

Caroline Leader

leadercf@gmail.com

University of Texas 2011 – Independent Scholar

Wandering eyes: The Netflix struggle to delight viewers and turn a profit

Response to *"On the next Arrested Development": Netflix as television producer*

Netflix streaming has come to an impasse, thanks to a rising tension between its existing viewing style and the digital space. With the network-advertising formula fighting a relatively new, infamously slippery digital audience research field, media platforms have a more complex challenge of attracting and retaining viewers. Netflix specifically has to struggle with the limits of its library due to uncertain relationships with advertisers and the media industry, and the unprofitability of streaming.

In an attempt to harness the consumer power of a Web 2.0 society, advertisers continue to search for ways to individualize our web experience. This “preference” approach to web engagement is used to supposedly increase our desire to buy or affiliate ourselves with certain brands, companies, or platforms. Many companies focus on engagement for profitability; the more we engage or encounter something, the more we think about it and “buy into it.” This kind of advertising shows up in multiple channels. If the company is looking for short-term engagement, like Web cookies and tag ads, they get money simply by user clicks or buys. In this case, the vendor that owns the ad and the site that hosts the ad potentially benefit. With longer running campaigns, like entertainment/technology releases (game, software, device, movie, etc.), advertisers still tend to work on an engagement model where we consistently see the product through ads and then engage by purchasing a game, buying an iPhone upgrade, or going to a movie.

The basic concept for this type of engagement is not necessarily new, though it works well in the online space. It has been and is also profitable in the media industry, especially if we consider ads for upcoming films or TV series. The engagement process performed by the viewer is minimal—a preview at the theater or a spot on TV could easily result in a ticket to one movie or an hour of their time to watching a pilot for a new show. So the classic entertainment channels in this case advertise for themselves and encourage engagement in the process of entertaining.

A subscription model like Netflix streaming prizes a certain style of viewership, making it more difficult to access easy profits: first, because it does not work in an aggressive engagement model and second, because the company currently shuns ads, a major source of online revenue. Netflix still works in a comparatively old manner: buying individual distribution deals with networks and studios and gaining profits through membership. Because of Netflix’s current oath to “not push advertisements to members using our service,”¹ they do not show previews, TV spots, or

¹ Netflix support page statement on ads and pop-ups: <http://support.netflix.com/en/node/1891#gsc.tab=0>

ads. Unlike Hulu, which attempts another kind of preference-based ad model, Netflix attempts to keep the platform ad-free.

Netflix's more traditional viewing model creates a certain type of space for the viewer. No commercials and ads make the library more like a video store, the original idea behind Netflix. With Netflix, it's just titles and queue building. But the online edge since the inception of the platform has been its rating system, which allows viewers to build preference based on previous views. When I first subscribed to Netflix, I went searching for every movie I'd seen to try and build a kind of "preference portfolio" for the company to use to my benefit. However, the company's continuous struggle to profit has resulted in a less-than-ideal preference model and a sparse new release offering.

A big issue with the Netflix's business model conundrum is that its algorithm provides search results that serve the library, not the viewer. Because Netflix distribution deals are often sticky and long in negotiations, its streaming library is limited and gears heavily away from the mainstream. Instead of traditional cable television that offers great breadth but less instantaneous viewing, Netflix funnels viewers into their personalized corner of the library. Oddly enough this has gotten them into their own niche world with numerous foreign and independent titles because they are cheaper to buy and show. This encourages further burrowing into available titles and unprecedented access to foreign, lesser-known series by the viewer.

On the other hand, it is also difficult to dig out of your niche. The more foreign or period-specific you get, the less likely Netflix is to show you something different. So if you're like me and go on gritty British crime serial sprees, you're going to have trouble finding a light comedy. Is this viewer niche-ing sustainable in a digital media landscape where people expect depth and breadth at their fingertips. Can Netflix become an inclusive streaming library? Without the funds to expand their library and research a better algorithm, Netflix may go broke and become a byproduct of digital growing pains.