



NETFLIX **AND** **STREAMING** **VIDEO**

The Business of Subscriber-Funded
Video on Demand

AMANDA D. LOTZ

Netflix and Streaming Video

With gratitude to those who've been patient and generous.

Netflix and Streaming Video

The Business of Subscriber-
Funded Video on Demand

Amanda D. Lotz

polity

Copyright © Amanda D. Lotz 2022

The right of Amanda D. Lotz to be identified as Author of this Work has been asserted in accordance with the UK Copyright, Designs and Patents Act 1988.

First published in 2022 by Polity Press

Polity Press
65 Bridge Street
Cambridge CB2 1UR, UK

Polity Press
101 Station Landing
Suite 300
Medford, MA 02155, USA

All rights reserved. Except for the quotation of short passages for the purpose of criticism and review, no part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

ISBN-13: 978-1-5095-5294-8

ISBN-13: 978-1-5095-5295-5 (pb)

A catalogue record for this book is available from the British Library.

Library of Congress Control Number: 2021946445

Typeset in 11 on 13pt Sabon
by Fakenham Prepress Solutions, Fakenham, Norfolk NR21 8NL
Printed and bound in Great Britain by TJ Books Ltd, Padstow, Cornwall

The publisher has used its best endeavours to ensure that the URLs for external websites referred to in this book are correct and active at the time of going to press. However, the publisher has no responsibility for the websites and can make no guarantee that a site will remain live or that the content is or will remain appropriate.

Every effort has been made to trace all copyright holders, but if any have been overlooked the publisher will be pleased to include any necessary credits in any subsequent reprint or edition.

For further information on Polity, visit our website:
politybooks.com

Contents

<i>Figures and Tables</i>	vii
<i>Preface</i>	viii
<i>Acknowledgements</i>	xiii
Introduction	1
Part I Subscriber-Funded Streaming Services are Different from Linear Services	27
1 Experience: On Schedules and Viewing Practices	29
2 Building Libraries: Conglomerating Niches and Beyond?	44
3 Subscriber Funding: On Success Metrics, Programme Strategies, and Demographics	56
4 Licensing, Labour, Regulation, and Recommendation	73
5 Scale and Specialization	89
6 The Discrepant Field of Global Services	106
Part I Conclusion	116

Contents

Part II Netflix is Not Like Other Subscriber-Funded Streaming Video Services	121
7 Netflix Content Concepts and Vocabulary	123
8 Netflix Library Strategies	134
9 Netflix Content Strategies	147
10 Netflix's Approach to Being Global	160
Part II Conclusion	184
Conclusion	185
<i>Notes</i>	190
<i>References</i>	199
<i>Index</i>	204

Figures and Tables

Figure 1	Variation in the structuring characteristics of SVODs	8
Figure 2	Percentage of Netflix US subscribers and US commissions, 2015–2020	93
Figure 3	Hours of commissions among a sample of SVODs	140
Figure 4	Percentage of US-produced titles in twelve Netflix national libraries	161
Figure 5	Percentage of Netflix US commissions to all commissions, 2015–2020	166
Table 1	Different library and service characteristics	10
Table 2	The ‘irreverent womanhood’ cluster	132
Table 3	Netflix’s first commissions	136

All figures and tables created by the author based on data from Ampere Analysis.

Preface

I didn't mean to write this book. From mid-2019, my weekly intended 'to do' list included a steadily ignored item of 'pull together thinking about SVODs' (subscriber-funded video on-demand services). I ignored it because I couldn't find a point or argument to organize that thinking. I had promised Mary Savigar at Polity to consider a book about 'streaming' a couple of years earlier and had made similar progress. My writing process remained constipated, unable to sort lots of little arguments into anything big enough to warrant a book or, frankly, compelling enough for an article.

But with the lockdown in March 2020, my deck cleared. I wasn't teaching, my kids were old enough to manage with minimal intervention the brief period of home school Australia endured, and I needed something to occupy my anxiety. I started with a list of the little arguments or things that I felt were misunderstood which I had been stewing over since it became clear Netflix would not quickly flame out, like so many other internet-distributed video enterprises I'd monitored over

Preface

the last two decades. I converted the arguments into questions and began ‘answering’ each in a blog post.

These were written quickly because I had been thinking about them since I turned my attention to streaming services around 2015. The earliest version of that thinking appears in *Portals: A Treatise on Internet-Distributed Television* (2017), which was most notable at that time for arguing that subscriber-funded services such as Netflix were quite different from YouTube, and that this difference in business model required as much reconsideration of our theories and assumptions as the use of the internet as a distribution technology. That seems quite obvious now, but, of course, a lot has changed in just a few years.

The blogs were a freeing form of writing. I was not sure for whom I was writing and, for once, didn’t care. It would be fair to categorize them as a response to the accumulation of all the wrong takes I’d seen in my Twitter feed and popular journalism, but also as frustration with scholarship that framed the services too strongly in terms of past technologies. I wrote back to the financial analysts who carried on about comparing what Netflix paid for *The Irishman* with estimates of its viewing, to critics who attributed critique of an entire service to their experience of a few shows, and to those among my scholarly community – though mostly not those actually writing and researching centrally in the area – who seemed to be approaching these services without really appreciating their industrial differences. The task of formulating coherent arguments in response to things commonly misperceived because of uninterrogated assumptions – for example, that these services were ‘like’ linear channels – helped me work through a lot of clutter that

Preface

had been half-formed conceptualization in the corners of my brain.

Once there were thirty blog posts and nearly 50,000 words, I wondered if there was indeed a book here. I set it aside for a few months, and Mary generously sought a couple of reviews. The problem remained the same, though: what was the point? A book with a bunch of middle-level arguments didn't seem particularly purposeful, and who was I writing for anyhow? When I returned with fresh eyes, I could see two arguments into which most of the smaller 'questions' actually fit. I restructured to build those arguments, cast off those posts that didn't fit, and wrote new introductory material and bits throughout. We identified the audience as people interested in understanding the characteristics of these services who are the readers of the regular stream of journalism about them – this is not a theoretical deep dive, and I planed the edges where my annoyance was too raw (it was lockdown times; we were all just trying not to lose our minds).

Those arguments structure the book's two main sections: 1) that subscriber-funded video streaming services require distinct conceptualization from video services that have used other distribution technologies and business models, and 2) that Netflix is doing something different from past services *and* other subscriber-funded video streamers. I see my intervention here as setting the table for building understanding, research, and policy about the particular economic and technological characteristics of this sector of streaming service – a foundation rather than the embodiment of the work that remains needed. My articles offer more proper scholarship for those that seek specific inquiries, evidence, and engagement with literature. Citation here is light, in line with the intended

Preface

audience, and often used to avoid extensive discussion of something I've written about elsewhere. The blog origins mean the book is not rigidly linear. Chapters lack the formality of conventional introductions and conclusions to keep the discussion moving and are largely discrete meditations that can be read in any order.

These pages provide an accumulation of more than five years of thinking that is built from testing the continued relevance of as much 'common sense' as I could see in pursuit of conceptualizing SVODs relative to what has come before, as well as their distinct affordances. It is thinking built from a lot of 'what if?' and 'why?' questions, and it is deeply researched even if writing with an academic-light focus has led to sparse citations. Notably, unlike my other research, it relies little on interviews – no, Netflix won't answer my requests either. But I have watched, read, and listened to every public utterance I could find.

What I'm offering or arguing for here is a paradigm of thinking. It eschews a lot of the conventional wisdom. To be clear, this book focuses on SVODs because they are a new thing with distinctive features that need to be explained, and not because they are now the most important part of audiovisual ecosystems. These services remain responsible for a minority of time spent with video even in countries in which they have been widely adopted. While they may become a dominant form of scripted fiction delivery for those who can afford them, I don't expect linear services or cinemagoing to disappear in my lifetime. I don't think we yet know if they are profoundly important or how they matter to the major culture and society questions that are central to the field, but they are on pace to be something that media and cultural studies scholars need to understand. I offer a systematically built

Preface

conceptual frame from which to ask specific questions about SVODs that are increasingly important to cultural producers and circulators, questions that this particular book doesn't have the scope to answer.

This is perhaps, to a degree, *Portals 2: A Manifesto on Internet-Distributed Video*, but maybe not as much of a polemic as 'manifesto' might suggest. At this point, what I've written here has come to seem quite obvious and basic, yet I know that it has taken the better part of five years to sort out and present coherently. At the least, it explains why I've taken some contrarian positions in my articles about streaming and have come to see evidence of revolution over evolution, but it is offered mainly in the hope that others can use it as a foundation to spring into the interesting and important questions these services provoke.

Although only my name appears as author, Ramon Lobato has been a crucial interlocutor, and Dan Herbert, Lee Marshall, Aswin Punathambekar and several students and colleagues at the University of Michigan and Queensland University of Technology engaged in conversations helpful in testing these ideas. In 2016, Ramon and I co-created the Global Internet Television Consortium because it was so difficult to understand the role and impact of transnational SVODs outside of where we lived (I am an American who has lived in Australia since 2019). The detailed dossiers written by colleagues all over the world and available on the consortium website (<https://global-internet-tv.com/>) inform my understanding of SVODs globally, as does collaborative research with Ramon, Stuart Cunningham, and Alexa Scarlata derived from research funded from 2019 to 2021 by the Australian Research Council Discovery Programme (DP190100978).

Acknowledgements

The thinking here was instigated by many people, more than I can name, and several of whom I do not personally know. Earlier thoughts were shaped in conversations about streaming with Lee Marshall, Dan Herbert, and David Hesmondhalgh and in podcasts with Alex Intner. My depth of appreciation for the various forms that subscriber-funded video on-demand services (SVODs) take outside the US is particularly indebted to Ramon Lobato and our collaborative coordination of the Global Internet-Distributed Television Consortium (<https://global-internet-tv.com/>). I don't think either of us knew what we were endeavouring upon in 2016, just that our geographic positions prevented us from seeing much of the emerging picture of transnational streamers and that we needed colleagues to talk with about it. The dossiers contributed by the network of scholars have provided fascinating insight and been particularly formative in my thinking about 'global' strategy and the roles of SVODs.

The opportunity of an Australian Research Council Discovery Project with Ramon, Stuart Cunningham, and Alexa Scarlata has also provided a venue for a lot of the

Acknowledgements

idea building collected here. Many long conversations with Ramon are captured in our 2021 *Media Industries* journal article, which led to a bit of conceptual stability from which much of the conclusions here derive, and I have appreciated having the audience of the DP team to talk out preliminary notions. Oliver Eklund has also provided exquisite research assistance and must be credited for wrangling the data figures in the following pages. Claire Darling also supported the initial blog version of the writing.

Many of the ideas here might be stronger had there been more opportunity to test them in conferences and chats over the last year, but the pandemic denied that opportunity. My thanks to Cathy Johnson, Jonathan Gray, Aswin Punathambekar, and Cynthia Myers for providing remote support and to Kevin Sanson and Anna Potter for both personal and professional community in my new Australian life. Many members of the Global International-Distributed Television Consortium have also been crucial interlocutors, not just through their writing and thinking but have generously fielded my emails and inquiries.

My thanks as well to Mary Savigar, Stephanie Homer, and the team at Polity for your patience and persistence regarding the idea for this book and for your willingness to embrace its not wholly conventional form. My gratitude to the reviewers as well for smart suggestions and supporting the vision for the book.

Most of these pages were written only because I was left alone with my mind while my partner Wes sorted all manner of sibling squabbling and screen-time management through lockdown, for which I'm very grateful. Calla and Sayre have become expert SVOD users and offer me new vantage points on streaming

Acknowledgements

services. They have also provided crucial community as we've tried to make our way in a new place while often bound to our house. My love and gratitude to them, always.

Introduction

I wanted to call this *The SVOD Book*, but that is a pretty a terrible title. Terrible, but precise. SVOD may be the least elegant of all the terms that I and others have used over the last two decades to talk about video delivered by internet communication technologies and watched mostly in the home. An acronym for *subscriber-funded video on demand*, SVOD emerged alongside OTT (over the top), streaming, internet television, web TV, and a handful of other terms that are generally meant to indicate internet-distributed video. The two characteristics that are most meaningful in differentiating the operation of the particular type of video streaming service that has substantially adjusted the landscape of home video is clearly distinguished only in SVOD and noted in those four letters: these services are subscriber funded and available on demand.

I wanted a terrible but precise title because the variety of ways we can now access television and film has made them very complicated to discuss. The differences in both distribution technology – broadcast, cable, satellite, or internet – and funding mechanism

Introduction

– advertising, transaction, subscriber payment, or public funds – have led to much greater industrial diversity among video services than was once the case. This book examines only SVOD services because relying solely on subscriber funding and allowing consumers on-demand access enables them to deviate significantly from many of the norms upon which the television and film industries have long operated. The different *technological capabilities* of these services – capabilities enabled by internet distribution – and the content strategies possible because they offer *content on demand and seek payment from viewers* rather than advertisers make them profoundly unlike the video industries in place for the last seventy years, and this book explores those differences. SVOD is precise but is more technical than common in most conversations. SVODs have entered the fabric of everyday life for many millions of homes, yet the acronym remains one that few use. Most people think of these simply as video streaming services, which is a broader category than is examined here.

This book does not aim to explore the entirety of internet-distributed video, and thus there are significant forms that are not discussed here.¹ Internet-distributed video also includes video found on social media such as Facebook, YouTube, and TikTok, which, to date, have been supported predominantly by advertisements and sponsor/influencer messaging. Their reliance on feeds, timelines, and non-linear channels also provides on-demand access, though sometimes these services offer live feeds as well. Furthermore, they are strongly distinguished by their openness in allowing almost anyone to upload video. This enables them to offer non-industrial forms of video creation, though the creators that earn a living from social video are increasingly every bit as

Introduction

‘professional’ as those creating for SVODs. The reliance on advertising and the logics of social media require bespoke theory building for these forms of streaming video.

Another part of the advertiser-funded, internet-distributed video sector encompasses the many services that began as ‘catch-up’ services that evolved from linear channels to offer access to shows viewers missed at a scheduled viewing time.² Many now license and offer additional programming that never airs in the broadcast schedule, and a whole other group of AVOD (ad-funded video on demand) and FAST (free, ad-supported streaming television that is linear) services have no analogue precursor (Crackle, Roku TV, Tubi, Vudu, PlutoTV). To add further complexity, some services (Hulu, Peacock, HBO Max) offer separate ad- and subscriber-funded tiers in some countries and differentiate their offer based on the inclusion of commercials and/or particular content by tier.

Yet another category significant outside the US are VOD services supported by public-service media, some of which have ads while others rely on public funds. Those reliant on ads warrant consideration with AVODs, at least in terms of industrial positioning. Public-service media are also distinct from the central focus here, which is on commercial video services or services whose foremost mandate is pursuit of profit. The book contrasts SVODs many times throughout its pages with ‘linear ad-supported services’. Technically, these are commercial (not public service), linear ad-supported services.³

The purpose of this book is not to map these variations but to investigate in great depth the particular dynamics of commercial on-demand video services that

Introduction

are not driven primarily by concerns of selling attention to advertisers. The landscape of SVOD, AVOD/FAST, and publicly funded VOD varies a lot from country to country, although several services are notable for their transnational availability. Much of this book focuses on transnational SVODs because they are having the biggest effect on restructuring video ecosystems worldwide. That doesn't make them the most important in every country; in fact dominance at the national level isn't to be expected in countries with the capital and scale to offer their own services. But it is also impossible for a single book to address highly particularized national dynamics, which drives the examples here to the transnational cases.

In addition to the ways in which SVODs are distinguished by *on-demand access* and *subscriber funding*, *multinational reach* differentiates several of the largest services. The origins of television and film industries were largely national, although they have grown more transnational over the decades, especially once the technology of internet distribution expanded the significant internationalization introduced by satellite in the 1990s. Multinational reach takes advantage of economies of scale that operate for media industries because the goods they offer have low to no marginal cost. The world of SVODs is thus simultaneously nationally distinctive and transnationally influenced.

This project constructs a foundation for analysing SVODs by teasing apart their similarities and differences from the video services that have been the basis of existing knowledge. It focuses on SVODs offering scripted fiction – or what we've known as drama and comedy series and movies. If successful, the insights here will assist others in contextualized analysis of more

Introduction

specialized services and particular national contexts. The first section of this book explores the industrial differences between SVODs and norms and practices we've come to expect from experience with linear ad-supported television services and theatrical distribution and why those differences matter. In order to address both general features of SVODs and the particularity of Netflix, the second section focuses on Netflix and how it is unlike most other SVODs. Somehow, we have arrived at page 5 without using a key word for a book about SVODs published in 2022: Netflix. By many measures, Netflix was the dominant SVOD as I wrote in 2021, and by many other measures it was an unusual SVOD. This dynamic required the structure of the book, which is built around two related but distinct arguments. Part I explores how subscriber-funded video-streaming services are distinct from video services that have used other distribution technologies and business models and provide the foundation of our industrial frameworks. Part II uses the case of Netflix, a more mature and pure-play service that differs from both past services *and* other subscriber-funded video streamers in key ways.

Writing a book about SVODs is made tricky by their continued and steady evolution. I've been studying the changes in the business of television since the early 2000s, and the only thing more certain twenty years later is that the industry is never going back to the way things were. In a book published in 2007, I identified the beginning of this change by proclaiming a start of the 'post-network era'. I knew then that internet distribution of video would change these industries profoundly but could hardly imagine how this change would come to be or how long it would take.