-off of Netflix. Subscribers were angry and confused. In a blog post, Hastings tried to explain that "we realized that streaming and DVD by mail are really becoming two different businesses, with very different cost structures, that need to be marketed differently, and we need to let each grow and operate independently" (Hastings, 2011a). His explanation did nothing to temper subscribers' anger and the tech communities' snickers. His apology video – meant to be low budget, casual, and comforting – was lambasted on *Saturday Night Live* for being confusing, uncomfortable, and ill-thought out, a video that, forebodingly, can only be accessed via Yahoo Screen (SNL, 2011). Subscribers didn't buy it; they had valued Netflix's unwavering commitment to simplicity, ease, and a clean experience but were now being asked to create a new account, accumulate a new DVD queue, and develop their recommendations from scratch (Sandoval, 2012).

Qwikster lasted three weeks.

In the end, Netflix lost 800,000 subscribers and its stock price dropped 77% in the fall of 2011 (Sandoval, 2012). In an attempt to not become a sleeping giant, like the linear media companies Netflix had broken away from in the beginning, Hastings worked too swiftly. "Consumers value the simplicity Netflix has always offered and we respect that," Hastings admitted in cancelling Qwikster. "There is a difference between moving quickly – which Netflix has done very well for years - and moving too fast, which we did in this case" (Hastings, 2011b). Hastings wanted to, as Greg Sandoval at CNET suggests, "disrupt his own business before someone else did it for him" (2012).

Hastings was moving too fast, and with too little advice from his chief executives. Within 72 hours of announcing the Qwikster plan – then called just "DVD Co." - to his VPs, Hastings made Andy Rendich CEO, moved Rendich and the Qwikster team into a separate office building a few blocks away from Netflix, and had Qwikster working as an entirely separate entity. Its executives weren't even attending Netflix management meetings anymore (Sandoval, 2012).

The Qwikster split came after other major changes in Netflix's top personnel. The hiring of Ted Sarandos as Chief Content Officer signified a shift in Netflix's direction as well as a shift in personnel. Sarandos was an LA guy more than a San Jose guy, with Hollywood connections and experience in content acquisition and development. He was needed, in Hastings' mind, to complete Netflix's transition from DVD-by-mail rental company to Internet syndicator with a seat at the TV industry table.

His hiring, however, left a bad taste for many of Netflix's important founders. Specifically, CFO Barry McCarthy was offended by Sarandos' huge pay increases and left the company in December 2010, after twelve years of service. A few months later, head of worldwide communications Ken Ross also resigned, taking the fall for a PR debacle with Netflix's Canadian release. "It was clear to me in the aftermath of the Canada launch," Ross said, "that the next chapter in the Netflix story needed to belong to someone else" (qtd. in Sandoval, 2012). The statement is telling, more than hinting at the changing of the guard taking place in Netflix's top offices.

Finally, Leslie Kilgore also left. She was Netflix's chief marketing officer and one of Hastings' main advisors, but wanted more responsibility. She took some of the blame for and resigned in the aftermath of the Qwikster debacle. Rendich, as the new Qwikster CEO, also left, taking with him expertise in customer service and the development of Netflix's DVD distribution centers. In a little over a year, four of Netflix's top managers – McCarthy, Kilgore, Rendich, and Ross – were all gone (Sandoval, 2012). The first phase of Netflix was officially over.

The dust was barely settled. Netflix exceeded its fourth quarter 2012 projections, just a year after the price hike, Qwikster, and the loss of many of its top people. Senior analyst Barton Crockett went to far as to say that Netflix had "risen from the ashes," but Hastings' comment, "we're on probation at this point, but we're not out of jail" (Stelter, 2012) was much more muted and diplomatic. Netflix was on the verge, though, of its second major rebrand. A rebrand that would be so successful that Fast Company labeled Netflix as one of the most impressive comebacks of the last two decades (Fast Company Staff, 2015). Netflix was positioning itself as an Internet television network.

Part II:

Netflix as an Internet Network

(2012-present)

Chapter 3: Netflix Transitions to an Internet Network

Just five years after its first rebrand, and a year after the Qwikster debacle, Netflix began a second rebrand that would again catapult the company into the digital stratosphere. With the premier of *Lilyhammer* in January, 2012, Netflix became an original content producer on par with the last band of television's innovators – like HBO, Showtime, FX, and AMC. In July, 2014, Netflix surpassed the 50 million subscriber mark, on the success of its original content, diverse selection of syndicated programs, and vast global expansion.

With these changes came an internal and external rebranding. Slowly, Netflix began to see its greatest competition coming not from Hulu and its ad-based in-season access to programs, but from HBO, with its decades-long reputation for quality, edgy, and respected original programming. Finally, in Netflix's 2013 long-term plan, Netflix stated that:

> We compete very broadly for a share of members' time and spending, against linear networks, DVDs, other internet networks, video games, web browsing, magazine reading, video piracy, and much more. Over the coming years, most of these forms of entertainment will improve. Consumers will choose and consume from multiple options. (Seward, 2013b)

While this is, in some sense, merely a rhetorical change, it also signifies a major change in the way Netflix views the media landscape and its own place in that landscape. Media is no longer a choice between disparate things: with the growth of mobile technology, TV Everywhere strategies, and the convergence of film, television, short-form video, and casual and hardcore gaming, the entertainment landscape is all one big witch's brew of competition. Viewers no longer sit down to watch TV, and then choose between Netflix, HBO, and ABC. They now take their limited leisure time, and decide what to do with it from wide array of options, not limited to television, not limited, even, to video.

Importantly, then, Netflix has situated itself as a new, unique kind of entertainment programmer, evolved from cable television into a new form of Internet network. So, while analysts began calling Netflix "essentially a successful TV network company" in 2013 (Szalai, 2013a), Sarandos takes issue with any reference to Netflix a as a cable company: "no, that would imply that where the world sits today is where it's gonna sit ten years from now" (Sarandos, 2013a). Netflix can't simply recreate what's worked for broadcast or cable networks in the past, and on its way to developing the framework for an Internet television network Netflix has dealt with issues – most importantly, net neutrality, changing distribution practices, piracy, and globalization – that are unique to the Internet television space.

Net Neutrality

The concept of a free and open internet – a concept called net neutrality – has been a hotly debated, and highly coveted, topic for the past decade or so. In principle, net neutrality advocates argue that every person should have equal access to content, regardless of the source of that content, without Internet service providers (ISPs) blocking or favoring particular websites or apps. In other words, companies should not be able to pay for quicker, easier, or prioritized access to their content, and ISPs shouldn't be able to block or slow down consumers' access to content that ISPs, themselves, disagree or compete with. Most specifically, proponents are worried that ISPs will slice the Internet into so-called *fast* and *slow lanes*, with competitors' content, or content that doesn't pay the toll, or content that ISPs simply disagree with relegated to the slow lanes.

Net neutrality has been a political hot button since the 1996 Telecommunications Act. While the Act originally classified the Internet as a "telecommunications service," which allowed the Federal Communications Commission (FCC) to regulate the Internet like a public utility, FCC Chairmen Michael Powell and Kevin Martin reclassified it as an "information service." Doing so removed the FCC's ability to regulate ISPs. Net neutrality advocates bemoaned the dangers of an unregulated Internet – from increased barriers to entry for startups to stifled innovation and the dangers the ruling presents for diverse and minority content – and fought back for a new set of net neutrality rules which were passed in 2010.

The 2010 rules, however, were quickly shot down by a DC district court in *Verizon vs. FCC*. The courts ruled that the FCC could not regulate ISPs because the Internet was designated as in *information* rather than a *telecommunications* service. Which is how things stood until 2014, when a series of mergers, deals, and complaints led to a deeper dive – led by the FCC and President Barack Obama – into net neutrality and its impact on the larger US economy and information ecosystem.

In many ways, Netflix had a foot in – if not led the charge for – this new look at net neutrality regulation. So much so, in fact, that media executives began referring to the FCC (part-jokingly, part-enviously, and part-bitterly) as the "NCC": the Netflix Communication Commission (Stewart, 2015). Netflix, though, is at a crossroads, with a complicated, and paradoxical, relationship with the cable companies that, in large part, moonlight as ISPs. On one hand, Netflix spent 2013 and 2014 winning kudos from critics and viewers alike, with a host of Emmy and Golden Globe award nominations and continuing subscriber growth. On the other hand, it was busy making enemies of the companies it needs just as much, i.e. the ISPs that are, in practical terms, the necessary middleman needed to get Netflix content onto its subscribers' TV sets and mobile devices. The ISPs are necessary middlemen that Netflix's success – as the forerunner of the rising OTT market – threatens every day as the OTT market grows and the cable market, ever so slowly, shrinks.

Interconnection Deals

The first battle ground in the Netflix vs. ISPs debate came with a series of interconnection negotiations in 2014. In basic terms, in order to get to a consumers' device, content first travels from Netflix's servers through a middleman's pipeline – such as Cogent or Level 3 – and then connects from the middleman to the ISPs' cable, and finally from the ISP to the consumer. Netflix's programming was suffering from congestion at the point where the middlemen connect to the ISP – the interconnect point – which caused buffering and slow service. Cogent, Level 3, and Netflix all argued that the ISPs should pay the costs to upgrade the infrastructure at the interconnect points, so that subscribers were accurately receiving the Internet speeds they paid for. As the ISPs weren't prepared to do so, Netflix offered a compromise: Netflix would implement Open Connect, which connects Netflix hardware directly to the ISPs, cutting out the middlemen and easing the congestion at those points. Netflix offered to pay the costs for installing and maintaining the hardware, a compromise that worked well in Europe and with many of the US's smaller ISPs.

The big providers – Comcast, Time Warner, Verizon, AT&T – disagreed. Instead, they charged Netflix an interconnect fee to connect directly to their cables. These interconnect deals were already being paid by companies like Microsoft, Google, and Facebook and were officially legal under traditional definitions of net neutrality. Net neutrality protects consumers – i.e. ISPs cannot charge Netflix for faster service through the ISP pipeline – but interconnect deals are a backdoor solution that don't affect the front door between ISPs and consumers.

Throughout 2014, Netflix reluctantly made interconnect deals with Comcast (March), Verizon FiOS (April), and AT&T U-Verse (June). All together, analysts estimate that Netflix is paying $75-$100 million annually in interconnect fees (Barr, 2014), a hefty amount that still comes no where near the $400 million Comcast had, reportedly, been seeking all on its own (Baumgartner, 2014). It's also a fee that Netflix is willing to pay because it delivers results: after the deal with Comcast, average Internet speeds rose to 2.5 Mbps in March 2014, up from 1.68 Mbps in February and 1.5 Mbps in January (O'Toole, 2014a).

Netflix was, however, extremely reluctant to sign the interconnect deal with Comcast, and it wasn't quiet about its displeasure. In a blog post written shortly after the deal was signed, Hastings expressed his reluctance and called for strong FCC regulation:

> Netflix believes strong net neutrality is critical, but in the near term, we will in cases pay the toll to the powerful ISPs to protect our consumer experience . . . ISPs sometimes point to data showing that Netflix members account for about 30% of peak residential Internet traffic, so the ISPs want us to share in their costs. But they don't also offer for Netflix or similar services to share in the ISP revenue, so cost-sharing makes no sense. (Hastings, 2014)

Netflix's reference to "tolls" and call for strong net neutrality regulation, not to mention its call for cost sharing, drew ire from the ISPs and set off a blog-to-blog war of words throughout the spring of 2014.

In April, AT&T's senior vice president for external and legislative affairs published a blog titled "Who Should Pay for Netflix." The blog's title references – as did Hastings' post – the oft-quoted statistics that a third of peak Internet traffic comes from Netflix users. All that statistic means, in Hastings view, is that customers are demanding Netflix content. In the blog, however, AT&T argues that "[t]here is no free lunch, and there's also no cost-free delivery of streaming movies. Someone has to pay that cost," and goes on to call Hastings "arrogant" (Cicconi, 2014). National Cable and Telecommunications Association president and CEO, and former FCC chairman, Michael Powell added in a June blog post: "Why should everyone subsidize fans of *House of Cards*!" (Powell, 2014). Again, in Hastings' view, consumers already pay for Internet access and, therefore, interconnect deals simply charge both Netflix and consumers for the cost to stream *House of Cards*.

Failed Comcast-Time Warner Merger

The debate over interconnect deals had a drastic effect on the merger proposed between the US's largest two cable companies: Comcast and Time Warner. Although interconnect deals are not, officially, the purview of net neutrality, they are in spirit. Specifically, the interconnect deals make clear and obvious the unprecedented power Comcast has over Internet content. As Tim Wu, journalist and net neutrality expert, suggests, the Netflix-Comcast interconnection deal "makes clear that Comcast, which recently proposed acquiring Time Warner Cable, has already accumulated too much power for the health of the Internet economy, and should not be allowed to accrete more" (Wu, 2014). Already considered a pseudo-monopoly in many markets, the proposed merger would create an ISP that, if left unchecked, would serve as a very real threat to net neutrality.

In the merger application, Comcast and Time Warner argued that they could no longer compete with large media and tech companies like Netflix, Google, DirecTV, Dish, AT&T, Verizon, Apple, and Sony. The difference between those companies and Comcast-Time Warner is "national or global market share" with the "investments in R&D, in innovation, and in infrastructure and technology" that comes with national scale (Brodkin, 2014). Netflix argued – and the FCC agreed – that, after the merger, "Comcast could control high-speed broadband to the majority of American homes" giving it even "more anti-competitive leverage" than it already has (Lauria, 2014) to charge interconnection tolls that would increase barriers to entry for Internet startups so that, in the FCC's reasoning, "the next Google or Facebook might never begin" (Ramachandran & Fitzgerald, 2013).

The problem in the US is that ISPs are not simply ISPs. At the same time as Comcast and Time Warner bring Internet to consumers, they also bring basic and pay cable into the home. Not only do they balk at the costs to upgrade ISP cables, then, but they have a stake in limiting Netflix's growth, as that growth disrupts the very linear TV business models that have made Comcast and Time Warner successful for decades. This relationship explains why the US lags so far behind countries like Norway in terms of broadband speed, and South Korea in terms of ubiquitous broadband (Sarandos, 2013a). When the FCC rejected the merger, then, it opened the door to reexamine the net neutrality rules shot down five years before.

New Net Neutrality Regulation

The FCC began looking into interconnection deals when Netflix submitted a 256-document opposing the Comcast-Time Warner merger and complaining about its subscribers' retarded broadband signals. Tongue-in-cheek, FCC Chairman Tom Wheeler, himself, admitted that he had suffered "exasperating" buffering problems while trying to stream *House of Cards* (Stewart, 2015); on a more serious note, the FCC acknowledged that interconnection deals allowed Netflix and other companies to "run the equivalent of a 100-yard dash while its competitors' videos would have to run a marathon" (Fung, 2014).

To showcase this argument, Netflix banned together with other Internet companies in September, 2014 for a symbolic Internet slowdown. The campaign – termed "Battle for the Net" – was a show of force by companies like Netflix, Reddit, Boing Boing, Kickstarter, Foursquare, WordPress, and Vimeo to show, with clear visuals, how damaging slow lanes could be for consumers. When consumers accessed any of these sites, a spinning wheel showed how long a slow lane website would take to load. It was a strong show of force supporting the argument that, as Netflix put it, "consumers, not broadband gatekeepers, should pick the winners and losers on the Internet" (Johnson, 2014).

This strong show of support for an open Internet was one step along the way to redefining net neutrality. Shortly after the Battle for the Net, President Obama outlined his plan to regulate broadband providers like public utilities. Although the FCC is an independent organization, Chairman Wheeler was a member of President Obama's transition team and, in the coming months, showed his support for the plan (Eggerton, 2014). Finally, in March 2015, the FCC ruled to reclassify broadband Internet as a "telecommunications" rather than an "information" service and, therefore, gave itself the right to prohibit blocking, slowing transmission of, or paying to prioritize, certain content. In its statement, the FCC confirmed the Internet as a public utility that must be regulated to ensure its equal and fair usage:

> The open Internet drives the American economy and serves, every day, as a critical tool for America's citizens to conduct commerce, communicate, educate, entertain, and engage in the world around them. The benefits of an open Internet are undisputed. But it must remain open: open for commerce, innovation, and speech; open for consumers and for the innovation created by applications developers and content companies; and open for expansion and investment by America's broadband providers. For over a decade, the commission has been committed to protecting and promoting an open Internet. (Sommer, 2015)

Additionally, the FCC extended net neutrality to include mobile Internet connections and implemented a case-by-case review process for interconnection issues. A first step to the open Internet necessary to maintain growth, innovation, and competition in the Internet TV space.

Disrupting Distribution Practices

Netflix successfully changed the methods of Internet TV distribution by backing strong net neutrality laws; Netflix successfully changed the timing, means, and format of TV distribution by upsetting traditional means of TV episode release. As the first real Internet TV network, Netflix was faced with a series of stringent and unfriendly distribution traditions put in place by decades of live and schedule-specific broadcast and cable television realities. The future of Netflix – and, possibly the industry as a whole – rests on the ability to evolve these traditions to better suit the technological and consumer realities of the digital era. By adapting windowing structures and binge-viewing strategies to fit consumer demands, Netflix has put in place a successful roadmap for the Internet distribution of TV and movies.

Windows

Windowed release of movies has been the backbone of media distribution for decades. Windowing is a rights structure that creates artificial scarcity in order to maximize revenue for months and years after a movie's release. Traditionally, movies have been released in theaters; then to four months later as DVD/home video; another three months, and then it's released to Pay TV and VOD; and, finally, about two years after original theatrical release, it's sold to broadcast TV. The price – and audience advantage – decreases as a movie moves through its windows, so that airing a movie is cheaper in the broadcast TV window than the VOD window, but the movie has also already been seen by viewers in theaters, on DVD, and Pay TV or VOD. The question for Netflix has not so much been in which window it can license movies, but how to shorten all the windows as much as possible.

There are a number of reasons, however, for the persistence of the windowing rights structure. In this system, time becomes money, as distributors charge a premium for the immediacy of early rentals and purchases. Theaters deliver a significantly influential means of promotion and marketing, as traditional news sources, entertainment magazines, and social media create buzz around new box office releases. Early windows, then, benefit greatly from this buzz. Also, theater exhibition is expensive – rent is expensive, equipment is expensive, switching to digital and IMAX and 3D exhibition was expensive – and any possible loss in revenue from shrinking windows threatens the entire foundation of movie financing (Marcus, 2010). These same arguments can easily be applied to TV windowing, where the money made in first-run advertising, fruitful syndication packages, and the boon of the DVD market serve as an equivalent financial structure resting on an artificial windowing structure.

The problem with artificially imposed supply-and-demand, however, is that viewers don't subscribe to artificial supply-and-demand structures. Especially not in the digital era, where supply is no longer limited to legal means of media access, and digital technologies have created impatient viewers who expect instant and immediate access to media content when, where, and how they want it. "I don't want to kill windowing," Sarandos explained to a room of global marketers at MIPCOM, "I want to restore choice and option" (Sarandos, 2014). Netflix – and other global Internet TV networks like Amazon – provide opportunities for things like near-immediate Internet release of individual episodes and full seasons after their first runs and International release of content at the same time as it airs in the US.

Most importantly, Netflix's desire to narrow TV windows led to the production of its own original content. "I don't look at" producing original content "as a change in our business model, as much as an evolution of our licensing abilities," with more freedom and the right to air Netflix's original shows like *House of Cards* and *Orange is the New Black* whenever and however best suits Netflix subscribers. Sarandos goes on to explain that "if those shows [from HBO, Showtime, Starz] are not going to be made widely available in decent windows, then my other alternative would be to compete with those guys for those shows" (Kafka, 2011a). So, when Netflix agreed to license *House of Cards* before an episode was ever produced – for all intents and purposes throwing itself into the long-term original content game – it was less about branding or positioning itself as a TV network in name, and more about undermining the traditional windowing business model and competing with the HBOs and Showtimes of the world to distribute good, relevant, immediate content to its subscribers.

Binge-Viewing

If original content production freed Netflix from traditional TV windows, it also gave Netflix freedom over how TV content is distributed. Namely, Netflix owns its own content so that it can release all its episodes at once – to be binge-watched as desired – outside of traditional broadcast schedules.

Scheduling issues are one of the largest deterrents for a show's success on broadcast and cable networks. "To make all of American do the same thing at the same time is enormously inefficient, ridiculously expensive, and most of the time, not a very satisfying experience," Sarandos explains (Wu, 2013). The online experience, digital expert Tim Wu argues, is much more satisfying, as "people are far more loyal to their interests and obsessions than an externally imposed schedules" (Wu, 2013) and, therefore, are more engaged and feel that the content is more accessible and relevant (Dixon, 2015). Viewers are more likely to enjoy the Netflix content they chose to watch, at the time they wanted to watch it, than the shows imposed upon them by programmer or scheduler in NY or LA.

De-coupling TV shows from the schedule isn't just good for the consumer; it also works in favor of Netflix and the shows themselves. Scheduling brings with it a number of hard-to-master issues, like determining lead-ins, lead-outs, and counter-programming in a microscopic rather than a big picture sense. A show's success, then, is not entirely reliant on a show's quality and "when a show fails, it's because it failed to aggregate an audience at the time it was on television" not that it wasn't a good show (Stelter, 2011b). Netflix, on the other hand, aggregates ratings over the life of a show's license, giving it time to grow and develop and accumulate buzz.

For Netflix, it’s about brand building and yearly – or quarterly – subscriber growth, and not day-and-date audience ratings.

By detaching shows from a daily schedule, Netflix allows viewers the option to watch shows *whenever* they want, and by releasing a full season at once, Netflix allows viewers the choice to watch shows *however* they want. Although Oxford Dictionaries eventually chose "selfie" as the Word of 2013, "binge-watch" was shortlisted. Binge-watching, Oxford Dictionaries defines, is "to watch multiple episodes of a television programme in rapid succession." Although the term began to circulate in the 1990s, it didn't enter the mainstream vernacular until the second decade of the 21st century, because, the Oxford Dictionaries claims, 2013 was "when the video-streaming company Netflix began releasing episodes of its serial programming all at once" (Oxford Dictionaries, 2013). Netflix, then, is synonymous with the mainstreaming of binge-viewing, as both a term and a cultural norm.

Netflix has the research to back up the claims of binge watching’s proliferation. Although Netflix doesn't release ratings, in late 2013 it commissioned a study with Harris Interactive to find out how its viewers watch its shows. Seventy-three percent defined binging as watching two to six episodes in one sitting, and the same percentage said they have positive feelings towards binge watching. To cultural anthropologist Grant McCracken, the survey results mean that

> TV viewers are no longer zoning out as a way to forget about their day, they are tuning in, on their own schedule, to a different world. Getting immerse in multiple episodes or even multiple seasons of a show over a few weeks is a new kind of escapism that is especially welcomed today (Netflix, 2013)

In fact, 76% of viewers said that binge watching was a "welcome refuge from their busy lives" and 79% found that binge watching, specifically, makes shows more enjoyable.

These same figures were found by an independent study run by Miner & Co Studios in spring 2014. Miner found that 70% of US viewers identify as binge-watchers, defined as viewers who watch three or more episodes in one sitting. Just as importantly, 17% of those binge viewers do so daily, 63% weekly, and an astounding 90% binge watch monthly. It's unsurprising, then, that 71% find binge watching to be "totally normal" (Brzoznowsky, 2014).

The normalization of binge-viewing has affected the way showrunners think about storytelling. Rather than thinking episode-to-episode, creators are thinking in terms of season-and-series-long arcs. D.B. Weiss, of *Game of Thrones*, says that, "from the outset, the goal with *Game* was to tell a single, coherent, 70-plus-hour story, with a beginning, middle and end" (Verini, 2014). Made possible, in large part, because of HBO's video on demand and HBO Go, which both allow viewers to binge-watch episodes of *Game of Thrones* the same way they can Netflix shows.

Simon Blackwell, co-executive producer of HBO's *Veep*, agrees that binging "could possibly be a richer experience" because viewers would "be attuned to the characters more acutely" and would "be immersed in the world more" (Verini, 2014). Although, Blackwell warns, he can't count on HBO viewers binge watching their shows. HBO is still reliant on the week-to-week live-viewing schedule. CEO Richard Plepler says that, for HBO, "we love being part of the cultural conversation for 13 weeks" (Szalai, 2013b). In fact, being part of the cultural buzz is a main aspect of an HBO brand based on quality, controversial, and award-winning programming.

Netflix, on the other hand, doesn't want it viewers to watch its episodes in slowly-released, week-to-week. Hastings' goal is to break that pattern of managed dissatisfaction that always keeps viewers wanting for more and more. "We're starting a different style of water cooler," Sarandos argues, saying that a 13-week cultural conversation isn't what he's after. "The rules of it are different . . . It's 100 percent about consumer choice" (Isaac, 2013). *House of Card's* Beau Willimon likens writing a Netflix show to writing a novel: "no one would ask the author of a novel, 'Do you write it thinking that someone is going to read it in one sitting, or a chapter here, a chapter there?' I think it's analogous to what's happening in TV" (Verini, 2014 Jun, Variety).

Similarly, *Breaking Bad's* Vince Gilligan says that, while Netflix, in general, is responsible for the show's success, it is binge watching, specifically, that allowed *Breaking Bad* to be the long-lasting, serialized, character-driven show that it is. "[I]t's very possible we wouldn't have made it to 62 episodes without . . . . this cultural creation of binge-watching," Gilligan proclaims (Gay, 2013). The culture of binge watching changes the assumptions writers make about their viewers; i.e binge-watchers are choosing exactly when and how they are watching television and, therefore, know what is happening in the show at any given time. This change from an assumption of a passive, disengaged, and distracted viewer to an active, engaged, and attentive viewer has begun to unravel 60-plus years of serialized storytelling convention.

Netflix Enters Film Production and Distribution

Traditional film windows are even less friendly to Internet distribution than TV windows are. By the time a movie gets to Netflix, Sarandos explains, "[i]t's been in theaters, it's been on DVD, it's been on video on demand, so by the time it gets to us, it's in the bargain bin at Wal-Mart" (Fritz & Flint, 2012). In his keynote address at Film Independent's 9th annual conference in Fall 2013, he suggested that Netflix would be the same wrecking ball for movie windowing as it had for TV. "The model that we're doing for TV should work for movies," he told the audience of mainly independent film producers, indie producers who have the most to gain by narrowing film windows. If something isn't done, Sarandos warns, movies will soon be dead. Movies, he bemoaned, have become "these cold spectacles that have to be sold around the world in order to recoup these huge marketing and production budget" in ways that stifle innovation and do not serve viewers' best interests.

Netflix's solution to saving good, independent, original movies is the same as it was with serialized TV dramas: acquire and produce original films in the same way it acquires and produces original TV programming. Netflix began acquiring indie films in 2005, under the banner Red Envelope Productions, named after the envelopes used to ship Netflix's movies. In three years, Netflix became an important space for indie film distribution. Red Envelope was a pet-project of then-new-employee Ted Sarandos, and its first deal was for an unknown romantic comedy that Sarandos had seen at the US Comedy Arts Festival in Aspen, Colorado, years earlier: *Nice Guys Sleep Alone*, directed by Stu Pollard. The revenue-sharing deal was simple: Pollard sent Netflix DVDs of the film, Netflix paid Pollard a small fee every time the film was rented. With the use of its algorithm, Netflix put *Nice Guys Sleep Alone* in front of viewers who like low-budget, indie, romantic comedies, and, soon enough, it had built enough buzz that HBO picked up the film for a pay cable run.

In a few short years, Red Envelope acquired 126 films, co-produced a number of films with the Independent Film Channel, and partnered with a number of festival films for larger theatrical releases. For example, Red Envelope picked up *The Puffy Chair*, a critically acclaimed film from the Duplass brothers that had failed to find a studio that believed it could attract a big enough audience to offset the distribution costs. Netflix wasn't worried about it; it distributed the film to its subscribers, worked out a DVD deal to release it through Blockbuster, and co-funded a limited theatrical release. Netflix also found an audience for *Open Hearts*, a film from famous

Danish director Susanne Bier, that struggled to find a US audience until Netflix put it in front of the right viewers. Finally, Red Envelope distributed *Born Into Brothels* – six months after its Oscar win – and co-produced the documentary *This Film is Not Yet Rated* with the Independent Film Channel. IFC general manager Evan Shapiro credited Netflix for his ability to triple the number of original productions IFC produced in the latter half of the 2000s. "They buy and move more independent film than anybody else on the planet," Shapiro explained. "They're the Google of DVD. They are FedEx" (Biba, 2006). During its tenure, Red Envelope was an important player in independent film distribution, first through DVD and then through streaming.

In 2008, however, Red Envelope shut its doors. "The best role we play is connecting the film to the audience," Sarandos explained. "But we don't have to own the rights to make that happen" (Kaufman, 2008). Red Envelope's goal was twofold: first, to bring viewers to Netflix by branding itself as an indie film destination and distributing films that couldn't be rented elsewhere; second, to convince the film industry that Netflix is a legitimate, cost effective, and advantageous film distribution platform. By 2008, Netflix was the largest Internet streaming company in the US and was a dominant force in DVD distribution. Red Envelope's goals had been met, so Netflix shuttered its doors.

Five years later, Netflix's goals had shifted. In 2013, it moved forcefully into original television programming, with its first full programming slate premiering in spring with the debuts of *House of Cards*, *Arrested Development, Hemlock Grove*, and *Orange is the New Black*. Netflix was setting itself up as a legitimate household name and Emmy contender. At the same time, it was dipping its toe into original film distribution with an exclusive distribution deal for *The Square*. A documentary about the Egyptian revolution, *The Square* won adoration and awards at the Sundance and Toronto film festivals, and was nominated for an Oscar (Zeitchik &

Chmielewski, 2013). While *The Square* was never going to be a bottom-line success for Netflix, it offered both prestige and, as *Lilyhammer* had with TV distribution a year before, foreshadowed Netflix's declaration of war on the traditional film industry.

Film windowing is detrimental to Netflix's business model, which is built on the assumption of ubiquitous access to content whenever and however viewers want to watch it. Windows, on the other hand, are meant to force viewers into movie theaters on specific days and at specific times. As Rich Greenfield, media analyst at BTIG Research, explains:

> [I] fundamentally believe that the only way to attack the windowing system – that is the centerpiece of the business model of the movie industry versus what the consumers want – requires an outsider. Netflix already changed the TV business in a very, very significant way. The movie business is teed up next. (Steel & Barnes, 2014)

Netflix has already closed the distance between TV distribution and consumer behavior, by releasing episodes all at once, on every device, to be watched in whatever variant viewers want. The next step is to apply the same philosophy to the film industry, by releasing films as quickly as possible on Netflix, so that viewers can watch films when, on devices, and in the environments that they prefer.

In spring 2015, Netflix announced an impressive film slate meant to decrease film windows, increase viewer control over film watching, and prove to studios that this can be financially profitable. On October 16th, 2015, Netflix released its first big-budget original film, *Beasts of No Nation.* The film - directed by Cary Fukunaga, who directed the first season of *True Detective*, and starring Idris Elba – follows the story of a child soldier in a civil-war-torn African nation. The film is a decade-long passion project for Fukunaga, who struggled with independent funding to get the film made, and then was faced with low studio interest. For a drama of this subject matter, he might have expected critical acclaim, but not high ticket sales from the general public. Netflix bought the worldwide distribution rights for $12 million, twice what the film cost to make (Fritz, 2015). They then devised a plan to release *Beasts* on Netflix on the same day as it was released in a limited theatrical run. The theatrical run was meant, specifically, to put *Beasts* in Oscar contention, while the Netflix release was meant to put eyeballs on the film, build word-of-mouth, and prove that same-day streaming and theatrical releases can work.

Netflix's release of the *Crouching Tiger, Hidden Dragon* sequel in early 2016 has similar goals. Netflix plans to simultaneously release the film in Chinese movie theaters, domestic Imax theaters, and worldwide on the Netflix Internet network. With this plan, Netflix hopes to show that theater and on-demand home viewing "are two different experiences, like going to a football game and watching a football game on TV" (Steel & Barnes, 2014). In the minds of the big theater chains, Netflix is dismantling the core of their business model; AMC, Regal, Cinemark have all refused to show the *Crouching Tiger* sequel as long as it premieres simultaneously on Netflix.

In Netflix's mind, however, the window system is detrimental to the consumer's viewing experience. By shortening windows, or closing them all together, Netflix offers an alternative platform for movies that may not otherwise have been made. For example, Netflix signed a four-picture deal with Adam Sandler. Although Sandler's last few films have bombed at the box office, his films are popular with Netflix viewers. Through the use of its algorithm, then, Netflix knows that it has a significant audience for Sandler films and, therefore, would most likely be able to offset the costs of the four-picture deal.

Netflix has also situated itself as the place for well-respected and critically-acclaimed indie films that need to prove their viability before they'll be picked up by a major theater chain.

"I feel like it's incumbent on us to make and distribute movies that are so good that theater owners will want to book them," Sarandos explains (Setoodeh, 2015). With this in mind, Netflix has made a series of deals for indie films that need Netflix's marketing and financial support. Netflix signed a four-picture deal with the Duplass brothers, who produced one of Netflix's first Red Envelope pick-ups *The Puffy Chair*. Each of these films will have a short theatrical window before streaming on Netflix. Netflix also paid a hefty $60 million to produce and distribute Brad Pitt's *War Machine* and $50 million to co-produce Bong Joon-Ho's latest monster film, *Okja*. Both of these movies star big-name actors – *War Machine* is both starring and produced by Pitt and *Okja* is headlined by Jake Gyllenhaal and Tilda Swinton – and have created considerable buzz. Their success could further prove that Netflix is a legitimate launching pad for new films, above and outside of the traditional theatrical windowing model.

Although Netflix has, so far, focused on films that have struggled to find a studio distributor, the $110 million dollars it spent on *War Machine* and *Okja* should worry movie theaters. When Netflix moved into TV production, it started slowly with the *Lilyhammer* co-production, before it threw $100 million at *House of Cards* to instantaneously be a contender with the big guns of TV production. So, although Sarandos has focused on indie films for Netflix's first film slate he won't discount the possibility of producing a big, tent-pole, Hollywood blockbuster. "We are producing on that scale on our TV series. It wouldn't be that big a leap," he warns (Setoodeh, 2015). If Netflix's goal is to attract, and keep, subscribers by upending the conservative media structures that have kept control out of consumers' hands, then film distribution is the next logical space for disruption. "Every single bit of media in the world has been impacted by the Internet – books, television, music; everything, except for the window of theatrical movies," Sarandos explains (Setoodeh, 2015). Netflix has already built an alternative to the broadcast and cable TV distribution model, and it is laying the groundwork for a similarly disruptive paradigm shift in the Hollywood film industry.

Netflix as a Global TV Network

Changing distribution practices, including redistribution of windowing revenue and production costs, have forced a change in revenue structures. Namely, Netflix is developing a new revenue structure, replacing windowing dollars with global dollars, based on international distribution deals, a slate of internationally-successful programs, and a rapidly growing global subscriber base.

Digital Possibilities: Global Shows for a Global World

Traditionally, Hollywood has been big business around the world; international content, not so much. With a large global audience, the algorithm creating personalized content, and money to produce high quality content in more markets, this is changing. "It's been proven that selling Hollywood to the world is a big business," Sarandos explains. "But I think [selling] the world to the world is an even bigger business" (Roxborough & Szalai, 2011). And that – creating global content and selling it all across the globe – is exactly what Netflix has set out to prove possible.

First, Netflix has licensed American content to share in countries where it is not yet available. Netflix's original programming is extremely popular: *Orange is the New Black,* for example, was the most watched show in France and Germany the first month Netflix was available in those countries (Sarandos, 2014). *Hemlock Grove* is popular in Latin America (2014). Netflix has also worked hard to license programming in early windows. "I'm organizing my entire organization as global buyers now, instead of regional buyers," Sarandos explains (Villarreal, 2015). When making deals, then, Sarandos' team has a global picture in mind rather than just a domestic one. Ahead of Netflix's move into the UK and Ireland, the company made a deal with CBS for shows like *Dexter, Jericho,* and *Charmed* (Szalai, 2012b), an extension of the deal they made ahead of their Latin American launch for the same shows in their Latin American territories (Szalai, 2011b). Although the CBS deal is non-exclusive, Netflix did buy the exclusive rights to air *Breaking Bad* spin-off *Better Call Saul* in its first window in Europe and Latin America. So, episodes of *Better Call Saul* aired shortly after they aired in the US, and episodes of *Breaking Bad* were be available in the UK and Ireland in the second window, just a day after each episode aired (Solsman, 2013). With these kinds of exclusive, first run deals, Netflix positions itself as the premier Internet programmer for American content everywhere in the world.

Second, Netflix has licensed shows from around the world to air in the US and in other markets. While licensing American content abroad is highly profitable, "connecting a global audience with global content is a huge opportunity," Sarandos believes (Sarandos, 2011b). International programming does have a proven, albeit small and recent, track record for success in the US. OTT offerings focusing on international content have been particularly successful. OTT Korean programmer DramaFever, for example, started with a niche offering that has grown and, in 2013, more than 85% of its subscribers were non-Asian viewers (Yu, 2013). UK dramas *Skins, Misfits,* and *Downton Abbey* have also proven successful on MTV, Hulu, and PBS, respectively. These shows, however, are all British and, more importantly, are all English-language shows.

Netflix believes that it's possible to license non-British, and possibly non-English, programming in the US. Financing media in Europe before bringing it to the US has been a common practice in indie films and, in an ever-competitive TV environment that's desperate for more and more content, it's a lower risk possibility. Ted Miller, co-head of TV at CAA, explains that "US networks are looking to reduce their risk, and they are happy to take an internationally packaged show if it means they can get the same value onscreen but pay a reduced licensing fee." This is especially true now that international content creators like the UK's BSkyB, and France's Canal+ and TF1 have deep enough pockets to produced high quality English language shows (Roxsborough, 2014). Deep pockets that Jan Mojito, CEO of German rights giant Kirch Group, argues are necessary in the new global marketplace:

> [T]here has developed an international code of quality. It you make a show in Europe these days, you know it has to compete on the same level with an American show. The international market is setting the standard and you have to measure up to that . . . But because we produce at that level we need the American market to cover our costs, so the question isn't whether you sell to American, but when you approach that market. (Roxborough, 2013)

Netflix's role in distributing content all over the world, particularly bringing it into the American market and helping make it successful there, has had a huge impact on the way content can be created in non-Hollywood local markets.

This has worked particularly well for the French production market. "For the cost of producing their own newsmagazine show they can program original big-budged scripted drama," explains French agent Erwin More (Roxborough & Richford, 2014). French producers, then, have started producing programming with a global mindset that has resulted in a new French wave, of sorts. French production company Gaumont International TV, for example, produced *Hannibal* for NBC and *Hemlock Grove* and *Narcos* for Netflix. *The Returned,* the English-language adaptation of *Les Revenants*, has had critical success in the US, while the subtitled version has been similarly acclaimed in the UK. HBO is also developing an English-language version of French prostitution drama *Maison Close*. The goal, says Olivier Bibas, managing director of French production house Atlantique, is "to create an alternative to that US invasion and show the world that in France and Europe we can make content that can sell to the world, including the US" (Roxborough & Richford, 2014).

One of Netflix's biggest challenges has been to take content that's uniquely popular in one part of the world and make it popular in other parts. Netflix has a number of advantages, however, that allow it to face this challenge head-on. As a personalized Internet network that releases programming outside of a date-and-time schedule, programs have time to grow and develop and attract an audience willing to watch international content. Lisa Nishimura, VP of content acquisition for Netflix, argues that, due to its delivery method, streaming breaks down the barriers between Netflix subscribers and the types of content they are willing to watch: "You hit 'play.' You don't love it, you hit 'back' and go to something else" (Yu, 2013). Starting a program is not the commitment it used to be and, therefore, viewers are more willing to experiment. Additionally, with the use of its algorithm, Netflix can put content directly in front of viewers who are pre-disposed to watch it. For example, putting a French or Mexican program in front of viewers who don't mind subtitles. Or, putting Canada's *Bomb Girls* and the UK's *Call the Midwife* in front of American audiences who enjoy historical fiction with strong female leads. With the unique possibilities of Internet distribution, Netflix can license foreign programming with little risk in the US.

Third and finally, Netflix produces content in many of the markets it enters. These programs are produced in each country's native language, are tied to cultural peculiarities, and are produced, directed by, and starring local talent. While these shows are local, in the same way that *House of Cards* is local to US- and DC- specific politics, they are also meant to work on a global scale, in the same way that *House of Cards'* political intrigue and power dynamics are comprehensible in non-US markets. These shows serve a couple of important function. They serve as a source of content in countries where Netflix has struggled to make licensing deals, in the same way that Netflix produced *House of Cards* to fill a void in its serialized programming library. These local shows also help build Netflix's global footprint and develop goodwill and brand recognition in countries that may not otherwise know or approve of Netflix. In the face of strong French protest to Netflix's launch in France, for example, Netflix commissioned French series *Marseille*. Netflix's commitment to French-specific content production has done much to assuage worries about Netflix infringement on local culture, but it will also serve Netflix well with the large audience for French language programming that Netflix has cultivated in France, but also in the US, the UK, and Canada, to name a few. Netflix has also commissioned a series of French cartoons, with the goal to "export French language, French culture, and the work of French storytelling around the world" (Sarandos, 2014). Similarly, Netflix announced in 2015 that it is developing Nintendo's videogame franchise *The Legend of Zelda* as a live-action series, a decision that came as Netflix was getting ready to launch in Japan, Nintendo's home base (Graser, 2015). Putting money into the Japanese economy before Netflix landed on Japanese soil was a prudent business decision that should have a long-lasting impact on Netflix's attempts to become a global content business.

Limitations to Global Expansion

Netflix's quest to become a global company faces a number – ten, by my count – specific and possibly damning obstacles. First, broadband penetration is low and the cost of bandwidth high in many countries around the world. For Netflix to stream adequately, broadband rates have to be 4 Mbps or higher, 15 Mbps for 4K picture quality. In first quarter 2010, the global average broadband speed rose to 5 Mbps, above the 4 Mbps mark, but only 63% of users met that standard. In Akamai's Quarterly State of the Internet Report, speeds ranged from 23.6 Mbps in

South Korea to less than 1 Mbps in Libya. The US came in at 11.9 Mbps, below most Asian countries and somewhere in the middle of European nations (Akamai, 2015). Without strong enough broadband penetration, countries do not have the infrastructure to handle Netflix. In Italy, for example – a country with an average 6.1 Mbps – only 55% of Italians have broadband – compared with 72% across the EU – and, as one Italian insider explains, "if ten mission Italians were to tune in to *House of Cards* on Netflix they would suck up too much bandwidth for the show to be able to come through on their screens" (Vivarelli, 2014). Problems like that make it hard for Netflix to attract an adequate number of subscribers to operate profitably in countries with subpar broadband penetration.

The second and third issues also deal with infrastructure challenges: device usage and payment systems. Asia, for example, is largely mobile-based, so Netflix has to be prepared to release content, apps, and technical support across a wide range of mobile devices. Subscribers also must be prepared to incur the charges associated with streaming Netflix on mobile connections, which are high because average mobile Internet speeds are even lower than household broadband speeds. In Latin America, on the other hand, Netflix ran into problems with payment structures due to regulations regarding privacy and customer billing practices, as well as with cash-based societies that don't regularly use or own credit cards. It's worth pointing out that Netflix has developed pre-paid options and has worked with local mobile companies to include Netflix on monthly billing statements.

Fourth, Netflix faces a range of local regulations outside of payment privacy. In many countries around the world – Canada, France, and Spain, just to name a few – media companies are highly regulated. Many countries maintain strict rules meant to support local production and preserve local content. In fact, these countries have higher taxes for broadcasters to ensure that these goals are achieved. When Netflix set up its European headquarters in Amsterdam, they were accused of skirting local taxes – culture taxes that can total more than 10% of French broadcasters' total revenue (Schechner, 2014) - and the French requirement that 40% of content be French originals (Whitney & Solsman, 2015). France's culture minister, Aurelie Filippetti, told French media that Netflix couldn't be a "stowaway" by setting up shop in Amsterdam (Schechner, 2014). Although Netflix did not move its offices and does not pay the culture tax, they did make a number of concessions to France's content regulations.

Netflix also commissioned French-produced, French-acted, French-language drama *Marseille* to combat several addition issues, which all deal with the struggles Netflix has faced with localization. The fifth obstacle Netflix faces when it enters a new country is that it must pay to either dub or subtitle existing content. Even more importantly, Netflix must understand the cultural subtleties of each region, and position its content accordingly. Sixth, Netflix must aggregate locally produced content in order to combat the "stowaway" image Filippetti accused them of. If Netflix appears as a US monstrosity looking to take over and banish cultural uniqueness, it could not succeed.

Seventh, Netflix must license both US and global content in each country it enters. Although Netflix was able to make blanket deals across Latin America, it cannot do so in the EU. So, they must make dozens of deals to reach the EU's 300 million people, equal to the number of people they reach with one deal in the US. This is a complicated and expensive proposition. The EU has proposed to make itself into one digital territory, rather than 28 distinct territories, but has run into stringent opposition. Benoit Ginisty of the Spanish Federation has been particularly against the proposal: "We want to be able to . . . preserve the freedom for local distributors to promote precisely in their respective territories – for example, using appropriate titles in each territory" (Rolfe, 2015). Ginisty doesn't want to make it even easier for big Internet aggregators like Netflix and Amazon to buy up all the programming, as they would overpower local, country-specific OTT operators.

Eight, Netflix faces a branding issue. Although it has spent a decade and a half building a brand in the US, it doesn't hold sway around the world where names like Vlodder, Sky, Watchever, and Canal+ are household names and Netflix is a mere unknown. Brand building takes time, however, and Hastings says that in Europe and South America "we've seen increases in consumer brand awareness and likelihood to recommend across markets as our content offering builds and marketing messages are honed" (Spangler, 2014a). As Netflix gets more adept at understanding local customs and languages in each market, it can adapt its message and start building a strong global, yet local, brand.

Ninth, Netflix faces steep competition, from both OTT rivals and incumbent cable, satellite, and broadband companies. The UK's satellite giant Sky, for example, has OTT products all over Europe, as does France's premier cable channel Canal+. In Japan, on the other hand, only 30% subscribe to pay TV and the vast majority of Japanese watch the seven free stations available, each with a strong, long-established audience brand (Shaw, 2015). Netflix is used to facing competition in the US – from cable, broadcast, and rival OTT services Amazon and Hulu – but in the US they are all on the same playing field, where localized culture and content is concerned. Around the globe, Netflix is facing an uphill battle.

Finally, Netflix's most dangerous rival is, perhaps, piracy. In early 2015, GlobalWebIndex reported that 54 million people are accessing Netflix illegally every month (Wallenstein, 2015a), which doesn't include the illegal downloads, peer-to-peer sharing, and illegal independent streaming sites. While this is a huge number, Sarandos finds piracy a good thing. "If you want to see what people really want, look at what they're stealing," Sarandos argues (Sarandos, 2011c), so if people are stealing Netflix, that means Netflix is something that they want.

The piracy debate, Netflix argues, needs to be redefined as a question of distribution. It's not that people want to steal, in particular, but people want to watch what they want, when they want and if it's not available to them legally, they'll find other means to access programs. "When consumers tell you what they want, give it to them . . . because they will figure out a way to get it," Sarandos says is the most important lesson that TV can learn from the music industry (Sarandos, 2011c). People didn't want to steal music because it's free; they wanted music that was easily found, whenever they wanted it, and all in one, digital place. The music industry wasn't offering a solution. The rise of iTunes and the success of subscriber-supported services like Spotify, however, show that people are willing to pay for a legal, legitimate, well-done service that serves their needs. Netflix has found the same pattern when it enters high-piracy nations. In 2010, for example, Canada's largest supplier of media content was BitTorrent; less than a year later, Netflix had surpassed BitTorrent (Sarandos, 2011c).

Changing the angle of the piracy debate has realigned Netflix's view on individual pirates, as well. In 2014, *Variety* did a count of piracy of *House of Cards'* second season (see Table 1). Five of the top ten countries, and nine of the top fifteen, were markets that Netflix was not yet available in (Wallenstein, 2014). Similarly, GlobalWebIndex reports that, of the 54 million people accessing Netflix's US catalogue illegally through a VPN every month, 30 million of those are in countries where Netflix isn't available and 20 million are in China alone (Wallenstein, 2015a). In Netflix's view, every file accessed illegally does not equal a viewer lost; every file accessed illegally represents a possible new subscriber. In Poland, for example, 6,381 people torrented *House of Cards*, representing 6,381 Polish viewers who are already aware of the Netflix brand and are possible Netflix subscribers when Netflix launches in Poland. Netflix is more torrent-proof then, for example, HBO, whose inventory is limited. Netflix, on the other hand, has a large library of local, global, current, and long tail content that would take a long time and a lot of bandwidth to torrent. When Netflix arrives in Poland then, it has a better chance of transitioning pirates to subscribers than OTT services like HBO do. Netflix believes that – in the legacy of iTunes, Pandora, and Spotify – it offers an attractive legal alternative to piracy.

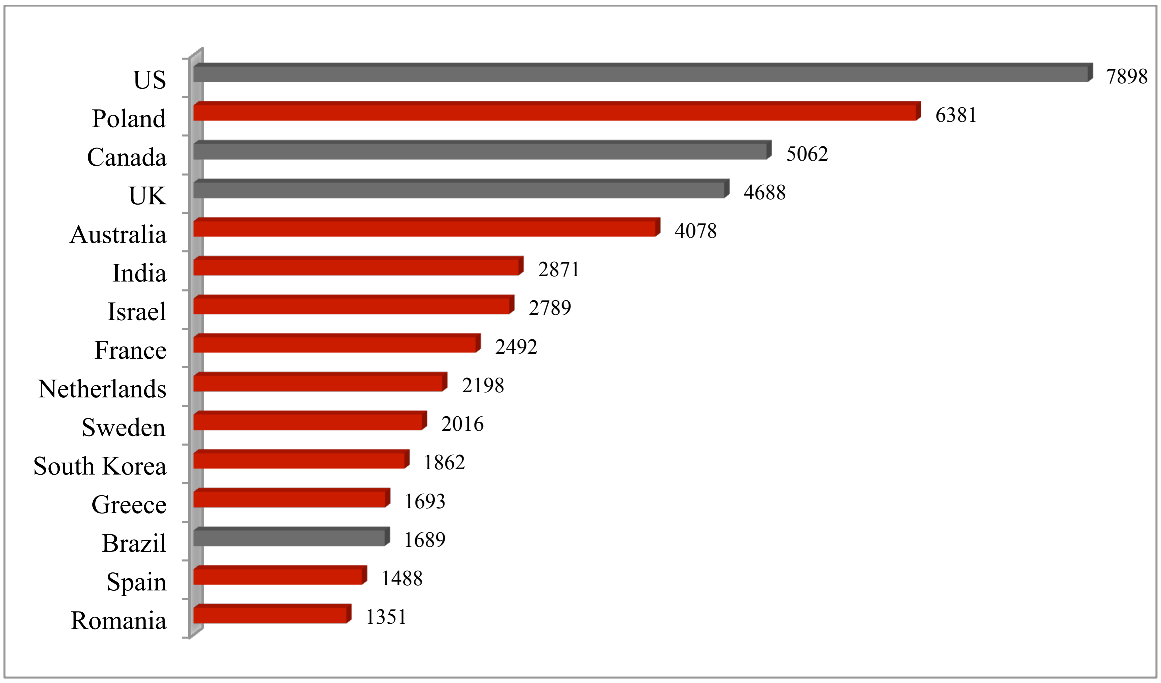

Table 1. Torrent piracy rates for the second season of *House of Cards*. Data source: Excipio.

Netflix's Quest to be a Truly Global Company

Despite the ten legitimate and daunting hurtles Netflix must jump, it has plans to be available across the globe and in over 200 countries by the end of 2016. This is quite a feat for a company that only started its international expansion five and a half years earlier. Each territory has different cultures, broadband realities, and twists on the ten challenges listed above. Netflix has slowly but surely been learning each territory's idiosyncrasies and has been seeking to adapt their global brand to local realities.

Canada

Netflix launched in Canada in September, 2010; their first launch outside of the US. Due to proximity, language, and some cultural similarities, Canada and the US tend to be grouped under one, unwieldy, North American media umbrella. Canada, though, is a different beast, with a more European-style emphasis on maintaining, supporting, and growing local Canadian media content.

The Canadian Content Fund is a local tax that Canadian broadcasters pay to support the development of Canadian content. When Netflix launched, they argued that it shouldn't have to contribute directly to that Fund. In fact, Sarandos argued that Netflix does even more good for Canadian content than Canadian broadcasters are by licensing Canadian content for a high fee, both in Canada and around the globe. Netflix, Sarandos argues, "create[s] a global footprint for [Canada's] very local content" (Sarandos, 2011a).

Canadian broadcasters, unsurprisingly, saw things differently. Netflix's original argument rested on the fact that it doesn't produce original programming and, therefore, shouldn't pay fees to a content fund it doesn't effect. Following the *House of Cards* announcement – which instantly threw Netflix into the network category, with all that comes with that - Canadian broadcasters wrote a letter urging the Canadian Radio-Television and Telecommunications Commission (CRTC) to launch a public process "to determine whether and how much such non-Canadian companies should support cultural programming." The CRTC, however, decided to let the OTT market evolve, unregulated, until cord-cutting numbers are high enough for Internet networks to pick up some of the slack (Vlessing, 2011a; 2011b).

The news isn't all bad for Canadian companies. In preparation for Netflix's launch, Canada saw a slew of media mergers. Telecommunications giants Shaw, Rogers, and Quebecor Media also lowered the cost of their mobile data plans, to prepare for increased mobile usage by Netflix subscribers (Vlessing, 2010). And with over 3.5 million subscribers as of 2015 - the most subscribers outside the US - Canadian Netflix subscribers have streamed plenty of both mobile and broadband video.

Latin America and the Caribbean

During a one week period from September 7th to 12th, 2011, Netflix grew its international footprint from two countries – the US and Canada – to 44, with near-simultaneous launches throughout Latin American and the Caribbean. Netflix chose Latin America for its second international launch for three major reasons. First, for the high percentage of broadband penetration and, more importantly, its extremely high rate of broadband growth. Second, Netflix was able to license programming across the region, rather than individually, country-by-country. Third, existing Latin and South American broadcasters have not saturated the Internet marketplace, which leaves lots of space for Netflix to innovate (Sarandos, 2011a).

By 2014, Netflix accounted for 5.5% of broadband traffic during peak times (Roettgers, 2014). Netflix is the largest SVOD in Latin America, with five million subscribers; the second largest, Claro Video, only has one million subscribers (de la Fuente, 2015). Netflix's biggest challenge was the lack of English proficiency in the region, a challenge Netflix has worked hard to counteract by developing local and Spanish-language programming. "We are investing in content that would be attractive to [Latin American viewers], but would also appeal to viewers across the world," explained Netflix communications chief Jonathan Friedland (de la Fuente, 2015). The surprise hit of 2015, Columbian drug drama *Narcos,* is filmed in Colombia, with

South American actors, and is directed by Brazilian Jose Padilha. Family football drama *Club de Cuervos* is also produced by the same people who created Mexican blockbuster *Nosotros los Nobles*. Netflix is also working with local Brazilian comics Danilo Gentili, Marco Zenni, and Fabio Lins to create local Brazilian content that can also give these incredibly popular comedians a world stage.

Europe

Netflix began its European expansion in 2012 with launches in the UK, Ireland, Denmark, Finland, Norway, and Sweden. It continued with a launch in the Netherlands in 2013 and Germany, Austria, Switzerland, France, Belgium, and Luxembourg in 2014. In late October, 2015, Netflix added Spain, Italy, and Portugal to its profile. Having done so, Netflix is officially in half of the EU countries, with plans to enter the Czech Republic soon and the rest of the EU nations by the end of 2016.

Europe offers challenges, but also, perhaps, the biggest upside for Netflix, with its cultural connections to the US and Canada. With 28 countries in the EU alone, Europe presents language barriers, cultural variations, and a huge swath of licensing deals in order to reach a small number of subscribers. In Austria, for example, the SVOD market was slow to develop, mostly because of content-licensing issues. Despite that, Netflix faces a market saturated by Sky Austria, Maxdome, Apple, Xbox Video, and Vienna-based Flimmit (Meza, 2014). Poland, on the other hand, suffers from lower broadband penetration, high piracy rates, and a market saturated by 21 free, ad-supported SVOD services (Barraclough, 2014a). In the UK, Netflix lagged far behind Amazon's LoveFilm when it was launched, but by 2014 Netflix had more than twice as many subscribers: in 2014, Netflix was in 10% of UK broadband households, LoveFilm in 4.5% (Pomerantz, 2014). With deep dives into three of Europe's most prominent markets – the Nordics, France, and Germany – these market variations will be even clearer.

Scandinavia.

Netflix launched in Denmark, Finland, Sweden, and Norway in October, 2012, after Canada, Latin America, and the UK (Iceland, the fifth Nordic country does not yet have Netflix). As a high-income, tech-savvy, and highly educated society with high English proficiency and some of the best broadband penetration in the world, the Nordics are an incredibly attractive market for all OTT products. Also, as Spotify is a Swedish product, Scandinavians are willing and quick to adopt Internet-only media subscription services.

When Netflix launched, it did face stiff competition. Amazon's LoveFilm was already in Sweden, Denmark, and Norway. Netflix also faces more localized competition from Viaplay, which is owned by Swedish media giant Modern Times Group; SVT Player, the OTT branch of Swedish broadcaster Sveriges Television; and SF Anytime, which was launched by Bonnier in 2002 as Scandinavia's premier VO service. Vlodder, from Nokia, was also stiff competition throughout the region. Importantly, many of these OTT providers were available on Internet-connected TV sets and, therefore, already provided the anytime, anywhere, on any screen experience that Netflix traditionally promises to provide.

When Netflix launched, though, it did innovate, particularly in terms of its relationship to its subscribers. For example, Netflix immediately made partnerships with Denmark's Waoo! and Sweden's ComHem to be integrated into cable boxes (Spangler, 2014a), which reduced friction on the consumer end. Netflix raised the bar for SVOD delivery, in terms of content, interface, and relationship to subscribers. "Looking back, we learned a lot about meeting the consumers where the consumers are," admitted Casper Hald of Danish telco TDC, which changed its SVOD strategy to be more consumer-centric after Netflix launched in Denmark (McDonald, 2014). And Netflix worked. By 2014, Netflix was in 2.2 million households, or 25% of broadband users in the Nordics (Pomerantz, 2014).

France.

Netflix's launch in France in September 2014 was fraught with challenges. Netflix arrived in France to an open letter from French film producers "warning of an ‘implosion of our cultural model'" (Schechner, 2014). Producers were worried that Netflix would take money out of France’s film economy, as well as Hollywood-ize French culture. In fact, *Le Nouveau Management* magazine even showcased Hastings on the front over under the banner "L’Ogre," set to devour linear French TV (Relay, 2014) and *Europe1* magazine warned of a Netflix "tsunami" set to sweep over French culture (Bourquin, 2014). Netflix’s response, in turn, was "a charm offensive," i.e. injecting millions of euros into the French market through a heavy marketing campaign, licensing older French content, and shooting original content like *Marseille* and original cartoons in French (Schechner, 2014).

Netflix also faced a series of stringent regulations and taxes. Windowing, for example, is based on complex, old-fashioned rules aimed at protecting French cinemas. Under these rules, a film cannot appear on an on-demand service paid for by a monthly subscription until three years after it debuts in the cinema. This regulation has dealt a death-knell to video streaming services, including France's largest cable provider Canal+'s OTT offering Canal Play Infinity, which premiered in 2011 and failed (Ponthus & Abboud, 2013). Canal+ would eventually have more success with its next offering, CanalPlay.

France also has high culture taxes. SVOD services with annual revenues of 10 million euros or more – a number Netflix surely would surpass – must spend 15% of their revenue in

European films and 12% in French films, specifically. In addition, they must pay a tax equal to 19.6% of VOD sales (Keslassy, 2014). The French government also threatened to charge OTT services a broadband tax to offset the infrastructure costs needed to upgrade France's broadband and to level the playing field for French companies. Netflix's European headquarters are in Amsterdam, specifically to avoid culture taxes like the ones in France.

Netflix's response, in turn, was "a charm offensive," i.e. injecting millions of euros into the French market through a heavy marketing campaign, licensing older French content, and shooting original content like *Marseille* and original cartoons in French (Schechner, 2014). *Marseille* is meant to be France's answer to *House of Cards,* a quality drama "that breaks through unspoken hypocrisy . . . a great opportunity for French producers and creators to enter a new world," explained creator David Franck on why he's working with Netflix (Dickens, 2014). Additionally, Netflix is backing French animation with deals that are imperative to animation's continuance in a fragmented media landscape. Olivier Comte, managing director of Ankama, the studio behind Netflix-backed *Wakfu*, explains that "[t]he business model of animation is honestly only possible if you are capable of being broadcast in many countries, because animation is quite expensive" (Carvajal, 2014). Netflix offers that opportunity across its global network. With these investments in French culture, Netflix expects France to play a major role in its European growth, with a total 21 million subscribers in Western Europe by 2019, up from only 3 million in 2013 (Briel, 2015).

Germany.

Netflix launched in Germany at the same time as it launched in France in September 2014. Although Netflix didn't face the same regulatory issues, it did face a slew of cultural challenges. Traditionally, Germany's cultural specificity sets it apart from the rest of continental Europe and, subsequently, the pay TV market has lagged a year or two behind. Specifically, SVOD suffers from the "widespread availability of multichannel TV and a cultural mindset that means that TV viewing is a less significant part of the average consumer's day," explains Richard Broughton, a director at IHS Technology (Barraclough, 2014b). Netflix launched in 2014, however, on the backs of increased mobile penetration and growing competition from Amazon's LoveFilm, Vivendi's Watchever, ProSiebenSat 1's Maxdome, and Sky Deutschland's Snap, all of which braved the possible detractions from the German market, mostly due to Germany's 80 million people, representing the largest TV market in continental Europe. It was a launch that should pay dividends, as IHS Technology projects a 500% growth rate in German Netflix subscribers by 2019 (Briel, 2015).

Asia

Despite the appeal of Asia's highly-saturated broadband market, Netflix didn't step its toe into the region until 2015. So far, Netflix has been most successful in markets most like the US in culture (like Scandinavia and the Netherlands) or in language (like the UK, Ireland, and Canada). Asian countries are neither of those things. English proficiency is inconsistent. Singapore and Hong Kong, for example, have high levels of English fluency, South Korea and Taiwan middling English language skills, and Japan lags far behind them all. Beyond language issues, cultural differences represent a significant problem for Netflix (Levine-Weinberg, 2015).

These countries do, however, have a high GDP per capita and strong broadband penetration. With these things in mind, Netflix launched in Japan in September 2015. Netflix then entered South Korea – with its high broadband speeds, almost 100% pay TV penetration, and untapped OTT market – Singapore, Hong Kong, and Taiwan in October. While Asia has some of the best broadband penetration percentages and speeds in the world, Netflix will struggle with the need to localize content and break down language barriers before it sets its sights on two of its risker, but largest, possible markets: China and India.

Japan.

Japan is becoming the next battleground for American OTT services. Netflix and Amazon both launched in September, 2015. American OTT services do not have a good track record in Japan, however: Hulu's 2011 Japanese launch was stymied by Japan's unwillingness to pay the high price tag of $20 a month for American-only content without any localization. In 2014, Hulu sold off its Japanese OTT service to Japan's leading broadcaster, Nippon TV (Hopkins, 2014).

Hulu's biggest obstacle, other than the extravagant price tag, was its reliance on American content that has never done as well in Japan as it does elsewhere. While the rest of the world has become more open to global content over the last decade, Japan has turned inwards. Between 2002 and 2014, foreign films' share of the Japanese market dropped from 73% to 42% (Shaw, 2015). There hasn't been a Western hit since the early seasons of *24*, and Netflix's two biggest hits won't serve it well: *House of Cards* is already available in Japan on a local broadcast outlet and *Orange is the New Black* will not sit well with Japan's law-abiding culture (Anonymous, 2015). In fact, desire for Netflix originals – including *Orange is the New Black, Sense8, House of Cards,* and *Marco Polo* – dims in comparison with the other markets Netflix entered in 2015, including Spain, Portugal, and Italy (Wallenstein, 2015c).

OTT services face other issues. The Japanese are not pre-trained to pay for TV, as are the Europeans. Only 38% of Japanese are pay TV subscribers (Trefis Team, 2015a), preferring, instead, to watch Japan's seven terrestrial broadcasters. In general, Japanese society is still old media-based; 78% of music sales, for example, come from physical media (Levine-Weinberg, 2015). This means, unfortunately, that Netflix has to accustom Japanese viewers to the concept of paying for TV access.

Despite these issues, Japan is a really attractive market. Japan has 36 million broadband households with the fastest connections in the world: 15 Mbps broadband on average. Eighty-seven percent have broadband speeds over 4Mbps, the streaming minimum, equal to the 86% of mobile connection speeds over 4 Mbps (Trefis Team, 2015a), which is an important number for a mobile-centric culture that will want to access SVOD content via their mobile devices.

With these things in mind, Netflix has worked hard to combat the most troubling of these issues. They have spent time and money on local content, so that 40% of Netflix's Japanese catalogue is Japanese content, compared to the average 20% in other parts of the world. Netflix has also embarked on an intensive marketing campaign to acquaint viewers with the Netflix brand and the idea of paying for SVOD (Mogg, 2015). Netflix has also partnered with Japanese mobile giant SoftBank, so that the Netflix app will be pre-installed on SoftBank's mobile phones and subscribers can pay for Netflix as part of their monthly phone bill. Netflix has also partnered with Panasonic and Sony to add a Netflix button to TV remotes (Shaw, 2015), so that Netflix can give physical media-oriented Japanese viewers an easy way to watch Netflix on their TV sets. Netflix knows that these are long-term fixes and that they must be patient. "Japan will probably be our slowest market to get to certain penetration thresholds," Hastings admits (Kalogeropoulos, 2015), but adds that "[i]t may be one of our best markets in the long term because when the Japanese society embraces a brand, it is a very deep connection, very long-term" (Shaw, 2015). Netflix knows that if it plays the long-game, Japan can be its foot into the rest of the Asian markets.

India.

Netflix plans to enter India in 2016. With 243 million Internet users, India only lags behind the US and China, but only 8% of those users have average speeds over 4 Mbps. That said, India's OTT market is set to explode as broadband speeds take off and, when they do, Netflix is poised to be the first big OTT brand. The third season of *House of Cards* was downloaded 682,000 times in the first 24 hours of its release, the third most in the world; *Daredevil* was illegally downloaded 2.1 million times in its first week, second to only Brazil (Trefis Team, 2015d). While these high piracy rates may be troublesome, they also give Netflix programming a footing in India to work off of once they officially launch.

China.

China represents a market with extroadinary potential. Although only 27% of Chinese households have broadband with average speeds of 4 Mbps or above, that number represents 56.5 million households. Also, the online video market in China grew 77% in 2014 and generated the equivalent of $3.88 billion in revenue, a number expected to triple by 2018 (Trefis Team, 2015c). As broadband penetration grows and speed improves, China reckons to be, possibly, Netflix's second biggest market behind the US.

Before that can happen, however, Netflix has to deal with a number of issues. First, cultural; namely, piracy and the Chinese attitude that they shouldn't have to pay for TV. Tom Doctoroff, author of *What Chinese Want*, explains that:

> Piracy goes back to the China worldview that individual rights don't matter. The courts have never been involved to protect innovative individuals. There is still very much the ethos that economic growth has to be managed, so individual and intellectual property, where the spoils go to one entity or one person, is not a cultural value. (Rapoza, 2012)

Under the Chinese communal philosophy, knock-offs and pirated media are actually examples of a strong entrepreneurial spirit. Netflix – one of the proud results of Silicon Valley's entrepreneurial individuality – faces an uphill battle teaching the Chinese to value the product Netflix offers in a way that makes them want to pay for it, rather than copy or pirate it.

Netflix also faces a regulatory system that is the most restrictive in the world. As of April 1, 2015, the State Administration of Press, Publication, Radio, Film, and Television requires all foreign dramas to submit full subtitled seasons for approval before a single episode can air. Additionally, online video sites must be licensed by the State. The Administration has granted seven such licenses, and Netflix will have to partner with one of those seven to get a foothold on Chinese digital soil (Coonan, 2015). Partnerships Netflix has made with BesTV New Media and Wasu Media, two local companies that will help Netflix navigate the perilous, but perhaps highly rewarding, Chinese OTT market.

Conclusion

In fact, Nomura analyst Anthony DiClemente forecasts that Netflix will have 94 million international subscribers by 2020. This subscriber growth will be based on an estimated 10 million subscribers in China and growth spurts in the UK, Canada, Brazil, Germany and Mexico (Szalai, 2015). Numbers that are striking, considering that they only represent a decade of international expansion.

Netflix started streaming in 2007, launched its first international market in 2010, and started producing its own programming in 2012. In 2015, Netflix produced 48 original shows and specials all over the world and by early 2017, Netflix expects to be available in over 200 countries. This rapid growth is both a byproduct and necessity of the framework for Internet TV networks that Netflix has laid out, based on a subscriber-centric business model. By listening to its consumers, and defending their right to access the exact content they want, when they want to watch it, however they want to watch – through net neutrality regulation and restructuring windowing strategies – Netflix replaces old models with an international-friendly method of content production and distribution. None of this would be possible, though, without Netflix's move out from under the syndication-only model and into the Internet network model, on the strengths of a strong and consistent original programming strategy.

Chapter 4: Original Programming for an Internet Network

"I have a deep respect for the fundamentals of television, the traditions of it even, but I don't have any reverence for it" – Ted Sarandos (Rose, 2013a)

Netflix jumped into original programming with both feet. Although Netflix's first program – *Lilyhammer* - was a tentative trial run, its second foray a mere 12 months later was brash, aggressive, and set the tone for how an Internet network must operate in the 21st century.

Netflix was not the first network to seek legitimacy by producing quality original programming. In fact, the transition from syndicator to original programmer has proven one of the most popular and successful paths to network legitimacy for basic and pay cable over the last few decades. HBO, for example, aired uncut movies for over a decade before it tentatively started producing original content in the 1980s[20] and then hit it big with *Oz* (HBO, 1997-2003), *Sex and the City* (HBO, 1998-2004), and *The Sopranos* (HBO, 1999-2007). Similarly, FX aired reruns of classic shows before it gained critical and viewer appeal with original programming like *The Shield* (FX, 2002-08), *Nip/Tuck* (FX, 2003-10), and *Rescue Me* (FX, 2004-2011). AMC[21] stood for *American Movie Classics* long before it found mainstream success with *Mad Men* (AMC, 2007-15), *Breaking Bad* (AMC, 2008-13), and *The Walking Dead* (AMC, 2015-present). Netflix's approach, then, isn't new. The way it's gone about it, is. Netflix has entered the original programming market quicker, and with more financial power and immediate success, than the cable networks ever did.

Netflix's rapid deployment of their original programming strategy is due, in large part, to the pressures of television in the digital era. With subscriber numbers reeling after the Qwikster debacle, Netflix was desperate for programming that would attract viewers and rebuild a positive

[20] See, for example, mystery anthology series *The Hitchhiker* (1983-87) and comedies *Tanner 88* (HBO, 1988) and *The Larry Sanders Show* (1992-98).
[21] AMC started producing original programs like *Remember WENN* (1996-98) and *The Lot* (1999-2001) in the late 1990s, but it didn't garner true critical and viewer attention for original programming until a decade later.

brand identity. As the HBO, FX, and AMC examples illustrate, reputations can be built on the backs of a show or two, and with Netflix's impressive 2013 programming slate, it did just that. With the premiere of *House of Cards* in February 2013, Netflix both declared its intentions to be a force in the original programming market and proved that it had the resources – the attitude, the talent, and the finances – to make good on those intentions. *House of Cards* was a success, economically, creatively, and culturally. At the time of the show's debut, the executives at Netflix realized that, in order to pay for the show's first two seasons, they had to add about 565,000 subscriber in the first two years. In less than three months, Netflix had almost reached that goal (Greenfield, 2013). Beyond profits, Netflix's original programming quickly catapulted it into the cultural conversation along with HBO, Showtime, and AMC. Tweets like "Tomorrow: @HouseofCards. No spoilers please" from President Barack Obama also did wonders to build brand awareness and respect (Rose & Sandberg, 2014).

Netflix wasn't tentative. They began producing original programming with the release of a single show in 2012. In 2013, their slate included four new original series: *House of Cards, Hemlock Grove, Orange is the New Black* and the revival of *Arrested Development,* which had previously run for three season on Fox (2003-06). In 2015, Netflix released 475 hours of content across 48 original series and specials. In 2016, they plan to release 600 hours of original content. Those are astounding numbers for a network that was, after only three years, still a toddler in the lifespan of an original programmer.

Netflix's swift and expensive move into the original content market has sent waves through the traditional television networks and production studios. In the years since the HBO-led cable content revolution in the late 1990s, Netflix is the first new network to emerge with deep enough pockets to register in the creative and distribution communities, and effect the way TV is bought, sold, distributed, and produced.

In chapter three, I traced Netflix's development as an Internet network from a technological and industrial perspective. In this chapter, I will follow that same development from a content perspective. Specifically, I will focus on the three main genres on which Netflix has been concentrating: quality dramas, quirky comedies, and cult television. While these genres are similar to most other television genres, Netflix's Internet-only existence affords freedoms in production, marketing, and content that are unique. By taking advantage of these affordances, Netflix has developed a blueprint for the way Internet networks should create and distribute original programming.

The First Foray: *Lilyhammer*

Lilyhammer premiered on February 6, 2012, more than a year before Netflix launched its first full slate of original programming. Although *Lilyhammer* has been widely ignored by critics and never developed the passionate fan base Netflix programming would come to be known for, it did set the foundation for Netflix's unique brand of original programming.

Written and directed by Steven van Zandt, *Lilyhammer* is about a New York gangster starting anew in witness protection in Lillehammer, Norway. Steve van Zandt's character, Frank Tagliano, whose choice of Lillehammer was inspired by his memories of the 1994 Olympic Games. Although he finds the city colder, smaller, and much less urban than he had expected, he quickly entrenches himself in the city's criminal underbelly.

Outwardly, *Lilyhammer's* appeal seems to be van Zandt, a great character actor and rock star (the filming of season two was delayed because he was on tour with Bruce Springsteen and the E Street Band) who went on to portray strip club owner Silvio Dante on *The Sopranos*. A deeper look, however, uncovers a number of important characteristics that originated in *Lilyhammer* and have become staples of Netflix original programming. *Lilyhammer* feels like a testing ground – albeit a fun, entertaining, and well-acted one – for Netflix's programming ideas.

First, *Lilyhammer* is global in mindset and in reality. It's a Norwegian-American co-production. The first episode aired on Norway's premier broadcast channel, NRK1, on January 25, 2012, and the entire series premiered on Netflix two weeks later, on February 6th. The show was filmed on location in both Norway and New York, half in Norwegian and half in English. "Everybody said I was crazy!" van Zandt said about his original show idea (Shaefer, 2012). He then added that, "ordinarily the networks are very conservative, so people are going to be very conservative in the kinds of content they make for them. But there comes Ted Sarandos saying, 'I think that America is actually ready for subtitles and for foreign language product and I'm going to invest in it'" (Turner, 2011). With its need for original content and its singular marketing abilities, Netflix can find success with unique, niche, global content in a way that the broadcast and cable networks cannot. "It's one of the things that makes us unique," Sarandos said, when questioned about *Lilyhammer's* subtitles. "The more we become a global streaming company, the more exciting to bring global content to [a global] audience" (Schaefer, 2012). Not only is Netflix successful with global programming, but it must create global content to be successful as an international Internet network.

Sarandos' backing of *Lilyhammer* betrays his belief in both creative talent and in his subscribers. Viewers, Sarandos believes, are smarter and more willing to engage with content than broadcasters traditionally give them credit for. By putting good people in charge (van Zandt), they will create good content (*Lilyhammer*) that specific people will want to watch. Specific, in this case, means the people predisposed to like *Lilyhammer*, targeted through the

Netflix algorithm because they liked van Zandt's other films, or rate mobster films highly, or watch a number of subtitled foreign films. In fact, the average *Lilyhammer* viewer rated the show four out of five stars, which is both "very good for a show that is more than half subtitled in Norwegian" (Wallenstein, 2012) and proves that viewers will watch and enjoy subtitled programming if it's targeted to them.

In Sarandos's quest to empower both viewers and creators, *Lilyhammer* employs a number of other strategies. If global content is the first strategy, the second is to hire well-known, quality talent to both create good content and draw viewers. *Lilyhammer* is, from head to toe, van Zandt's project, as he is the star, co-writer, sometimes-director, and music mixer. Van Zandt was a safe bet for Netflix, based on the fan base he developed from *The Sopranos*. Third, *Lilyhammer* was the first series to premier exclusively on Netflix with a one-time, full-season release as part of Netflix's binge-viewing strategy. By releasing all eight episodes of the first season at one time, Netflix empowered viewers to actively decide when and how they would watch the season. Fourth, *Lilyhammer's* mix of cold, Mobster-type drama and dark humor defies genres. Not a sitcom, not entirely a drama, and not only a primetime soap opera, *Lilyhammer* doesn't fit into the neat, clean boxes traditionally used by marketers and advertisers to classify TV programming. Strict genre classification is unnecessary on Netflix because, fifth and finally, Netflix builds a personalized viewing experience targeted to each of its viewers individually. With the use of its algorithm, Netflix markets its content by directing viewers to particularly relevant shows, thereby creating a viewing experience personalized to each individual's tastes and habits. With *Lilyhammer,* Netflix was able to put the show directly in the hands of subscribers interested in global, subtitled content. By forgoing a traditional marketing budget, and allowing very specific viewers to watch *Lilyhammer* when and how they wanted to watch it, *Lilyhammer* could be successful on Netflix in a way it could not have been on a domestic broadcast or cable network.

Lilyhammer was cancelled in July, 2015, after three seasons. With rising costs and increasingly complicated ownership issues with Netflix's Norwegian counterpart, *Lilyhammer* no longer fit into the very original programming strategy that it helped to develop. *Lilyhammer's* legacy, however, lives on in the principles of global content, binge-friendly distribution, and personalized viewing and marketing experiences that Netflix has built into a full-fledged original content strategy.

Quality Dramas

Since the cable revolution in the late 1980s, networks have gained respectability by developing quality, literate dramas. HBO did it with *The Sopranos* and *The Wire.* FX did it with *The Shield* and *Rescue Men.* AMC did it with *Mad Men* and *Breaking Bad*. These shows, collectively, make up what Brett Martin calls the male anti-hero genre, a genre that dominated the quality TV revolution of the 1990s and 2000s. The male anti-hero genre was typified by shorter seasons, serialized narratives, risky creative approaches, and themes about manhood, "in particular the contours of male power and the infinite verities of male combat" (2013, p. 11). For its first original programming genre – the Quality Drama – it is unsurprising that Netflix taps into this history and courts legitimacy by producing content that adapts the male anti-hero genre to Netflix's digital space.

***House of Cards*: Creating Quality Content by Algorithm**

Although the initial buzz around Netflix's first foray into original programming focused on the rejuvenated *Arrested Development, House of Cards* became Netflix's first real cultural success. Backed by big names like director David Fincher and stars Kevin Spacey and Robin Wright, *House of Cards* came pre-packaged with pedigree and oozed legitimacy. It was exactly what Netflix needed to prove itself a genuine contender in the original content space prepared to fight against established opponents like HBO, Showtime, AMC, and FX.

Filled with political intrigue and focused on an anti-hero in the Don Draper/Walter White mold, *House of Cards* utilized the cultural and storytelling trends that have been so successful in this rich period of serialized dramas. Most importantly, *House of Cards* is exactly the kind of high-octane, serialized, character- and intrigue-driven drama that has done well on linear TV but has done even better syndicated on Netflix. The difference with *House of Cards* is that Netflix owns the show's proprietary rights; Netflix is the only place viewers can watch the show in the US. Netflix also owns distribution rights in most international markets, granting Netflix global branding and revenue advantages it doesn't have with syndicated shows that originated elsewhere, like *Breaking Bad* or *Dexter.*

Ownership of *House of Cards* also gave Netflix an opportunity to test new models of Hollywood deal-making and television distribution. Its algorithm-based decision making process, hands-off approach to production, unique release schedule, and reliance on digital metrics of success have had long-lasting implications for the rest of the television industry. Modi Wizcyzk, co-CEO of the company that helped develop and finance *House of Cards*, Media Rights Capital, says, "this was a chance to become the bellwether show for a brand-new network. You want to be *Mad Men* on AMC. You want to be *The Shield* on FX" (LaPorte, 2014). *House of Cards* was not only the first major original show for Netflix, but for Internet networks in general and, as such, set many of the rules by which Internet television has subsequently been produced, released, and measured.

Making Deals: The Algorithm Advantage

Netflix's greatest advantage is its algorithm. Perfected during its early days as a DVD-by-mail company, the algorithm gives Netflix an unprecedented amount of data about its subscribers' habits and tastes. This data has large implications for marketing and content distribution, but Netflix has also employed it to upend the traditional pilot season and production practices.

For the broadcast and cable networks, pilot season has long been an inefficient, high-risk-high-reward, unfriendly-to-talent proposition. Historically, shows are developed in the spring, chosen from the piles and piles of scripts that the networks' development teams sift through. Just a few dozen of those scripts are ever produced as pilots, and just a small percentage of those pilots are then picked up for partial or full season runs and added to the networks' fall schedules. It's a quick, unrefined process, based on ratings, talent history, and the personal opinions of programmers and developers. It closely resembles throwing pasta against the kitchen wall to test if it's cooked. It's expensive, and the hours of wasted programming that never hits the air is astounding.

Over the last couple of decades, the traditions of pilot season have been changing and shifting. The cable networks release programs throughout the year, and even the broadcast networks have drifted away from a fall-only release schedule. Fox, specifically, began introducing shows mid-season, with the popularity of January launches for hit shows *American Idol* and *24* in the early 2000s. Kevin Reilly, president of the Fox Network, has been a strong proponent of revamping pilot season, as "[t]he broadcast development system was built in a different era and is highly inefficient" (Reilly, 2014). Even Reilly, though, believes in pilots as a way to test and evaluate a fully-filmed project. Netflix has stripped the development process of even this last vestige of traditional means of making show decisions.

With the use of its algorithmic data, Netflix has rejected the entire concept of the pilot. Instead, Netflix bets on shows with good premises that are backed by respectable, proven groups of talent. With *House of Cards,* for example, Netflix made a $100 million commitment to license 26 episodes over two seasons, all without seeing a single second of footage. The deal wasn't necessarily a high risk, though, as it was based on the expansive knowledge Netflix had at its disposable about its subscribers' pre-disposition to watch the show. "[T]he BBC version is quite popular already on Netflix," Sarandos explained. "David Fincher's work has all been incredibly well-received on Netflix, and Kevin Spacey's films have all worked on Netflix. The notion that that team will produce a very good product is a pretty safe bet" (Kafka, 2011a). Netflix uses the algorithm to determine the subset of subscribers that would likely be interested in a particular show – viewers, for example, who have watched all of the films Fincher has directed or have rated all of Spacey's films five-stars, or who watch a lot of political dramas – and then bets on the talent (and the viewers) to be smart enough to create (and watch) great content. Netflix's use of the algorithm, then, isn't an attempt to create TV programming by a computer. "It's an ugly world where you could plug all these variables into a computer and then come out with the script that's printing before our eyes," Netflix says (Fernandez, 2015), admitting that most of the development process is still about creative judgment and good taste.

Netflix bets on talent as much as it does on its algorithm, which has made it a desirable production and distribution partner. For *House of Cards* creator Beau Willimon, there were two things that drew him to Netflix: first, the creative freedom and hands-off approach Netflix offered (Cornet, 2013); second, the guarantee that all thirteen episodes of the first season would be written, produced, and aired (Ross, 2013). Netflix's binge-watching format and production process meant that Willimon could write all thirteen episodes at once, before even the first episode was filmed. This is a process that protects against the inevitable holes that highly-serialized shows like *Lost, 24,* and *Battlestar Galactica* have written themselves into due to contradictions that have arisen between the filming of early episodes and the writing and filming of later ones.[22] The two-season guarantee also allowed Willimon to tell a different kind of story. That new reality, Spacey argues, was incredibly important for *House of Cards*:

> We wanted to start to tell a story that would take a long time to tell. We were creating a sophisticated, multi-layered story with complex characters who would reveal themselves over time and relationships that would take space to play out. (Plunkett & Deans, 2013)

Netflix's upfront, two-season commitment allowed *House of Card's* creative team the space and freedom to tell that kind of slow-building, character-driven story. It's good for viewers, too, who know that they can commit to a long-term story without fear that the show will suddenly be yanked from the schedule or moved to a new time or day of the week.[23] Netflix positions itself as the network where your favorite shows are safe, and this positioning has positive results for subscriber retention. This effect is also heightened by Netflix's distribution strategy of releasing all thirteen episodes of a season at once so that viewers are able to comprehend shows in the way that writers have conceived them: as one, long, thirteen-hour story.

Binge-Viewing

House of Cards was designed, from its inception, for the binge-watching strategy Netflix has made famous with its syndicated products. Before he began writing, Willimon knew that he had a full two seasons to tell his story, without any possibility of the show being cancelled after episode two or three or four. He took, then, "a cinematic approach" (Ryan, 2013), as if *House of*

[22] There are, of course, a few disadvantages to this new approach to binge-viewing-oriented storytelling. Traditionally, TV creators received feedback during the process of writing, editing, and producing a TV season. This is lost under the Netflix system.
[23] So far, Netflix has only cancelled one of its original series (*Lilyhammer*), and even then only after a respectable three season run. Additionally, Netflix tends to renew series *before* their newest season premiers, so that viewers are guaranteed additional season before they even watch the newest season. This rewards viewers' commitment to Netflix original programming and increases the engagement and loyalty between viewers, Netflix programming, and the Netflix brand.

Card's first season was one mainly uninterrupted thirteen-hour story. Specifically, cliffhangers – a convention that has long served to draw viewers back week after week – fell by the wayside:

> I didn't feel the pressure to sell the end of each episode with superficial cliffhangers or shock tactics in order to keep them coming back, in order to jack up the ratings week to week. I hope our version of a cliffhanger is compelling, sophisticated characters and complex storytelling. (Stelter, 2013a)

Cliffhangers are just one example of television conventions that adhere to the old ratings model of television that was based on attracting advertising dollars and a need to keep viewers thinking and talking about a show in the days and weeks between episode airings. Netflix, then, has adapted the cliffhanger model to the unique qualities of Internet storytelling. Rather than bringing people back to the TV set week-after-week, Netflix-style cliffhangers are meant to pull viewers from one episode to the next. As Willimon said, this version of the cliffhanger can, then, be more narrative- and character-based than explosion- or shock-based. We "are reconditioning ourselves for another model" (Cornet, 2013). The Netflix model. For Willimon and *House of Cards,* that means a method of storytelling "that really spoke to the sophistication of the narrative and the layers of the characters" (Ryan, 2013) rather than a traditional model that, while it has been successful for decades, would have felt old-fashioned and clunky for an Internet network.

In the case of *House of Cards,* writing for binge-viewing has meant more literary storytelling, with ongoing narratives and complex character development. *House of Cards,* then, is the equivalent of a well-written best-seller, with a beginning, an ending, and chapter breaks, but no more reading instructions than that. It's up to the reader to determine how, when, and where he/she reads a book. It is the same, now, for television. As Fincher describes, watching *House of Cards* mimics reading practices:

> It's like you read a chapter, set it down. Go get some Thai food, come back, fire it up again. It works in a different way. The pace of consumption in some way informs a kind of relationship with the characters, which is very different from destination television. (Sepinwall, 2013)

With Fincher approaching the production of *House of Cards* like a 13-chapter novel and viewers watching it with a similar, novel-like reader-driven approach, it is natural that *House of Cards* utilizes a number of literary narrative conventions. Most importantly: the aside.

In his liberally used asides, *House of Cards'* main character, Frank Underwood, often turns directly to the camera to share his thoughts, strategies, and thought processes with the television audience. These asides can be attributed to *House of Card*'s source material, Shakespeare's *Richard III.* In *Richard III* - a play Kevin Spacey, not coincidentally, has toured in across the globe - manipulative distant-heir-to-the-throne Richard of Gloucester directly addresses the crowd throughout the play to both inform them of his plans and implicate them in his cunning, deceitful plot to become king.

In many ways, though, Underwood's asides are more than an allusion to *Richard III*. First, the very inclusion of the asides is a nod to the show's - and, by extension, Netflix's - more literary roots, distancing itself from even the quality TV dramas of the last decade and a half. Second, the asides position Underwood as the show's narrator. The role of the narrator has been much-debated throughout media history: some have argued that the traditional narrator has no role in film, with the exception of voice-over films (Bordwell, 1985); others have argued that films use unique film attributes like editing, cinematography, and sound as a new form of film-specific narrator (Chatman, 1990). By introducing first person - a distinctly literary narrative convention - into a television series, Mario Klarer argues that *House of Cards* produces "a hybrid or composite format with great narrative potential" (2014, p. 216) that "fashions itself as a complex allegorization of the major constituents of narrative" (p. 215). From its privileged position between television, film, and literary conventions, *House of Cards* exercises the ability to comment on the storytelling conventions of these forms.

Finally, the asides play a role in the engaging, lean-forward, active way of watching *House of Cards* that Netflix supports. Viewers must make an active choice in deciding when, where and how they watch the show, just as they are expected to be active viewers of the story. In short, the asides draw the viewer in, cementing the relationship between character and viewer, and making the viewer a co-conspirator. Although the asides establish Underwood as a reliable narrator early in season one, that assumption is carefully and systematically destroyed as the season goes on gradually we, as viewers, realize that we aren't special. We aren't outside Underwood's manipulations. We have been drawn in, blinded, and betrayed by Underwood's slick, charismatic manner. Underwood is, finally, the unreliable narrator we always should have assumed he was, and by believing him, we are as complicit in his crimes as are the senators, congresspeople, and constituents that fall for his antics within the confines of the show itself.

It is worth noting that the first aside was one of the deciding moments in forming viewers' opinions of the show. In one of Sarandos' favorite anecdotes, he explains that viewing took a huge dip a few minutes into *House of Card*'s first episode when two things happened simultaneously: Frank turned to the camera for his first aside at the same time as he put an injured dog out of its misery by snapping its neck. While some of these viewers were surely animal lovers who couldn't abide by Frank's canine murder - mercy killing or not - others were turned off by the strange, uncomfortable aside that goes against decades of television conventions. The aside, then, signified a shift in televisual storytelling that set *House of Cards* apart from the decades of television that came before it. While losing viewers is never a good thing, it is a necessary bi-product of *House of Card's* use of innovative methods of narrative and characterization.

Ratings

For the broadcast and basic cable networks, ratings are the foundation of production, greenlighting, renewal, and scheduling decisions. Even premium networks like HBO and Showtime release ratings, and use them to make some decisions, even though their revenue is entirely based on subscription dollars. Netflix, however, whose revenue stream is also based on subscription dollars, refuses to release ratings for any of its shows.

There are a number of reasons why Netflix refuses to release ratings. First, as Tim Molloy (2013) at *The Wrap* describes it, the lack of ratings scares the cable and broadcast networks. "Nobody knows what the hell is going on inside Netflix. And that's the way Netflix likes it," an industry observer told *Fast Company* (Laporte, 2014). Second, it allows Netflix time to thrive and experiment and push boundaries, without being weighed down by measures that actually have no effect on Netflix's bottom line. For example, shows have often been cancelled "not because they were a bad show . . . but because it was the wrong slot at the wrong time" (Sarandos qtd. in Spangler, 2014d). Netflix works outside of the broadcast calendar, though, and doesn't care about time slots or days of the week. They release seasons all at once, and give viewers the opportunity to watch series however they want. Netflix viewers may watch the full season the first weekend it's released, or they may watch it over the course of many weeks, or they may binge it six months after it was released. Each of these scenarios works towards Netflix's goal of maintaining and building its subscriber base. Next day ratings, then, are meaningless and could be extremely harmful. Without the bad press that comes from reports of poor debut viewership, Netflix gives its shows time to grow, time to join the cultural conversation, and time to develop viewer and critical attention.

Finally, by rejecting ratings all together, Netflix relies on different types of evaluation that are better fitting for Internet networks. Evaluation methods like cultural currency, long-term viewing across the first months and year of a show's premiere, and the number of new, and retention of existing, subscribers are much more accurate. "Rating counts a little bit in our algorithms," admits VP of Netflix product innovation Todd Yellin, "but it's not as important as history. Not just what I watched yesterday but how much did I watch of what I watched yesterday?" (Fernandez, 2015). Netflix records an immense amount of data about its subscribers' viewing habits, so it knows how many episodes, and how much of those episodes, particular viewers watched. Netflix also knows how quickly viewers start a series after it's released and if viewers are inspired by that series to watch related programming; for example, if viewers went to find other shows written by David Fincher or starring Kevin Spacey after watching *House of Cards*. These questions get deeper into the possible reasons for a show's success or failure, and speak to a number of digital metrics based on brand, buzz, and engagement that define Netflix's success as an Internet network much better than ratings do.

Marco Polo: Netflix Goes Global

Marco Polo was Netflix's first foray into truly global content. *House of Cards* was successful enough to spread Netflix's brand across the globe, and *Hemlock Grove* was particularly popular in the Nordics (in great part due to star Bill Skarsgård) and in Latin America (due in great part to the region's affection for the horror genre) (Rose, 2013a), but both were originally designed for an American audience. *Marco Polo,* on the other hand, was greenlit during Netflix's push for global expansion and, therefore, was conceived from the very beginning as an international show. That means that *Marco Polo* was written with a global audience in mind, developed with a diverse cast and crew, a specific type of narrative, and a rights structure that suited a truly global production.

Marco Polo was originally destined for the Starz channel. An increasing budget and problems filming in China, however, pushed Starz out of the equation and opened the door for Netflix, who welcomed the challenges of international filming. With a $90 million budget for the show's ten-episode first season, Netflix hired an 800-person cast and crew who spoke 26 different languages (Spangler, 2014c). It was filmed around the globe, in Italy, Kazakhstan, and Malaysia. "It's a world you would have never seen before on television," Sarandos explains (2014), with the settings, sounds – and even the suggestion of the smells - of cultures and locations that have not been showcased on TV before.

Marco Polo's story is particularly suited for this format of international shooting. The show is based on the real life explorations of Marco Polo, an Italian merchant who documented his epic journey to Asia and his first interactions with the Chinese people in the late 13^{th} century. The story, then, is a West meets East narrative mirroring Netflix's own model of global expansion as it moves into Southeast Asia, Japan, and (they hope) China. "Netflix is that stranger in a strange land," Sarandos says (Steel, 2014), equating Netflix's situation with Marco Polo's. Emily Steel of *The New York Times*, on the other hand, sees more similarities between Netflix and Kublai Khan, the Mongolian Empire-builder who Marco Polo meets on his travels. The issues that Netflix faces with global expansion - "vast cultural differences, fierce rivals, and high costs" – echo the infrastructure problems and threats from local insurgents that threatened Khan's 13^{th} century attempts to colonize the world (Steel, 2014).

As much as *Marco Polo* is a metaphor for Netflix's eastern expansion, it's also, in practical terms, a very good marketing tool. Unlike both *House of Cards* and *Orange is the New Black,* Netflix owns the international distribution rights for *Marco Polo* (Eadicicco, 2014). This means that Netflix can release it simultaneously across all of its domestic and international markets. *Marco Polo* is Netflix-branded, so that its international viewers can start associating Netflix with grand, expensive, original programming.

Finally, *Marco Polo* sets Netflix apart from its original programming counterparts like HBO, Showtime, and the broadcast networks. Rather than simply producing Hollywood content and distributing it globally, Netflix is culturally dialed-in to global means of storytelling and production. "There was genuine excitement about bringing the Asian storytelling style to the global audience," chairman of production company Electus, Ben Silverman, explained (Steel, 2014). In some ways, *Marco Polo* falls victim to its attempts to bridge east and west. Because it is designed to entertain so many diverse cultural styles, it tends to rely on clichés, an over-emphasis on the universal languages of sex and violence and less on the character development, humor, and serialized plot that Netflix's other original series have built their reputations on.

Marco Polo's legacy, however, will be in its willingness to create truly global content, a legacy Netflix has continued already in a number of different shows. First in *Club de Cuervos,* the Spanish-language soccer dramedy set in Nuevo Toledo, Mexico, written by American Jay Dyer and directed by Mexican Gaz Alazraki. Part sports story, part family drama, and part nightly soap opera, *Club de Cuervos* deals with uniquely-Mexican gender and class politics. "The first couple days," Dyer explains, the creative team got together in Pachuca "and Gaz just talked about Mexico: the things he wanted to capture, the things that concerned him and excited him about his country" (Zax, 2015). With Alazraki at the director's helm, *Club de Cuervos* brings something distinctly Mexican to a globally-distributed show.

Second, *Narcos* premiered on August 28, 2015. A drama about the birth of cocaine trafficking between Columbia and the US, *Narcos* follows the Medellin cartel's bloody rise to power in the late 1970s and 1980s. *Narcos* is distinctly South American: it was shot in Columbia with Brazilian, Argentinian, Chilean, and Columbian actors; a large percentage of the show is subtitled; and it is produced by Brazilian filmmaker Jose Padilha, who also directs the first two episodes and sets the look and feel of the series' cinematography. Just as importantly, though, *Narcos* flips the balance of power. Before the show premiered, Wagner Moura, the Brazilian actor who plays drug Kingpin Pablo Escobar, promised that *Narcos* is "not going to be about American good guys who go to a poor culture to save these poor people. You're going to see the Colombian heroes of the story" (Egner, 2015).

Third and fourth, Netflix has begun producing local-language shows in its hardest-to-reach territories. Specifically, Netflix has greenlit *Marseille* in France and *Hibana* and *Atelier* in Japan. *Marseille* is a political drama about revenge, drugs, and ambition in local politics, written and produced by Dan Franck, who won two Golden Globe awards for the miniseries *Carlos* (Keslassy, 2014). Similarly, *Hibana* is based on an existing property with a pre-formed fan base and cultural respectability, Naoki Matayoshi's well-received novella *Hibana* (2015), about a struggling friendship between two comedians. *Atelier* is a co-production with Japanese broadcaster Fuji TV and is a drama about the complicated and surprisingly proper lingerie industry.

All of Netflix's international productions do two specific things. First, Netflix chooses stories with universal appeal, usually stories of political intrigue and familial strife. Second, it grounds these universal stories with local creators and crew, local language, and on-location filming. By doing both of these things, Netflix hopes to create a two-way street of global content. Instead of just Hollywood content distributed internationally, Netflix hopes to spread all kinds of local content to an international audience.

Bloodline: Suspense, Binge-Viewing, and the Anti-Cliffhanger

Bloodline was the third of Netflix's quality dramas, after *House of Cards* and *Marco Polo*, and in Netflix's emerging tradition, it deviated from the tentative formula Netflix original dramas had begun to develop. Rather than building its narrative on cliffhangers, *Bloodline* is built on anti-cliffhangers, letting the audience in on the finale by the end of the pilot, and then filling in the time between those moments as the season goes on.

Created by the *Damages* team – Todd A. Kessler, Daniel Zelman, and Glenn Kessler – it's not surprising that *Bloodline* plays with time and means of televisual storytelling. *Damages* (FX, 2007-12) was a legal thriller starring Glenn Close and Ted Danson. The series told its story about high-powered women nonlinearly, using flashforwards and foreshadowing to misdirect and mislead the viewer. As Cindy Holland, VP of Netflix original content, comments, *Bloodline* was so attractive to Netflix because its creators' "work on *Damages* was truly ahead of its time" (Bibel, 2013). In many ways, the nonlinear techniques and flexible storytelling are much more suited for 2015 Netflix than they were for 2007 basic cable.

Bloodline employs the same narrative eccentricities. Part family saga, part thriller, *Bloodline* tells the story of the Rayburns, a well-connected family living in the Florida Keys. Torn apart years ago by a familial trauma, the children are brought together for the first time in decades. They struggle with the reunion while simultaneously working through two family deaths: the death of their sister, Sarah, told through flashbacks, and the death of their brother, Danny, told through flashforwards.

This is a story written particularly for Netflix. Co-creator Zelman was thrilled to create a show for "a company committed to cutting-edge storytelling in a vibrant, new space" (Bibel, 2013). He listed a number of things when asked how he wrote the show differently for Netflix than he would have for a cable network. First, *Bloodline* is highly serialized, which allows space for the slow, muggy, hazy Florida Keys atmosphere that fills all thirteen episodes. Second, and related to his first point, *Bloodline* was written with binge-viewers in mind, allowing for the liberal use of flashforwards and flashbacks. Finally, airing on Netflix gave the creators the freedom to mix genres as the show slowly morphs from a family drama to a thriller as the viewer watches. "We wanted you to get to know the characters first," Zelman told *Variety* before the show's premier. "We wanted them to be real people and not immediately go to a genre … Because the next episode is just one click away, we felt like it gave us more freedom to do that" (Birnbaum, 2015a).

Bloodline, like *Marco Polo* before it, sometimes falls victim to its own innovations. *Vox* critic Todd VanDerWerff (2015a) argues that *Bloodline's* slow, meandering storytelling is "a good way to keep binge-watchers consuming episode after episode, but it's a lousy way to tell a story." In many ways, though, that is exactly the story *Bloodline* is trying to tell: the story of a slow-moving, humid, stuck-in-the-mud small town in the Florida Keys. It is only natural that a story built for Netflix – for binge-viewers who enjoy serialized, genre-less, flexible stories – cannot be consumed or evaluated in the same way as television written for a different type of audience. Of course, *Bloodline's* critical problem may be that it's just not a very good show, with characters that aren't compelling enough for a character-driven narrative despite its stellar cast that includes Kyle Chandler, Sam Shepart, Sissy Spacek, and Ben Mendelsohn. It also may be, however, a problem with critics who are judging *Bloodlines* on linear TV standards and goals. Either way, *Bloodlines* does suggest a new model for writing, producing, and conceiving a uniquely Netflixian quality drama.

Quirky Comedies

Although Netflix began its original programming push with serialized quality dramas, it has also ventured successfully into comedy. Sitcoms have traditionally been the bread and butter of the broadcast networks, but they have not been as financially-viable or as brand-building, for cable networks. Sitcoms' strength originally came from the genre's overwhelming success in syndication, as viewers will watch sitcom episodes over and over again, and in any order. Successful sitcoms make money in syndication for decades and decades after their original airing. For cable companies, then, it was harder to apply the formula of serialized narrative, strong character development, and use of cliffhangers that worked so well on dramas to the sitcom. With a few exceptions – *Curb Your Enthusiasm* (HBO, 2000-11), *Weeds* (Showtime, 2005-12), *Girls* (HBO, 2012-), and *Louie* (FX, 2010-) come to mind – cable has left the comedy revolution to others. In fact, even those four cable comedy shows are not traditional sitcoms. This is a shift that Netflix has championed. With its binge-watching strategy and its ability to target specific niche audiences, Netflix is well-equipped to adapt the successful characteristics of the quality drama to the comedy genre. With *Orange is the New Black, Arrested Development, BoJack Horseman, Unbreakable Kimmy Schmidt, Grace and Frankie*, and *Master of None,* Netflix pushed the boundaries of the traditional sitcom to encompass a larger, genre-defying quirky comedy format that has been as successful as its quality dramas.

Orange is the New Black

If *House of Cards* proved that Netflix could produce quality television on par with the likes of HBO and Showtime, *Orange is the New Black* showed that Netflix had the ability to launch a show into the global cultural zeitgeist. While *House of Cards* played by the rules of quality television, and proved that Netflix could follow the quality drama format to great success, *Orange is the New Black* is the quintessential example of a show that used the unique qualities of Internet distribution to its advantage.

Jenji Kohan, *Orange is the New Black'*s creator and executive producer, was drawn to Netflix exactly because it is outside of traditional TV boundaries. When she read Piper Kerman's autobiography, *Orange is the New Black: My Year in a Woman's Prison,* Kohan knew that she had encountered something special. The book – and Kohan's subsequent TV adaptation – follows the story of Piper, a rich, white woman who's incarcerated for her past association with her drug-runner ex-girlfriend Alex. Specifically, Kohan saw in *Orange is the New Black* the potential to tell a vast landscape of relevant, diverse storylines that had never been seen on TV before: "I loved the characters, the diversity, and I loved that the setting was a crossroads where every type of person could travel through" (Jarvey, 2014). These are not stories, though, that every network, or any network – HBO and Showtime both passed on *Orange is the New Black* – wanted to tell.

Kohan is no stranger to controversial storytelling. Before breaking out with her semi-successful mother-turned-drug-kingpin series *Weeds*, Kohan wrote more than a dozen pilots that never made it to the TV screen. While she comes from a family of showbiz success stories – her father, Buz Kohan, wrote for *The Carol Burnett Show* (CBS, 1967-78) and her brother, David, co-created *Will & Grace* (NBC, 1998-2006) – Kohan was considered too un-commercial, too controversial, too political for a television industry whose main goal is to be as unsubversive as possible (Rose, 2014). "A huge part of my goal for the show," Kohan admits outright, "is to start conversations about things. It is, to a certain extent, my soapbox – I'm not secretive about my political agenda" (Prudom, 2014). It's no surprise, then, that Kohan found a home for *Orange is the New Black* on the new Netflix network right when Netflix was finding its footing in a digital landscape based on a different definition of commercialism. Netflix had the opportunity to be - and credit goes to Netflix for embracing these possibilities - political, outspoken, and boundary-breaking.

Kohan was drawn to Netflix for all these reasons. She appreciated Netflix's lack of censorship. "There's such a Puritan prudery that still pervades everything, and it's silly," Kohan explains (Jarvey, 2014). That prudery comes from FCC oversight, a reliance on advertising dollars, and an industry that lives and dies based on overnight ratings. Netflix only answers to its subscribers, and, therefore, can create much more niche content and put that content in front of the people who won't be turned away by its explicit and realistic treatment of female sexuality.

Piper Kerman, the woman *Orange is the New Black* is based on, always wanted to turn her autobiography into a TV show, with the hope of reaching as many people as possible with her stories of class, racism, and the penal system. As she explains, Netflix was the perfect – and only – place for her story:

> Jenji said she couldn't go to a major media company and say, 'I want to make a show about a wide mosaic of women of all ages and races, and they're going to be poor . . .' Viewers are more receptive to a huge amount of different stories than perhaps media executives give them credit for. (Nicholson, 2014)

So, after even the premium cable networks rejected the script, scared away by its frank and honest discussion of subversive (for television) topics, Kohan took Kerman's story to Netflix. Netflix embraced the story, kept a hands-off approach to Kohan's creative process, and encouraged her to build a story around a sprawling, female-dominant cast of all different gender and sexuality identities, ethnic and racial backgrounds, body shapes, and classes. And, as Kerman believed, Kohan knew, and Sarandos preaches, viewers are smarter than television has traditionally given them credit for. Although Netflix doesn't release ratings, Hastings has admitted that *Orange is the New Black* is "our most-watched original series ever" (Stelter, 2013c) and its buzz, cultural currency, and awards recognition backs up his statement.

By assuming its audience is intelligent, *Orange is the New Black* does four important, subversive, unique things. First, it provides roles for non-traditional female actors. Lea DeLaria, for example, commends Kohan for writing her character, Carrie "Big Boo" Black. "Butches have a shared life experience. You see it all in Boo's backstory," DeLaria explains. It's amazing that DeLaria has the opportunity to tell that story – her own story – for butch women all around the world to see, and experience, and relate to (Kuperberg, 2015). Lily Karli at the *Huffington Post* explains the importance of *Orange is the New Black's* casting of actors with non-traditional body shapes:

> [I]t's not new fodder for television to portray a fat woman unhappy with her lot, and desperate for the love of an uninterested party. What is new is to see a larger woman pursuing sex and love with absolutely no reference to her shape, and no comments to suggest to viewers that her body should be considered anything but attractive. (Karli, 2014).

Character like Big Boo, Taystee, and Daynara are fully-realized, sexual, emotional characters who live outside traditional televisual definitions of desirable body image. Finally, Uzo Aduba, who won Emmys in 2014 and 2015 and a Screen Actors Guild Award in 2015 for her portrayal of Suzanne "Crazy Eyes" Warren, thanks Kohan in each of her acceptance speeches "for writing a show like this and putting something like this on television" and allowing actors like Aduba to play important, multi-dimensional, meaty roles (Aduba, 2015). Aduba is just one example in a diverse cast that spans the range of age, gender, sexuality, body shape, and race. *Orange is the New Black* offers well-developed, well-written, and important roles for each of them.

Second, this diverse and relatable set of actors plays characters that traditionally-ignored viewers can identify with. Even more importantly, these characters don't just look like a diverse array of women, but they play characters that each have well-developed, three-dimensional plots and personalities. "I think great storytelling has to dictate [casting] . . . and great storytelling has many colors and many sexes and many sizes," Sarandos said, simply, at his keynote at the Aspen Institute (Sarandos, 2013a). Lorraine Toussaint, who plays second season villain Yvonne "Vee" Parker, goes a step further. Allowing diversity to flow directly from storytelling, she argues, is unique and important:

> Our audience has fallen in love with these women in one way or another and totally identified with certain characters because women get to see themselves. It's so empowering to see yourself reflected in television shows. That's what this show is doing. It's a complete mythbuster. (Rorke, 2014).

Orange is the New Black shatters the myth that shows can only be successful if they star and tell stories about a small margin of women's stories. Most importantly, perhaps, *Orange is the New Black* doesn't just show all sorts of women; it represents female identity as a varied and moving apex of race, class, sexuality, gender, upbringing, and any myriad of other issues that television – for simplicity of storytelling and advertising appeal – tends to reduce to one- or two-dimensional caricatures. *Orange is the New Black's* characters open spaces for the multi-dimensional character identification with women that viewers don't often get on TV.

Third, *Orange is the New Black* changes the way Hollywood looks at female showrunners, female characters, and female-driven shows, proving that these shows can, in fact, be enormously successful. "There's this myth that female-driven shows can't be successful or can't make as much money domestically or abroad" as male-driven shows can, explains

Toussaint (Rorke, 2014), who has spent a long career struggling to find strong, independent roles for female actors and producers. At the same time as Shonda Rhimes was building a diverse, female driven, and sometimes controversial drama empire on ABC, *Orange is the New Black* was doing the same for the comedy genre on Netflix. In 2015, four of the five Golden Globe comedy nominees were overseen by women: *Orange is the New Black,* Lena Dunham's *Girls,* Jill Soloway's *Transparent*, and Gina Rodriquez's *Jane the Virgin*. It tops a dramatic and under-discussed shift in American comedy, led by the Internet networks Netflix and Amazon and teen-oriented broadcaster the CW, all three networks that target younger demographics. "If you just think about it as people who are dismantling the power structures . . . having been told time and again we're not funny- it's amazing," gushed *Transparent* showrunner Soloway. "[H]aving an amazing and brilliant female showrunner is so empowering and encouraging. Women are making an impact. Here's the proof," added *Jane the Virgin* showrunner Rodriquez (Berkshire, 2014). All three networks – Netflix, Amazon, and the CW – are not only willing to subvert the rules of traditional televisual storytelling, but have to pervert those rules in order to attract a younger demographic that isn't content to watch stories that don't speak directly to them and their life experiences.

Finally, within the freedom of Netflix's Internet platform, *Orange is the New Black* addresses issues that are specifically relevant to populations not normally seen on TV, such as ageism, transgender hate from within the LGBTQ community, and gender fluidity. With a *Wire*-esque fascination with bureaucracy and crumbling state systems, *Orange is the New Black* also exposes the need for prison reform and the complexities of race and class disputes within prison walls. In 2014, the show won a Peabody Award for its "complex, riveting character study rich in insights about femininity, race, power, and the politics, inside and outside prison walls, of mass incarceration" (Kelsey, 2014).

The way *Orange is the New Black* portrays race, for example, is unique. *Orange is the New Black* represents racial diversity as one aspect that, when combined with other elements like gender, ethnicity, and class, make up a woman's identity. *Orange is the New Black* also explores diversity within racial identity. Elizabeth Rodriguez, the Dominican-American actor who plays Dayanara Diaz, commends Kohan's willingness to represent "the diversity within Latinas – nationality, skin color, size, looks" (Ford et. al., 2013). Selena Loeyva, who plays Gloria Mendoza, adds that "Netflix has been bold" in its representation of all kinds of Latina women (D'Alessandro, 2015). Even though Litchfield prison is divided along racial cliques, *Orange is the New Black* doesn't shy away from showing in-fighting and diversity within those groups.

Just as *Orange is the New Black* shows diversity within racial identities, it also shows diversity within female identity. Gender fluidity, for example, is an issue that sits at the nexus of gender and sexuality, class and politics. Season three's breakout star, Ruby Rose, has made headlines with her short film, *Break Free. Break Free* is an exploration of Rose's own gender fluidity, and shows the transition from a blond, high-heel wearing, clean skinned woman to a tattoo-ed, cigarette-smoking, more masculine person. For Rose, it's not a question of male vs. female. "I feel like I'm neither" she says, and is pretty comfortable with that (Jarvis, 2014). "For the most part," she added, "I definitely don't identify as a gender . . . I'm somewhere in the middle, which – in my perfect imagination – is like having the best of both sexes" (Gray, 2015). While gender fluidity isn't a new concept – the third or middle sex has played an important role for centuries in Indian, Pakistani, and Native American cultures – Flinders University professor Damien Riggs explains, "the language is getting more traction now with celebrities saying it"

(Gillian, 2015). Rose's highly visible, and incredibly popular, role on *Orange is the New Black* is important, both for general visibility and for young (or old) viewers who can put a name, and an understanding, to things they may be feeling. Shared terminology, and shared character touchpoints, gives people – an estimated 1-8% of the population is gender non-conformist - a vocabulary to talk about, discuss, and explain their own gender fluidity to family and friends.

If Rose became the face of gender non-conformity, Laverne Cox has done the same for the transgender community. Before Caitlyn Jenner and YouTube star Jazz and Netflix's own *Sense8,* Cox, a transwoman herself, started her role as black transgender prisoner Sophia. Sophia is not the first transwoman on television, but she is the accretion of decades of transgender characters playing peripheral prostitutes and psychotic killers. GLAAD, for illustration, studied transgender characters on TV for the decade between 2002 and 2012, and the findings were not promising: in 40% of the episodes studied the transgender characters were victims, in 21% they were killers or villains, and in 20% they were sex workers. In the most devastating statistic, the majority of the episodes analyzed (61%) contained transphobic slurs, language, and dialogue (GLAAD, 2012).

Orange is the New Black offers an opportunity to tell a different kind of story. Sophia is a recurring character, a sympathetic figure who appears in episode after episode. Cox understands the importance of that simple fact. Growing up in Mobile, Alabama, Cox was bullied and harassed for appearing and acting feminine. For her, the lack of media representation for transpeople made her question who she was, and she hopes that Sophia can make a difference in the lives of young trans children:

> I think there are more media representations that young trans people can look to and say, *that's me,* in an affirming way . . . it makes you feel like you're less alone and gives some sort of sense of, *okay, this is who I am and this is what I'm going*

> *through,* as opposed to being *what the f*** is wrong with me?* That was what I grew up with. (Steinmetz, 2014)

For Cox, the character of Sophia is an opportunity to make a difference, and to tell a different kind of story; not only to tell a trans story as it has never been told before, but also for a trans woman of color to have a juicy, respected, well-rounded role on television.

Cox has taken the opportunity to become a role model within the transgender community. In 2014, she won the Stephen F. Kolzak Award at the GLAAD media awards for her work towards eliminating homophobia in Hollywood. That same year she became the first transgender woman or man to grace the cover of *Time* magazine. She also tours the nation with her lecture, 'Ain't I A Woman?,' in reference to Sojouner Truth's famous speech. Her talk is also riddled with references to racial advocate bell hooks and feminist scholar Simone de Beauvoir (Houston, 2014), adding weight to her words and a sense of history to her words. These references are also an acknowledgment that transgender issues sit at the intersection of race and class and, without realizing and accepting that fact, progress for transgender issues cannot be made. "What we're seeing now is trans folks taking more control over how our stories are told and challenging . . . the ways in which trans stories have been told," she told a group of Harvard students while on her tour (Erickson, 2014). Taking control of what stories are told – and how those stories are told – is imperative for the advancement of transgender representations on television.

As *Orange is the New Black* does with race, gender, and sexuality, it also does with age: it gives voices, sexualities, and a face to older characters. Kate Mulgrew, whose Russian cook character Galina "Red" Reznikov divorces her husband in season three and takes up a flirtatious almost-affair with prison counselor Sam Healy, lauds Kohan's representations of women over 55: "She understands that this [focus on the older characters] is crucial. They're called the Golden Girls, but they've been many years in prison, and we have to look at them in order to understand what it means to be young [in prison]" (Houston, 2014). But more than that, too, because these characters have stories of their own, and don't just serve as a mirror through which viewers can understand younger characters. Their stories deal with real, prescient, and incredibly sad issues, such as ageism, racism, and the challenges of raising children while in prison. These issues can only be dealt with fairly and realistically because these older women are just as well-drawn as the younger characters are.

Season two, for example, takes a storyline about ageism and mental degradation to its natural conclusion. Jimmy, played by Patricia Squire, suffers from Alzheimer's disease and spends her days roaming the hallways of Litchfield prison looking for her long-lost husband, Jack. She needs round-the-clock care and wanders out of the understaffed prison and then jumps off the stage in the chapel while hallucinating a swimming pool. Unable to provide her the care she needs, and unwilling to pay for a more intensive institution, the prison guards drop her off at the bus station to fend for herself. Some have disagreed with *Orange is the New Black's* portrayal of compassionate release. The nonprofit news outlet *Waging Nonviolence* argues that compassionate release is more an issue of state-run health care for the elderly than a prison issue, as it costs $138,000 a year to imprison each elderly inmate (Law, 2014) – *Orange is the New Black* does bring the issue into a cultural conversation that has, until now, been oblivious to ageism and mental disability in the prison system.

Compassionate release is only one of many issues with the penal system that *Orange is the New Black* explores. Season one, for example, examines the realities of recidivism in devastating ways. After serving her sentence, Tasha "Taystee" Jefferson is released from Litchfield. Although she prepares to the best of her ability while in prison – she has Sophia do her hair to look more professional and practices for her parole-board interview with her fellow inmates – she quickly finds that she is entirely unprepared to handle life outside of the prison. Within a month, she purposefully violates her parole to return to Litchfield. "At least in here you get dinner," she says. "I know how to play it here. Where to be, and what rules to follow. I got a bed" (season 1, episode 12 "Fool Me Once"). Outside, she struggled to find a place to stay, struggled to find a job and then, when she landed a minimum-wage Pizza Hut gig, struggled to pay her bills on her meager salary, and she struggled to live up to the stringent rules of her probation. Prison didn't prepare her to deal with any of those things, a point that was driven home by a job fair in season two. Taystee dresses the part and interviews well, but what results is more an emotional victory than a practical one: winning the job fair does not actually lead to a job, and when she's eventually released a second time she won't be any better prepared than she was the first time.

As another example, the entire season three arc explores Litchfield's transition from state-run to privatized prison management. After a bed bug scare, the prisoners are forced to sleep on their cold, hard bedframes, sans mattresses. In the first of many cost-cutting efforts, the new corporate management cuts officer training, resulting in a near-injury. In another cost-cutting measure, management changes the prison's food policy from freshly-made meals to meals-in-a-bag. The change results, predictably, in malnutrition and, unpredictably, in a comedic rush by the prisoners to convert to Judaism in order to qualify for Kosher meals; a conversion that, in the end, unintentionally leads to a spiritual awakening for Black Cindy. The storyline is befitting of *Orange is the New Black's* hard-hitting social commentary wrapped in a blurred comedy-drama genre.

Season three's government-to-corporate leadership storyline also had dire consequences for Sophia. When Sophia, wittingly or unwittingly, starts a war with Gloria, she sets off a chain reaction within the Hispanic community of inmates. The fights lead to harassment, physical attacks, and a number of transphobic rumors spread throughout the prison. When Sophia goes to the guards, rather than stop the abuse, they put Sophia in solitary confinement "for her own protection." It's a cheaper move that is also, unfortunately, not uncommon within the prison system. Laverne Cox, in fact, is producing a documentary about CeCe McDonald, a transwoman who was placed into solitary three times during her incarceration "for her own protection."[24] For Cox, the storyline was very hard to perform, but it was also strikingly important: "What I think is so brilliant about Sophia's storyline . . . is that it shows the truth of the experience that a lot of transgender folks have in prison every day" (Lockett, 2015). Too often, transgender prisoners are put in solitary confinement, allegedly for their own protection, but really for the lower cost and the ease of the rest of the prison. *Orange is the New Black* exposes the hypocrisy of this policy.

As a comedy set in a low-security prison, struggling to find network funding, *Orange is the New Black* has broken a lot of barriers. As the AV Club wrote in its review of season two, the show's "quietly revolutionary insistence on treating every character in its universe like a human being with oceans of stories to tell" (VanDerWerff, 2014) is powerful and subversive. *Orange is the New Black* harnesses the freedom and uniqueness of Internet distribution to revolutionize the way the female story is told for a generation of 21st century women desperate to see themselves both in front of and behind the camera, regardless of race, sexuality, class, age, or gender identity. The result is nothing short of revolutionary, for both *Orange is the New Black* and Netflix.

[24] www.freececedocumentary.net

Arrested Development

The fourth season of *Arrested Development* wasn't any more of a gamble than *House of Cards* was; in fact, *Arrested Development* was as much a sure thing as TV ever is. *Arrested Development* had everything that Netflix needed for its first slate of original programming: a high profile cast and crew, a rabid fan base still mourning the show's cancellation after seven years, and an existing track record of success with alternative modes of television viewing. As Willa Paskin of *Wired* explains it, *Arrested Development* "was too dense to win a mass audience, its deeply flawed characters too unlikable, its layers of jokes too tightly packed for the casual viewer to penetrate . . . It was just not made for TV, at least not as it existed in the mid-2000s" (2013). It was, however, made for the brand of TV Netflix was creating in 2013.

Specifically, Netflix had all indications that *Arrested Development* would be perfectly suited for its new binge-viewing strategy. The original three seasons of the show were produced, prematurely, for an era of immersive, viewer-controlled, binge-viewing experiences, exemplified by the original series' success in DVD sales. As Maureen Ryan of the *Chicago Tribune* observed in 2005 (a year before the show's initial cancellation), *Arrested Development* managed to find commercial success despite its ratings challenges:

> Fox won't release sales totals, but executives at the company's home-video division say *Arrested* . . . has sold very well on DVD . . . And that commercial success, along with critical praise, a shelf-full of industry awards and a ferociously supportive Internet fan base, has helped keep the show alive, at least for a while. (Ryan, 2015)

Arrested Development's success on DVD was not surprising, as its complicated narrative, reliance on intertextuality, and unique brand of jokes were built for repeated viewings. Jason Mittell (2010) argues that:

> Complex comedies like *Arrested Development* encourage the freeze-frame power of DVDs to catch split-second visual gags and pause the frantic pace to recover

> from laughter. These televisual strategies are all possible via scheduled flow, but greatly enhanced by viewing multiple times via published DVDs. Having control of when and how you watch also helps deepen one of the major pleasures afforded by complex narratives: the operational aesthetic.

The operational aesthetic, as Mittell defines it, is "taking pleasure in both a story and its telling" (2010), or enjoying the way a story is told, as well as enjoying the plot, characters, and visualizations themselves. DVD viewing of the original *Arrested Development* seasons allowed viewers to gain enjoyment from the way the story was told, such as the intertextuality and the recurring gags and the structure of the comedy itself. This success bode well for *Arrested Development's* success on Netflix.

Netflix released all fifteen episodes of *Arrested Development's* fourth season on May 26, 2013. In many ways, Netflix's binge-release is a natural and direct evolution of TV-on-DVD box sets. "Binge-watching is a behavior that really started for us back in the DVD days," Sarandos told *Wired*. "The way people were returning disks, they weren't watching one a night or one a week" (Paskin, 2013 Mar, Wired). Netflix observed this binge-watching behavior – specifically for character-drive, serialized dramas – and extrapolated that behavior to streamed viewing. With the success of *Arrested Development* on DVD, specifically, Netflix hypothesized that binge watching could work with comedies as well as dramas.

Arrested Development's success on Netflix was furthered by creator Mitch Hurwitz's embrace of binge viewing and the narrative opportunities it presents. Importantly, he tailored the show's plot and structure specifically to Netflix's Internet platform and release schedule. "I certainly didn't think of it in terms of TV," Hurwitz explained, adding that "I wanted to create a show that had surprises. But that's what they want to do [at Netflix]. They want to take risks. They encouraged the complexity that had been discouraged before" (Levin, 2013). In large part, Hurwitz's narrative creativity was a necessity. In the years since *Arrested Development's* original run, its stars had skyrocketed in popularity and demand – including movie star Michael Cera, comedian Will Arnett, and *Transparent's* (Amazon, 2014-) Jeffrey Tambor - so Hurwitz had to build workarounds for their busy schedules. His solution was a *Rashomon*-esque storytelling strategy, where each episode covered the same events, but from a different character's perspective. This served the dual-purpose of exploring the narrative freedom Netflix represents and limiting the time each actor needed to be on set.

Hurwitz's narrative experiment was not necessarily a success. Mike Hale at the *New York Times* called the fourth season "slowed down and dragged out" and bemoaned that "story and character now overshadow jokes and conceptual foolery," which were the bases of the show's original seasons (Hale, 2013). Dan Zak of *The Washington Post* calls it "the *Ulysses* of sitcoms" while admitting that it is "a chore to watch and a delight to decrypt" (Zak, 2013).

The truth is that *Arrested Development's* fourth season is hard to watch, because it plays by different rules than sitcoms generally play by. It bucks a number of viewer assumptions, with mini-cliffhangers in the middle of episodes, intersecting storylines, and a narrative that is as well (or not-well) understood watched forward as backwards. Binge-viewing, then, doesn't just add to the experience, as it does for *House of Cards* and *Orange is the New Black.* In fact, binge-viewing is necessary and foundational to *Arrested Development's* storyline. Tim Goodman at *The Hollywood Reporter* thinks that the negative feedback *Arrested* received was not due to faults in the series itself, but instead due to viewers' inexperience with the rules and norms of Netflix storytelling. Namely, Goodman (2013) argues, the new season of *Arrested Development* "rewards all the effort that it will take on the part of viewers to suss out the jokes . . . the way the series is constructed rewards repeated viewings however randomly they're watched." Which is exactly what Hurowitz wanted. "In its pure form, a new medium requires a new format," he told

Wired (Paskin, 2013), suggesting that *Arrested Development's* narrative structure is new and unique to Netflix as a new medium. So, while *Arrested Develpment* may not have been an unquestioned critical success, it was a successful means of acquainting viewers to the narrative potentials of Internet network storytelling.

BoJack Horseman

BoJack Horseman is, perhaps, Netflix's most underrated series. Starring a washed-up actor, *BoJack Horseman* is an animated series that delves into the effects fame can have on a person or, in BoJack's case, a horse. BoJack, an animated horse who starred in the (obviously) fictional sitcom *Horsin' Around,* is surrounded by both animorphs – his agent/sometimes-girlfriend is a Persian cat, his former sitcom rival is a yellow lab – and humans, including his ghostwriter and his roommate. In the years since his show was cancelled, BoJack has scraped by on his semi-fame, drinking a lot, struggling for work, taking fans home for the night, and having others ghostwrite his memoirs. He also spends a lot of time watching old VHS tapes of his old episodes.

As miserable as it is cloyingly sentimental, *BoJack Horseman* pushes the boundaries of animated series, dark sitcoms, and shows about the darker sides of Hollywood life. A dark-humored drama, its roots are in the narcissism of stardom and the cynicism that grew out of the naïve wholesome-ness of the 1990s – a decade *BoJack's* viewers are intimately familiar with. Tellingly, the show's creator, Raphael Bob-Waksberg, has admitted that his writers spent more time in the writers' room debating character and storyline than they did writing and exchanging jokes (Coates, 2015). Not that *BoJack* isn't funny; it is. But, as Ian Crouch at *The New Yorker* suggests, "BoJack's life isn't funny because it is miserable; it is simply both funny and miserable at once" (Crouch, 2015).

Using the adult animated sitcom genre to satirize traditional genre archetypes is not a new concept. Beginning with the premiere of *The Simpsons* in 1989, animated comedies have satirized suburban America and the archetype of the nuclear family (Booker, 2006). Scholars have often argued that animation's pre-existing distinction between real and unreal allow the genre to comment on modern life in more subversive ways than live action television (e.g. Tueth, 2003; Gray, 2006). Genres that create a critical distance between the screen and the audience – e.g. genres that suspend disbelief like fantasy, science fiction, horror, and animation – can "softe[n] the blows on the viewer's moral sense, highlighting that 'it's only a cartoon'" (Gray, 2006, p. 67) or another planet or a paranormal alternate reality. *BoJack Horseman,* in particular, uses the unique qualities of its genre to push back against the nihilism and egocentricity of modern celebrity culture.

BoJack Horseman, then, is a unique combination of postmodern, subversive, light-hearted animated sitcoms such as *The Simpsons, Futurama,* and *Venture Bros.,* and pessimistic, equally-subversive sitcoms like *Cheers* and *Seinfeld* (Crouch, 2015). *BoJack Horseman* forces its audience to confront the realities of the digital era, the effects of nostalgia on Gen X and Y-ers (BoJack's show parodies the family sitcoms of the 1980s and 1990s with a theme song that sings "now we've got a new family . . . We were lost and now we're found and we're *Horsin' Around*"), and the darker sides of wanting, and getting, your fifteen minutes of fame. These are deep, dark, sometimes hard to watch issues, and it took some time for *BoJack Horseman* to win over its audience. In the same way that *Arrested Development* taught Netflix audiences how to watch alternative Internet narratives, *BoJack Horseman* had to teach viewers how to watch more subversive Internet content.

The joy of airing on Netflix, however, is that Netflix gives shows room and time to grow. Because of its algorithmic marketing plan and its non-reliance on ratings and scheduling, Netflix gave *BoJack Horseman* a second season despite a lukewarm reception for its first. During that second season, its Metacritical score jumped from 59 to 90, and critics sang its praises. "One of the most daring, innovative seasons on television," exclaimed Colin Hinckley at *Inside Pulse* (2015). Alan Sepinwall (2015) called the second season "an unblinking, incredibly empathetic portrait of middle-aged melancholy." "[A]n incredibly dark and surprisingly nuanced meditation on depression, fame, family, and friendship," added Rudi Greenberg of the *Washington Post* (2015). Todd VanDerWerff at *Vox* went so far as to call the second season "some of the most brilliant, caustic social commentary out there" (2015b) and Tyler Coates declared it "the best original series Netflix has produced" (2015). Most importantly, perhaps, Zakk Sharf at *Indiewire* declared it "not just a comedy show on Netflix, it's a comedy show *for Netflix*" (emphasis in original, Sharf, 2015). With its binge-specific narrative structure and subversive content, *BoJack Horseman* is a Netflix original in every sense of the word. From a practical perspective, if *BoJack Horseman* didn't air on Netflix, it likely wouldn't have even gotten a shot at a second season. As it stands, its creators – Will Arnett, Aaron Paul, and Bob-Waksberg – capitalized on the unique qualities of both the animated sitcom and Netflix's unique platform to create a new, powerful, dark genre built specifically for Internet comedy.

Unbreakable Kimmy Schmidt

There is no bigger contrast to *BoJack Horseman* than *Unbreakable Kimmy Schmidt*. Where *BoJack Horseman* is dark and subversive, *Unbreakable Kimmy Schmidt* is light-hearted, feel-good comedy. Where *BoJack Horseman* was built specifically for Netflix, *Unreakable Kimmy Schmidt* was designed originally for NBC. Written and created by Tina Fey, *Unbreakable*

Kimmy Schmidt feels a lot like *30 Rock*, with the same sense of humor and, in large part, a similar cast.

Although *Unbreakable Kimmy Schmidt* was originally developed for a broadcast network, it still fulfills some of Netflix's creative mission. With a just-outrageous-enough premise and a superb cast, *Unbreakable Kimmy Schmidt* is fun and enjoyable to watch. The show follows the exploits of Kimmy Schmidt – played by *The Office's* Ellie Kemper – who moves to New York City when she escapes from a Doomsday cult that locked her and three others in an underground bunker for fifteen years. Naïve, sweet, and resourceful, Kimmy finds an apartment with aspiring Broadway star Titus Andromedon (played by Tituss Burgess) and street-savvy landlord Lillian (played by Carol Kane). She also finds a job with wealthy and slightly-mad socialite Jacqueline (played by *30 Rock* alum Jane Krakowski). As a 21st century twist on the young woman making it in the big city trope typified in the 20th century by *That Girl* (ABC, 1966-71) and *Mary Tyler Moore* (CBS, 1970-77), *Unbreakable Kimmy Schmidt*'s subversive characteristic earned its seven Emmy nominations.

As a show befitting Netflix's new Internet television format, however, the fit is less clear. On one hand, the content and format are typical broadcast fare. Tina Fey, herself, has said that she won't adapt the content much from season one – written purposefully for NBC – and season two – written purposefully for Netflix (O'Connell, 2015a). And, while many critics have sung its praises as the best sitcom of the year, others have noted that it "doesn't feel wholly worthy of Netflix's premium-TV niche" (Lowry, 2015).

While *Unbreakable Kimmy Schmidt's* brand of humor and storytelling doesn't fit Netflix's emerging format, the show does take advantage of Netflix's means of distribution. At the time that *Unbreakable Kimmy Schmidt* was scheduled to be released, it didn't fit well on the

NBC schedule. As Sarandos noted, NBC "didn't have a complimentary program to launch it with" (Marotta, 2014). "Because it's made by NBC, it's in NBC's best interest for the show to have its best home," added Fey (Owen, 2015). The best place, in the end, was Netflix. Netflix doesn't need lead-ins and lead-outs. It doesn't need to choose a day of the week or a time of the evening for a premiere. It markets shows using its algorithm to suggest *Unbreakable Kimmy Schmidt* to any Netflix subscriber who previously liked similar series like *30 Rock* or *The Office* or *Parks and Recreation*. And Netflix gives *Unbrekable Kimmy Schmidt* time to grow and gain an audience, whereas NBC would only have been able to give the show a few weeks to find its footing.

In the end, then, *Unbreakable Kimmy Schmidt* is just as much a Netflix show as *House of Cards* or *Arrested Development*. It is no surprise, though, that it is both Netflix's least subversive and one of its most popular (Rich, 2015). On an Internet network built on niche appeal, *Unbreakable Kimmy Schmidt* appeals to enough niches to almost make it mass entertainment. Similarly, because of its original creation with NBC in mind, *Unbreakable Kimmy Schmidt* is written and produced like a broadcast show. Unlike with *Arrested Development* and *BoJack Horseman*, viewers already know how to watch *Unbreakable Kimmy Schmidt*; they've been watching it, in varying forms, on the broadcast and cable networks for the last six decades.

Grace and Frankie

Grace and Frankie is to ageism and sexuality what *Orange is the New Black* is to racial and gender diversity. The show features an all-star cast of actors, all over seventy years old: Jane Fonda (77), Lily Tomlin (75), Martin Sheen (74), and Sam Waterston (74). The story is warm, funny, and devastating, and it doesn't shy away from sexualizing and humanizing its older cast.

In particular, *Grace and Frankie* showcases complicated, three-dimensional friendships and romantic relationships between all four of its leads.

Sheen and Waterston play law partners who, after a decades-long secret relationship, divorce their wives and decide to get married. Fonda, a conservative cosmetics mogul, and Tomlin, an art teacher for rehabilitated prisoners, slowly become both rivals and each other's emotional support. The show's focus on an elder gay couple, a burgeoning friendship between two older women, and a number of sexual relationships between Fonda and much younger sexual partners is unprecedented for a Hollywood that tends to value young viewers to the detriment of all others.

In Fall 2013, *The LA Times* ran a special bemoaning Hollywood's obsession with young audiences. At that time, the networks were renewing low-rated, younger-skewing shows like *Community* while cancelling higher-rated but older-targeted shows like *Harry's Law*, mainly because advertisers are willing to pay much more for younger viewers than older ones. The problem, *The LA Times* pointed out, is that younger audiences are shrinking, so that the "networks are now making programming decisions based on the presumed preference of a minority of their audience. A rapidly *shrinking* minority" (emphasis in original, Collins, 2013). If this continues, *The LA Times* warned, television may become extinct long before it has to.

Netflix doesn't have to deal with advertisers, which is why it can spend the time and money on a show like *Grace and Frankie* and call it a success. As *The Wrap* suggests in its review of the first season, "[t]here's undoubtedly an algorithm in their subscriber base that surfaced a burning desire to see a comedy starring women in their golden yeas acting like women, not senior citizens" (Waxman, 2015). With the help of that algorithm, Netflix can put *Grace and Frankie* directly in front of that specific part of its subscriber base. And an older subscriber's $7.99/month is the exact same as a younger viewer's $7.99/month subscription. That opens up a market of Netflix subscribers that, for all intents and purposes, the broadcast and cable networks have deserted. It also opens up a market for a diverse group of actors, writers, and directors, who want to tell stories that relate to the issues older generations face, which have rarely been told on TV, with the obvious exception of *The Golden Girls*. This is a new set of stories that Netflix is uniquely qualified to tell.

Cult Shows: Personalized Television for an Internet Audience

For the first three decades of TV broadcasting, hit shows were shows that appealed to a large, undifferentiated, mass audience. When cable competition and developments in rating technology forced the broadcast networks to appeal to particular – namely, young, affluent, white – types of viewers, the definition of a successful program changed. In the 1980s, shows like *Hill Street Blues* and *St. Elsewhere* were financial wins despite relatively small ratings, due to their specific audience demographics. In turn, then, writers and creators devised shows specifically for these audiences, with complicated storylines, sophisticated characters, and strong writing.

In the intervening decades, television has transitioned from fragmented to niche to, with Netflix, personalized audiences. Instead of appealing to one, specific, niche demographic – as, in large part, the cable networks do – Netflix is able to appeal to a number of specific demographics. "Our brand is broader," Hastings explains. "HBO's strength . . . is that they stand for a particular type of content" made for a particular type of audience, "[b]ut if you're a personalized service without a linear feed, you can be multiple types of content for multiple demographics" (Cynopsis, 2012b). Netflix makes programming, then, for all kinds of niche demographics. Its greenlighting philosophy, as Sarandos puts it, is to create "something special for every taste" (Rose, 2015), and because Netflix doesn't have a linear schedule, and because its marketing strategy is based on its personalized algorithm, the economics of creating personalized, extremely niche shows is not only do-able, but extremely profitable.

Hemlock Grove

Hemlock Grove is largely considered the ugly step-child of Netflix's first full original programming season. It premiered on April 19, 2013, sandwiched between the critical buzz of *House of Cards,* the anticipation of *Arrested Development,* and the unexpected success of *Orange is the New Black*. Although *Hemlock Grove* hasn't received the attention of the other three, it has been an unquestionable success for Netflix. In fact, its initial audience was even larger than *House of Cards'* first season audience (Rose, 2013a).

Netflix offers opportunities to a show like *Hemlock Grove* that it would not, and could not, have had on cable or broadcast television. Based on a book by Brian McGreevy, with its pre-existing fan base, *Hemlock Grove* is a horror thriller with a particularly gory werewolf side-story. The show takes place in the small, fictionalized Pennsylvania town of Hemlock Grove and explores the mystery of two murdered teenage girls and the class inequalities of an industrial town going through hard times.

This genre – a werewolf mystery/horror thriller - is never going to attract the kinds of mass audiences it would need to survive on broadcast or even cable networks. It does attract, however, the perfect Netflix audience: one that is pre-determined, active, and engaged. With the knowledge Netflix has about its subscribers' preferences, Netflix saves significant dollars in marketing. Rather than paying huge percentages of its budget to promote the show – the only real promotion Netflix does is with billboards strategically placed throughout LA "to stimulate the creative community awareness" (Hastings qtd. In Wallenstein, 2013), not viewer awareness – Netflix can place *Hemlock Grove* directly in front of the viewers already predisposed to liking horror thrillers or werewolf stories or movies directed by *Hemlock Grove's* director Eli Roth. As Sarandos explains it, Netflix has algorithmic information on "all these populations, and right where they overlap in the middle is the low-hanging fruit. If we can get the show in front of these people, they will watch and love it" (Rose, 2013a). It's about identifying these populations and, more importantly, figuring out what types of content sit at the intersection points. *Hemlock Grove's* mixture of horror, mystery, werewolf mythology, and class politics fits right at that junction.

Netflix knew, specifically, that Eli Roth is high on its subscribers' list of dedicated directors (Richford, 2013). Roth, for his part, knew that Netflix was the perfect place for the genres he works in. Horror fans are heavily invested in the genre: "The horror fans are so committed, they're such devout fans, that not only do they delve into the mythology of the series when you give them a reason to, but they will see everything else you have done" (2013). Netflix allows for a connectivity between fans and something – be it a writer, director, actor, or genre – that links programming together and allows a richer, deeper, and more meaningful relationship between an audience and a TV show. Particularly for horror writers, who already have a close connection with their fans through conventions, live screenings, and events, Netflix becomes another, important, connective piece in that relationship.

Sense8

Sense8 is to science fiction what *Hemlock Grove* is to horror. *Sense8* is created by J. Michael Straczynski – a comic book writer and TV show creator whose series *Babylon 5* (PTEN/TNT, 1994-98) is often considered in the pantheon of the best science fiction shows of all time – and the Wachowski sisters, Lilly and Lana – the team behind the *Matrix* trilogy. Unsurprisingly, then, *Sense8* is not a typical science fiction series. As Straczynski says, "science fiction shows are traditionally about the gimmick or the gadget and tend to be emotionally cool to the touch" (Moore, 2015) and even the best shows like *Star Trek* and *Battlestar Galactica* mix space battles with their emphasis on social issues. *Sense8,* on the other hand, is a very human story, with an internal psychological science fiction premise rather than an external, technological or human-meets-alien storyline.

Sense8 follows eight strangers who are suddenly linked, both physically and mentally. It's an extravagant premise, both in terms of the issues it addresses and the way it is filmed. From its conception, *Sense8* benefited from the unique qualities Netflix offered. As Straczynski tells the story, Netflix was the first network he and the Wachowskis pitched to, jump-starting what they assumed would be a long, arduous pitch process. By noon, though, Netflix had called, offering to pick up all episodes of the first season with a hefty monetary commitment (Arrant, 2013).

That upfront commitment worked well both for Netflix and for *Sense8'*s creators. First, it allowed them to conceive of *Sense8* as one, long, twelve-hour story. It's "made for binge-watching," Straczynski laughs. "I joke that the title of the first episode could be 'WTF?', the second episode 'Huh?', and the third episode, 'I See Where You're Going With This'" (Lethert, 2015). That twelve-hour story fits well for *Sense8*'s writers. Straczynksi is highly trained in long-form storytelling, both from comic book writing and from *Babylon 5*, which had a pre-outlined five-year story arc before the first episode ever aired. The Wachowskis, similarly, have suffered criticism for their post-*Matrix* work, with critics finding *Cloud Atlas* (2012) and *Jupiter Ascending* (2015) too fantastic and massive to fit into a two-to-three hour movie. As Meghan O'Keefe of *Decider* explains it, "[t]he conventional wisdom is that the Wachowskis have so many amazing, crazy, outlandish, and fascinating ideas that they sometimes don't know how to communicate their complete vision in a single film" (O'Keefe, 2015). Netflix's up-front full-season commitment and encouragements to write TV specifically for binge-viewing, allowed the Wachowskis to expand and explore those 'amazing,' 'outlandish,' and 'fascinating' stories in a fully-fledged 12-hour narrative.

Additionally, with the show airing on Netflix, Straczynski and the Wachowkis could assume a high level of intelligence from its audience. Because its viewers actively choose to watch *Sense8* – and, therefore, they could assume that its viewers would pay attention to the show's details – and watch its episodes in decently quick succession, *Sense8* could be more intelligent and complicated than the science fiction shows created for broadcast and cable networks. "Our theory going into this," Straczynski says out-right, "is that the audience is generally smarter and hipper and better informed than most people seem to give them credit for being" (Hughes, 2015). What follows is a character-driven, sophisticated drama that assumes its viewers can separate and maintain eight or more distinct, yet intertwined, storylines in a dance that only pays off in the final episode.

Finally, Netflix's large financial commitment and assumption of an intelligent audience has aided *Sense8's* global nature. Each of the show's eight major characters is from, and lives in, a vastly different part of the world, and the show was filmed in 9 locations: Nairobi, Reykjavik, Mumbai, Berlin, Mexico City, Seoul, Chicago, London, and San Francisco. The show's actors are also from those cities – Alfonso Herrera, for example, is from Mexico City, Tina Desai from India, Max Riemelt from Berlin, and Doona Bae from Seoul – and the show uses secondary actors and crew members from each of the cities in which it films. The show celebrated realism and culture, and filmed many of its most important scenes at the very events it recreates: at San Francisco's Pride Parade's Dykes on Bikes, for example, and an orchestral concert in Reykjavik.

Sense8's global feel also supports its emphasis on diversity. It showcases class relations, from the poverty and medical disparity of Nairobi, to the wealth of Seoul and Mexico City. The episodes are bursting with so many relationships that span racial, gender, and sexual bounds that words like 'tokenism' and even 'diversity' feel out of place. Alfonso Herrera's character, Lito, is a closeted Mexican superstar actor. Tina Desai's Kala is an Indian pharmacist engaged to her boss but, as the show progresses, begins to fall for Max Riemelt's German conman Wolfgang. Jamie Clayton, the transgender actor who plays transgender hacker Nomi, is in an interracial relationship with Freema Agyeman's Amanita. This is, in part, unsurprising from Straczynski and the Wichowskis: Straczynski created a bisexual character (Susan Ivanova) in *Babylon 5* long before science fiction allowed any kind of sexual diversity and Lana and Lilly Wichowski are, themselves, transgender.

With *Sense8's* emphasis on global storytelling, it focuses much more on character development than it does on plot. *Sense8* can, then, feel a little slow and plodding, especially compared with the high-octane pace of most science fiction. It's renewal, though, sparked headlines like "Netflix's *Sense8* being renewed is a victory for unconventional dramas and underrepresented communities" (Still, 2015) and "How the most ambitious show on Netflix got renewed" (Flynn, 2015). What *Sense8* represents, then, is a new kind of science fiction, built for Netflix's intelligent, global, digital space.

Marvel

Where *Sense8* represents a new kind of global content, Netflix's unprecedented deal with Marvel studios represents a new format of Internet storytelling. All at once, Netflix committed to producing four series, each following a different superhero, and a cumulative mini-series. Although Amazon and WGN America were also in the running with Marvel studios, it is tailor-made for Netflix. Netflix allows opportunities for Marvel to produce a narratively complex, integrated storyline for previously-underserved characters in its universe. The Marvel deal also allows Netflix to venture into the unique type of Internet storytelling that is specific to its foundations as an Internet network.

The deal, then, is a win-win for both Marvel and Netflix. Tim Beyers at the Motley Fool says that the deal is different and important for three reasons: first, the deal allows Marvel to view its TV shows the same way it does its comic books, with crossover potential and interactive characters and storylines built into the scripts from the very beginning; second, Netflix offers a platform for lesser known characters that are not yet household names; and third, the deal proves that Netflix is an attractive draw for the best studios, as it offers unprecedented possibilities for marketing, branding, crossovers between shows and films, and the opportunity to create diverse, adult-oriented stories and characters (Beyers, 2013).

Netflix's emphasis on diversity can be seen throughout its portfolio – as evidenced in *Orange is the New Black, Sense8,* and *Grace and Frankie* – but it works in important, interesting ways with its Marvel series. Each of the four – Daredevil, Jessica Jones, Luke Cage, and Iron Fist – are lesser known characters in Marvel's arsenal, as is the Defenders, the name they fight under as a team. Kevin Feige, president of Marvel Studios, sees that as one of the greatest benefits of working with Netflix. "We want to show that we can make films with characters" that may not be well-known, he explained, because then it's not about a famous character, "it's about whether it's inherently a good idea for a movie" or TV series (Graser, 2014). With Netflix's algorithmic marketing and promotional plan, it can create very successful shows out of lesser known characters.

The Defenders are not only lesser known characters, but are very diverse, especially by superhero standards. Three of the four represent diverse storylines that superheroes have not yet tackled, or, at least, not to a great enough extent. First, Daredevil is blind, following a freak accident with a radioactive substance. When Netflix didn't initially include a Video Description option for the blind, it added one within a day or two of fielding complaints. Instantly, *Daredevil* became a show about the blind, for the blind, telling superhero stories that blind viewers rarely get to experience. Second, Jessica Jones was the first female superhero to get her own series greenlit.[25] Finally, Luke Cage will be the first black superhero to get his own series.

The history of black superheroes in filmed media is depressingly short. *X-Men's* Storm, played by Hallie Berry. *Iron Man's* War Machine, played by Don Cheadle. *Thor's* Heimdall, played by Idris Elba. All four, however, are supporting characters. The list of leading characters reads even shorter: Shaquille O'Neal in the universally-panned *Steel* (1997), Will Smith in the more-vampire-than-superhero *Hancock* (2008), and a list of proposed black leads in *Black Panther, Green Lantern,* and *Spider-Man* that never came to pass. Luke Cage, based off of a character that began in 1972 as one of the first black superheroes in comics, will be the first black leading character in a Marvel film or television series (Agard, 2013).

The Netflix-Marvel deal is as unique in storytelling format as it is in diverse content. The original deal was sold as four individual series and *The Defenders,* a "synergy-redefining miniseries" (Dionne, 2013). Marvel will work with Netflix to create continuity between the series and Marvel's wildly successful international blockbuster film franchise. More importantly, since the series' individual creators will know, before a word is ever written, that the story will span such a vast canvas, the plot, character development, and world-building can

[25] *Supergirl* premiered on CBS in September 2015, a few months before *Jessica Jones* premiered on Netflix in November. The show was, however, greenlit first.

be designed to build and development across all five pieces of content. As Alan Fine, president of Marvel Entertainment, describes it:

> This deal is unparalleled in its scope and size, and reinforces our commitment to deliver Marvel's brand, content, and characters across all platforms of storytelling. Netflix offers an incredible platform for the kind of rich storytelling that is Marvel's specialty. This serialized epic expands the narrative possibilities of on-demand television and gives fans the flexibility to immerse themselves how and when they want. (Anonymous, 2013)

Netflix offers a rich canvas for this type of epic, serialized, comic book-esque storytelling in a television context. The Marvel deal represents the future possibilities of Internet televisual storytelling, both in terms of how and what types of stories are successfully told.

Conclusion

On July 22, 2015, Netflix cancelled its very first original program, *Lilyhammer,* after three seasons.[26] The cancellation signaled the end of Netflix's first era of original programming, which saw a rapid increase from 8 hours of programming in 2012 to 475 hours just three years later. In that time, Netflix produced a number of hits, proved that Internet television could compete in terms of both buzz and awards, and attracted an international subscriber base that had risen from 24.4 million in early 2012, when *Lilyhammer* premiered, to over 65 million in July 2015, when it was cancelled.

Netflix's customer base gives it immense power in the media landscape, but also a large responsibility to keep supplying content for its diverse subscribers. As analyst Mark Mahaney of RBC Capital Markets explains, "[a]s Netflix gets bigger, it will be harder to economically outbid them for any title. They have the largest indie audience. They have the largest arthouse audience. They have the largest teenage werewolf audience" (Lang, 2015), and Netflix has to program for its large and varied subscriber base. So, Netflix started with scripted television.

[26] Netflix's only canceled series to-date.

Then it moved into the ever-expanding children's space, with plans to remake classic animated series like *Inspector Gadget, Danger Mouse, Magic School Bus,* and *Care Bears,* and is testing the talk show waters with Chelsea Handler. Branching into films, Netflix earned Oscar nominations for documentaries *The Square* (2014)*, Brave Miss World* (2014)*, Virunga* (2015)*,* and *Hot Girls Wanted* (2015). Finally, Netflix is trying its hand at narrative films, with a four-film Adam Sandler deal, a partnership with Leonardo DiCaprio for both a documentary and a docuseries on environmentalism, and the rights to distribute Carlton Cuse's supernatural thriller *The Returned* internationally. Netflix seeks to tear down the walls between media, and, in doing so, is positioning itself as a one-stop shop for television, films, and documentaries. Most importantly, Netflix will provide all its media directly to subscribers and, if the movie theatre or cable network middleman gets lost in the shuffle, all the better.

Conclusion: The OTT Ecosystem

Netflix launched in April 1998 as a DVD-by-mail business with dreams of becoming a direct-to-consumer Internet media company. Over nearly two decades, Netflix innovated in the space where consumer behavior and technological advancements overlap. Through two major rebrands – from a DVD-by-mail to an Internet syndication company, and then from a syndication company to an Internet TV network – Netflix both adapted to, and created, significant changes in how media is produced, distributed, and viewed.

The Netflix template has become the gold standard in Internet television. The template is based on five major tent poles:

I. *Internet networks have to be consumer-centric.* In ways that broadcast and cable networks aren't, and can't be, Internet TV networks are inherently direct-to-consumer. Netflix gives subscribers' the choice to watch whatever media they want, wherever and however they want to; in terms of content, Netflix produces and syndicates niche, personalized content and then puts that content directly in front of the viewers who want to see that content – are based on creating a rich, personalized consumer experience.

II. *Internet networks have to innovate on the intersection between technology and the consumer.* From the very beginning, Netflix took technology that consumer's loved and craved – the DVD, mobile technology, Internet streaming – and adapted media strategies to fit those consumer behaviors towards technology. Importantly, Netflix didn't stop there- it actually innovated in that area, creating easy-to-use technologies – the website, for example, or the matching algorithm or the streaming app – that pulled consumer behavior forward and actually affected the ways consumers used technology.

III. *The buzz around Internet networks comes from original programming.* Specifically, Netflix has developed quality programming – e.g. *Orange is the New Black, Daredevil, Unbreakable Kimmy Schmidt* – that has captured the cultural zeitgeist and has made Netflix a destination for viewers who really love good TV and want to trade in cultural currency. This content shares much in common with traditional quality TV, but it also adapts content to the originalities of the Internet, both in terms of distribution – Netflix's binge-viewing strategy is the most clear example – and content – like Netflix's emphasis on personalized, niche content that breaks traditional TV barriers in terms of diversity and genre.

IV. *Original programming brings subscribers to an Internet network, syndicated long-tail content keeps them there.* Although churn – subscribers coming and going every month - is a major problem for Internet networks, long-tail content is the most important way of keeping them subscribed. Netflix does this through a strong library and a sophisticated and accurate matching algorithm that suggests content based on individual viewing behaviors. Each time subscribers return to Netflix's website or app, there is new, personalized content waiting for them, and that keeps them coming back again and again.

V. *Internet networks are both global and local.* With an increasingly saturated US content market, and the global nature of Internet distribution, international expansion is a natural and necessary step for Internet networks. International expansion is a delicate process, however, and Internet networks must be aware of local realities in terms of existing media content, legalities and taxes, mobile and broadband penetration, and local content tastes.

These five axioms have set the foundation for what is becoming a rich, crowded, and mature Internet network category. The Netflix template has been copied and adapted by Hulu and Amazon, most importantly, but increasingly by others seeking to develop successful Internet TV networks.

Hulu

If Netflix adapted the HBO model to Internet distribution, Hulu took its cues from the broadcast networks. Hulu launched in March 2008, a full decade after Netflix started brand-building, as the offspring of 21st Century Fox, Walk Disney, and NBC-turned-Comcast[27]. Hulu's parentage has been both its blessing and its curse, as it has teetered between the needs of its parent companies and the realities of what it needs to do to be successful as an Internet network. As an independently-owned company, Netflix has never had to negotiate these issues.

Where Netflix's brand is based on its complete library of long-tail content, Hulu's brand has mainly been based on what ex-CEO Forsell has termed "last night's TV," i.e. streaming broadcast network programming the day after it airs live on linear TV. Hulu's reliance on "last night's TV" tied it inextricably to traditional broadcasting practices in ways Netflix was not: Hulu was free to consumers, supported by advertisements, only available on computer web browsers, and was tired to the linear TV schedule. Hulu's CEO Jason Kilar, however, saw that Hulu was in "the business of re-inventing television" (Kilar, 2011) in the same ways that Netflix was. So, to balance the traditionalism of Hulu's business model, Kilar greenlit a number of original, creative series that were meant to adapt televisual storytelling to the Internet. Series like *The Confession, Raising the Bar,* and *Doozers* were released in short seven to twelve minute installments a few times a week. These series weren't spectacularly successful.

[27] By court order, when Comcast bought NBC it maintained its stake in Hulu but gave up its ability to make any business decisions where Hulu is concerned.

In late 2010, Hulu began adapting its business model to Netflix's. In November, Hulu launched Hulu Plus, a paid subscription model. For $7.99 a month, subscribers could access more programming, with less ads, and on any device. Hulu Plus, then, was much closer to the Netflix model. Hulu Plus subscribers could now watch full seasons of series rather than the last five episodes that aired on linear TV, opening up opportunities for Hulu subscribers to binge-watch Hulu programming. Hulu Plus was also accessible on smartphones, tablets, and Internet-connected TVs, with the same mobility, portability, and convenience that Netflix had begun offering two years prior. Then, in September 2015, Hulu released its Hulu Commercial-Free option, eradicating the advertisements that had separate Hulu from Netflix. For $11.99 a month, subscribers could now watch Hulu programming, ad free, on whatever devices they wanted, at whatever time they wanted.

In response to Netflix, Hulu made even larger steps into truly becoming an Internet network. In addition to its Commercial-Free subscription option, Hulu adapted its original programming strategy to put itself on equal footing with Netflix. First, it picked up *The Mindy Project* after its cancellation by Fox. Unlike Netflix's revivals of *Arrested Development* and *The Killing,* Hulu released *The Mindy Project* weekly and maintained the show's conventional workplace comedy format. Hulu also unveiled a slate of original shows from notable Hollywood players: *Casual*, a dark sitcom from Jason Reitman; *The Way*, a family drama from Jason Katims; *Difficult People,* a comedy from Amy Poehler; and *11/22/63*, an assassination drama, based on a Stephen King novel, starring James Franco and produced by J.J. Abrams. From this impressive slate, Hulu hopes to find its *House of Cards* moment. So, while Hulu began as a much different type of Internet network – based on the broadcast, rather than the pay cable model – by late 2015, it had bowed to the success of the Netflix model and had adapted its broadcast roots to the Netflix template.

Amazon

Hulu was not the only Internet network that eventually felt pressure to react to the Netflix model. Amazon Prime Instant Video launched in 2006 (two years before Hulu) as "Amazon Unbox," an application subscribers used to download Amazon movies directly to their hard drives; effectively, Amazon Unbox used the same model Netflix intended to before it developed its Internet streaming technology. Amazon started streaming in 2008 and rebranded to "Amazon Instant Video" in 2011. One of Amazon Instant Video's primary goals was to convince shoppers to sign up for, and stay signed up with, the Amazon Prime program. For $99 a year, shoppers get complimentary two-day shipping and, secondarily, access to Prime's streaming video and music. Amazon resembled Netflix in so far as it was a subscription streaming service with a large video library. For Netflix, though, video distribution and production is the core of its business model, where, for Amazon, its Instant Video service is primarily a successful and important means of building and maintaining a strong Prime membership base.

Amazon was solely a content syndicator until it saw Netflix's original programming success in 2013 and adapted the Netflix model to its needs. While Netflix has taken a leaf from Apple's book by giving viewers what they don't know they want, Amazon has adopted the Kickstarter model to put the viewer at the forefront of the development process. Netflix has radically effected the TV development process by making full- and multi-season show orders up-front, Amazon has maintained the traditional two-step process: first, commissioning a series of pilots and second, making series greenlight decisions based on those completed pilots. Importantly, Amazon releases all of its pilots to the public, and even though there's little proof that viewer ratings and open-ended responses to the pilots actually affect executive decisions, the process does give Amazon an immense amount of data to react to. Amazon's first two series to come out of the pilot process – *Alpha House* (2013) and *Betas* (2013) – were average-quality comedies. Amazon's Netflix moment came with the premiere of *Transparent* in February, 2014. *Transparent* is a half-hour dramedy about a wealthy Jewish family struggling with the transition of their transgender parent, Maura. Like *House of Cards* and *Orange is the New Black* before it, *Transparent* garnered critical and award attention and became a cultural touch point, signaling Amazon's arrival as a legitimate Internet network in the Netflix model.

The OTT Space is Getting Crowded

While Netflix, Hulu, and Amazon remain the big three Internet networks, the OTT space is growing crowded. Low barriers to entry and the niche nature of digital content have opened up the Internet video space for a number of content aggregators, creators, and producers. OTT options like Acorn, which aggregates British television and makes it available all over the world, and Crunchyroll and DramaFever, which do the same with Japanese anime and South Korean dramas respectively, have successfully attracted small, niche audiences with specialized, personal content. As J.D. Walsh, showrunner of Hulu's *Battleground*, says, the OTT space is the Wild West of television content:

> The phrase that I keep hearing a lot is that it's the Wild West. And I think it *is* the Wild West. What that connotes to me is that nobody really knows what the rules are, what's going to be stable, or is going to [emerge as] the leaders. But even within the Wild West, you did have some major cities – and that's what you're seeing with these platforms. (Summers, 2012)

In the Wild West of Internet television, Netflix, Amazon, and Hulu are the silo cities that have successfully transitioned from content aggregators to true Internet networks.

Not that others haven't tried. Yahoo, for example, made an aggressive push into Internet video, starting in 2011 with its video streaming service Yahoo Screen. In response to Netflix's original programming success, Yahoo hired former UK TV executive Dawn Airey in 2014. Her directive, when hired, was "producing and commissioning some shows of significance quite quickly" (Reynolds, 2014), i.e. to find Yahoo's *House of Cards* or *Transparent*. In April, Airey started making good on her directive by greenlighting two shows: *Other Space*, an intergalactic comedy from Paul Feig, whose credits include *Bridesmaids* and *Freaks and Geeks*; and *Sin City Saints*, a comedy about a Silicon Valley billionaire who buys a basketball team in Las Vegas.

Most important, Yahoo made an *Arrested Development*-type move, by resurrecting NBC's beloved cult hit, *Community*. Although *Community* spent five seasons struggling for renewal on NBC, its small following is passionate and loud – particularly on social media – and represents exactly the kind of audience Yahoo Screen will need to join Netflix, Amazon, and Hulu at the top of the SVOD food chain. But, while Yahoo received lots of buzz when the pickup was announced, it premiered to little fanfare. In some ways, the most unique qualities of Internet video – the choice viewers have to watch episodes whenever and wherever they want – worked against *Community's* ability to create a niche, small community of passionate fans. Yahoo Screen also suffered from a common problem: after attracting viewers with *Community,* Yahoo Screen didn't have the quality or quantity of other content to keep them there. So, in October 2015, Yahoo shut decided to write off its three original series. CFO Ken Goldman admitted that "we're not saying we're not going to do these at all in the future, but what we're saying is in three cases [*Other Space, Sin City Saints, Community*], at least, it didn't work" (Ge, 2015). Yahoo Screen's failure, then, illustrates how hard it is to succeed in the Wild West of Internet video.

Yahoo Screen is just one example of the misplaced optimism of television's Internet expansion. At the 2015 summer Television Critics Association press tour, FX Networks president John Landgraf warned that "there is simply too much television" (Littleton, 2015), setting off a series of doom-and-gloom press articles and an industry-wide debate. For Landgraf, viewing time is an inelastic good, and viewers are being pulled between original content from broadcast, cable, and Internet networks, as well as library content, as Internet networks like Netflix, Hulu, and Amazon have whet appetites for re-runs, and have developed new audiences for old shows and international content. The audience "is overwhelmed by the sheer volume of TV shows," Landgraf argued, and, therefore, the TV industry "is in the late stages of a bubble. We're seeing a desperate scrum . . . we're playing a game of musical chairs, and they're starting to take away chairs" (Littleton, 2015). This huge growth of content is still divisible by the same number of viewing hours, so, naturally, the audience size for each show will decrease, with negative implications for advertising and subscriber dollars.

Netflix takes issue with Landgraf's premises. "There's no such thing as 'too much TV,' unless we're all spending more and not watching more," Netflix Chief Content Officer Sarandos argues. "That's not the case. The number of television [hours] we're watching is growing dramatically" (O'Connell, 2015b). By making content available at all time, on any device, to be watched at viewers' convenience, Sarandos sees television hours increasing. Netflix's international expansion also expands the possible hours and audiences for each of its shows. Netflix's viewers are desperate for content; there isn't "nearly enough," founder and CEO Reed Hastings proclaims, so Netflix is trying to "expand significantly" its original content offerings (Picker, 2015).

Internet video is not, entirely, a Wild West anymore. In the two decades since Netflix launched, it has developed a roadmap for Internet settlement that others have followed. Netflix's mix of technological advancements, consumer-centric practices, personalized content, and global mindset have set the foundations for the how-and-why of developing a successful Internet network. Although Hulu and Amazon both started out with a different ethos than Netflix, Netflix's financial, creative, and cultural success has forced a series of reactionary decisions from both Hulu and Amazon that have brought them closer and closer to those foundations Netflix began laying out in 1998. So while the Netflix model isn't the only model for an Internet network, the Netflix model has become the blueprint for the civilization of the Internet video ecosystem.

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EDUCATION:

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Mass Communications
Dissertation: Netflix and the Development of the Internet Television Network
Advisor: Professor Robert Thompson

M.A. **Syracuse University** Syracuse, NY
S.I. Newhouse School of Public Communications August 2012
Media Studies
Thesis: *Terra Nova*: An Experiment in Creating Cult Television for a Mass Audience
Advisor: Professor Robert Thompson

B.A. **University of Chicago** Chicago, IL
Bachelor of Arts with Honors in English and Creative Writing June 2007
Creative Honors Thesis: "With Respect to the Man from Detroit," *Sports Night* spec script
Advisor: Professor Ed Ferrara

RESEARCH:

Publications

Osur, L. (2014). Storytelling through World-Building, Visuals, and Thought: Audience Perceptions of Science Fiction Television Programming. In J. Zenor (Ed.), *Parasocial Politics* (pp. 65-79). Lanham, MD: Lexington Books.

Osur, L. (2014). Review of *Gender, Violence and Popular Culture* by Laura J. Shepherd. *Women's Studies in Communication* 37(1), 113-15.

Conference Papers

Osur, L. (2016). *Dismantling the Closet: Queer Science Fiction TV from Battlestar Galactica to Sense8*. Presented at the American Comparative Literature Association Annual Meeting. Cabmridge, MA.

Osur, L. (2014). *Towards a Framework for the Study of Dystopian Television: An Analysis of* Continuum, Psycho-Pass*, and* Revolution. Presented at the National Communication Association Annual Conference. Chicago, IL.

Osur, L. (2014). *Teaching Diversity through Science Fiction Television.* Presented at the Association for Education in Journalism and Mass Communication Conference. Montreal, QC.

Osur, L. & Evans, S. (2014). Defiance: *An Experiment in Transmedia Storytelling.* Presented at the Popular Culture Association Conference. Chicago, IL.

Osur, L. (2013). *Storytelling through World-Building, Visuals, and Thought: Audience Perceptions of Science Fiction Television Programming.* Presented at the Annual Conference of the International Society for the Scientific Study of Subjectivity. Amsterdam, Netherlands.

Osur, L. (2013). *From* Captain Video *to* Battlestar Galactica: *A Genealogy of the Space Opera*. Presented at the Popular Culture Association Conference. Washington, D.C.

Osur, L. (2012). *All This Has Happened Before:* Battlestar Galactica *as a Dialogue on the War on Terror.* Presented at the Association for Education in Journalism and Mass Communication Conference. Chicago, IL.

Osur, L. (2012). *Aliens in the Closet: Representations of LGBT Characters in American Science Fiction Television Programs*. Presented at the Association for Education in Journalism and Mass Communication Conference. Chicago, IL.

Dolan, E. & Osur, L. (2012). *Real or Fiction? Perceived Realism, Presence, and Attitude Change in Reality Programming.* Presented at the Association for Education in Journalism and Mass Communication Conference. Chicago, IL.

Osur, L. (2012). *Following the 1996 Telecommunications Act: Media Mergers and the Public Interest Standard.* Presented at the International Communication Association Conference. Phoenix, AZ.

Osur, L. & Parotte, J. (2011). *The Face of the Joke: Identification and Enjoyment in Popular Television Comedies.* Presented at the Association for Education in Journalism and Mass Communication Mid-Winter Conference. Norman, OK.

Under Review

Osur, L. (2014). "Aliens in the Closet." Under review at *New Review of Film and Television Studies*.

Osur, L. (2013). "Symbiotes, Stones, and Split Personalities: Destabilizing Gender, Sexuality, and the Body in the *Stargate* Television Franchise." Under review for *Stargate* edited collection.

Research and Professional Experience

Research Analyst Silver Spring, MD
Insights Team, Discovery Communications

- Corporate research, qualitative and quantitative, for the Discovery family of channels (including Discovery Channel, Animal Planet, TLC, Investigation Discovery, Science Channel, Velocity, and OWN)
- The Panel
- Special projects
- Design, implement, and analyze surveys for Discovery Networks, Corporate Communications, and Ad Sales

Research Assistant Syracuse, NY
Department of Television, Radio, and Film, Syracuse University 2014-2015

- Assist Endowed Chair Dr. Robert Thompson with research projects on television history and criticism. Prepared lectures, collected data, compiled results.

Research Assistant Syracuse, NY
Department of Communications, Syracuse University Summer 2014

- Assist Professor Charisse L'Pree Corsbie-Massay with a research project on the psychological effects of interactive media advertising campaigns. Write research briefs, collect data, analyze results, and write literature reviews.

Research Assistant Syracuse, NY
Department of Television, Radio, and Film, Syracuse University Summer 2013

- Assisted Professor Robert Thompson with research projects on entertainment television and popular culture, specifically the effects of serialization and channel proliferation on television narratives. Wrote research briefs, collected and analyzed data, wrote up results.

Program Director June 2007 – May 2010
Weigel Broadcasting, WCIU/WWME Chicago, IL

- Developed and maintained programming initiatives and directives for Me-TV and Me TOO Chicago, Me-TV Milwaukee, WMYS-69 South Bend
- Analyzed current market conditions and reacted with creative programming strategies
- Predicted future programming trends and negotiated with syndicators to clear successful programming
- Coordinated with Sales, Marketing, Promotions, Traffic, and Engineering managers to ensure the overall transition effectiveness of programming, on-air promos, and ad spots

Intern/Projects Assistant Rochester, NY
Rochester Research Group Summer 2006

- Conducted qualitative and quantitative research, including: wrote and implemented surveys, analyzed data, and created reports for focus groups and internet, mail, and telephone-based surveys.

- Managed accounts locally, nationally, and internationally, including CooperVision, Bank of New York, Monroe Community College, and Nalgene-Nunc.

Additional Research Interests

Popular culture, entertainment television, industry studies, television history, media and diversity, science fiction television

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TEACHING:

Awards

Certificate in University Teaching — April 2014
Syracuse University — Syracuse, NY

- Awarded jointly by the Graduate School and the S.I. Newhouse School of Communications to recognize those students who demonstrate readiness to assume a faculty position at a college/university.

Teaching Experience

Instructor of Record, Communications and Society (COM107) — Spring 2014
Department of Communications, Syracuse University — Syracuse, NY

- Taught class of 68 undergraduate students about the functions of the mass media, with an emphasis on contemporary problems and the legal, social, economic, and psychological implications of the media and their relationship to society.
- Lectured, ran discussions, wrote exams, graded papers, and met one-on-one with students.

Instructor of Record, Science Fiction and Diversity (COM344) — Fall 2013
Department of Communications, Syracuse University — Syracuse, NY

- Designed original course from ground-up. Chose course objectives, themes, readings, screenings, and assignments.
- Lectured, ran large and small group discussions, and worked one-on-one with students to help them understand the role that science fiction can play in representing diversity issues.

Instructional Associate — Fall 2010 – present
Department of Television-Radio-Film, Syracuse University — Syracuse, NY

- Guest lectured, ran discussion sections, and met individually with undergraduate and graduate students.
- Wrote, administered, and graded exams, quizzes, and assignments.
- Provided necessary support for professors.

A selection of courses I was an IA for:

- TRF 235: Principles & Practices
- TRF 300/600: TV in the Age of the Internet
- TRF 340/640: TV in the Network Era

- TRF 340/640: TV in the Cable Era
- TRF 400/600: Origins of American Entertainment, 1830-1939
- TRF 510: Content 360: Seminar in Multiplatform Business
- TRF 549: Television Business
- TRF592: Film Business
- TRF 635: Industry Forces
- TRF 636: Critical and Historical Perspectives on Film and Television
- TRF 637: Telecommunications Law & Policy
- TRF 683: Communication Industry Frontiers

Guest Lectures

Department of Television-Radio-Film, Syracuse University — Syracuse, NY

- Lectured in TRF340/640: Television in the Cable Era on entertainment television programming in the mid-1980s, February 2013.
- Lectured in TRF549: Television Business on the current state of the television industry, August 2010.
- Lectured in TRF637: Telecommunications Law & Policy on US legal issues related to advertisements on broadcast television, November 2010.

Additional Teaching Interests

Television/media history, television/media criticism, media and diversity, media business, digital business and storytelling

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GRANTS AND FELLOWSHIPS

Research Grant — June 2013
S.I. Newhouse School of Public Communications

- $420 for research on the transmedia storytelling experience. Resulted in the paper "Defiance: An Experiment in Transmedia Storytelling," presented at the Popular Culture Association Conference, April 2014.

Syracuse University Graduate Fellowship — 2012 – 2013
Syracuse University

- $22,460 stipend and 30 credit hours for first year of doctoral studies.

Research Grant — June 2011
S.I. Newhouse School of Public Communications

- $350 for research on presence, attitude change, and perceived realism in television programming. Resulted in the paper "Real or Fiction? Perceived Realism, Presence, and Attitude Change in Reality Programming," presented at the Association for Education in Journalism and Mass Communication Conference, August 2012.

LEADERSHIP AND ACADEMIC SERVICE:

President, Newhouse Doctoral Student Association 2013-2014
S.I. Newhouse School of Public Communications, Syracuse University

Graduate Student Representative, Tenure Committee 2014
S.I. Newhouse School of Public Communications, Syracuse University

Graduate Student Representative, Teaching Standards Committee 2013-2014
S.I. Newhouse School of Public Communications, Syracuse University

Blind Peer Review 2013
Communication, Culture and Critique

Blind Peer Review 2011
Communication, Culture and Critique

Graduate Student Representative, Graduate Program Committee 2010 - 2011
S.I. Newhouse School of Public Communications, Syracuse University

Graduate Student Representative, Teaching Standards Committee 2010 - 2011
S.I. Newhouse School of Public Communications, Syracuse University

Media Studies Open House Panel Participant 2011
S.I. Newhouse School of Public Communications, Syracuse University

Producer and Head of Writing Staff 2007 – 2010
Geek by Night, www.geekshow.us

Founder and Editor 2004 – 2007
Otium Magazine, an on-line prose magazine for longer works and new media pieces
University of Chicago

Goaltender, Rochester Youth Hockey & The University of Chicago 1997 – 2007

SPECIAL SKILLS:

Graphic & Presentation Software: Photoshop, Keynote, Powerpoint, and Prezi
Professional Research & Programming Software: Peter Storer/SIMS, Arianna, Galaxy Navigator, Wide Orbit
Research Software: Biopac, MediaLab, SurveyGizmo, and SurveyMonkey
Statistical Analysis Software: SPSS, R Statistical Software
Language: Moderate French

Travel: Austria, Cambodia, Canada, the Czech Republic, Ecuador, England, France, Germany, Hungary, Ireland, Japan, the Netherlands, Peru, Poland, Russia, Scotland, Spain, Sweden, Switzerland, Thailand, Vietnam, Wales