The Thesis Committee for Lane McDaniel Mann
Certifies that this is the approved version of the following thesis:

"Come TV With Us": The Business Strategies, Discourses, and Imagined Audiences of Netflix and Hulu

APPROVED BY
SUPERVISING COMMITTEE:

Supervisor:

____
Alisa Perren

____
Suzanne Scott

“Come TV With Us”: The Business Strategies, Discourses, and Imagined Audiences of Netflix and Hulu

by

Lane McDaniel Mann, B.A.

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Abstract

"Come TV With Us": The Business Strategies, Discourses, and Imagined Audiences of Netflix and Hulu

Lane McDaniel Mann, M.A.

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Supervisor: Alisa Perren

With Netflix promising 600 hours of original content in 2016 and Hulu revamping its original content slate, there exists a vast body of popular cultural criticism and news stories about online original television programming. However, academic literature on Netflix and Hulu is limited. This thesis provides a foundation for understanding the publicly constructed business models for two of the most prominent subscription video-on-demand (SVOD) services, their origins, business strategies, and imagined audiences. Through discourse analysis of industry paratexts and trade press coverage this study reveals how Netflix and Hulu's programming choices, branding strategies, marketing materials, and public rhetoric communicate and construct particular public business goals, models of success, and ideal audience engagement. It finds that Netflix and Hulu's stakeholders have distinguished their brands in specific ways. Partially through the influence of various industry stakeholders, both platforms have adopted business

strategies from earlier forms of media (cable and broadcast), while also formulating particular constructions of audiences and adopting specific ways of engaging and sustaining those audiences. However, the companies have also manipulated new technologies, privileging fresh ways of measuring engagement, and promoting certain types of viewership behavior. The differing business decisions made by Hulu and Netflix, and the distinctive ways they convey such decisions to the press and public, have contributed to specific cultural narratives about legacy media companies, new technologies, the current state of television, the ongoing flux of media industries, and especially prized audience groups in the twenty-first century.

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-Hulu Company Slogans

Hulu's three company slogans, provided above, offer a place to begin a study of the streaming online media company's perception of their service as well as the ways they have worked to acquire, hook, and sustain particular audiences. The three slogans collectively emphasize portability and personalization, ease of scheduling, a prioritization of television content (though the service also has a film library), and an affective relationship with TV. Two of the three slogans clearly demonstrate Hulu's corporate ties to television and linear TV companies [the platform is owned by conglomerate parents, Disney (ABC), Comcast (NBC), and 21st Century Fox].

Meanwhile, Netflix, a service frequently compared to Hulu yet possessing a larger subscription base[1], does not have an official slogan. Though they have used the phrase "Discover New Stories" on billboards, Netflix's lack of an official company slogan is revealing in terms of the clarity and scope of their business model and branding goals: personalization. There is no "one size fits all" slogan that could encompass the

[1] Hulu last released subscriber numbers in February 2015. The company had nine million U.S. subscribers. Comparably, in February 2015, Netflix had 60 million global subscribers, 40 million of those in the United States. Reed Hastings and David Wells, "Q1 15 Letter to Shareholders," April 15, 2015, http://files.shareholder.com/downloads/NFLX/692972882x0x821407/DB785B50-90FE-44DA-9F5B-37DBF0DCD0E1/Q1_15_Earnings_Letter_final_tables.pdf; Joan Solsman, "Hulu Closes in on 9 Million Subscribers," *CNET*, April 29, 2015, http://www.cnet.com/news/hulu-closes-in-on-9-million-paid-subscribers/.

company's goals and coverage. Netflix sells "stories," not "TV" or "film" exclusively. And, unlike Hulu, a service only available in the U.S., Netflix brands these stories at a global level, aiming to be the first "global Internet TV network."[2] Discovering the range of content Netflix has to offer is part of the service's value proposition, engaging potential and current subscribers with the platform, widespread availability, and the breadth of content. The aforementioned slogans for Hulu – and lack thereof for Netflix – point to a key theme emphasized throughout this thesis: these two companies' business models and branding strategies contribute to convey distinct, carefully formulated messages about the streaming television industry and conceptions of audiences. Through case studies of the public messaging of subscription video-on-demand (SVOD) platforms Netflix and Hulu, with a particular emphasis on how this messaging connects to their original programs, I illustrate how two of the most prominent American SVOD platforms promote themselves and situate their original programming within their evolving business plans. In doing so, I find the discourse speaks to wider concerns across the media industry more generally, including: how new technologies and different business models threaten legacy media companies (television broadcast and cable companies), and how the industry and popular discourse about audiences and SVODs contribute to wider cultural narratives.

[2] "Netflix is Now Available Around the World," *Netflix*, January 6, 2016, https://media.netflix.com/en/press-releases/netflix-is-now-available-around-the-world.

RESEARCH QUESTION AND SIGNIFICANCE OF PROJECT

This thesis poses three primary research questions: First, how have SVODs constructed and revised their American business models from 2007-2016? Second, how have SVODs presented themselves to various audiences and stakeholders including journalists, critics, industry practitioners, and current and potential subscribers? Developing from these questions, and ultimately, what are some of the cultural and industrial implications of these presentations?

To address the questions posed above, I look at the business origins of Netflix and Hulu and determine dominant industrial and journalistic discourses. Trade and journalistic press, advertisements, press releases, and industrial business documents partially reveal how the platforms construct their public image. These paratexts uncover the publicly conveyed goals of each platform, determining what constitutes success, and how success is measured for SVOD platforms. Paratexts, as defined by Jonathan Gray, are marketing and promotional materials that contribute to discourse surrounding a show.[3] Paratexts can add meaning to the text to which they refer. These discourses also construct an idea of competition among SVODs as these businesses attempt to differentiate themselves from other SVODs, VODs, and linear television; win and sustain subscribers; increase user engagement; and generate content to compete with legacy television networks. Then, I track the ways audiences have been imagined and addressed via public discourse (trade press, interviews with SVOD officers and directors, and journalistic press) and through business practices (advertising, marketing materials, and

[3] Jonathan Gray, *Show Sold Separately* (New York: New York University Press, 2010).

press releases). This investigation investigates how streaming services brand original content to specific audience groups that have been constructed by these platforms. It points to priorities in viewer engagement, creating sustained subscriber relationships, and maintaining diverse content. I acknowledge I am only examining publicly available materials, which provides merely a sliver of information about business practices and strategies. However, as theorized by scholar John Caldwell and discussed in the methodology section, paratexts construct highly controlled narratives. Industry documents and trade press reveal industry vetted cultural discourse, relationships among industries and audiences, and trends in the modern television industry.

In its attempts to address the issues posed above, this thesis surveys the business models of Netflix and Hulu from 2007 to 2016, using materials publicly provided by these companies as well as examining trade press and journalistic discourses surrounding their platforms. Building on this comparison of the two company's business models, I then examine how the platforms envision and cater to the audiences they seek to attract and maintain. Through such analysis of these two streaming platform services, their marketing and branding strategies, and trade and journalistic materials, I hope to better understand the cultural and industrial discourses circulated around two mainstream nonlinear services and their audiences. In order to study the content, development, evolving popularity and cultural positioning of Netflix and Hulu, we first must have a clear sense of industrial status and history of SVOD platforms. This thesis seeks to provide a foundation for understanding the publicly constructed business models for two of the most prominent SVOD services and to consider how their origins and business strategies – from content acquisitions to branding and marketing – have larger cultural and industrial stakes for television.

LITERATURE REVIEW

While mass-market streaming platforms and the original programming they acquire and distribute are regularly discussed in the trades and popular presses, the academic literature specifically addressing such online original television content distributed by SVOD services is limited. Perhaps due to academic publishing schedules and the fact the first Netflix original series, *House of Cards,* did not debut until 2013, this remains a nascent but growing area of research. In order to create a rigorous research framework, this thesis draws on media studies scholarship from the last two decades and will be supported by scholarship on media industries (specifically addressing television and new media), branding and advertising theory, and audience studies research dating from the 1970s to the present. In the process of addressing my research questions, I will also work through key themes and incorporate concepts drawn from these subfields. Among the topics addressed include: how digital platforms are situated in relation to the evolving television industry; changing industrial conceptions of audiences in the post-network era and beyond; the public construction of audiences by market researchers; and the ways that fans are engaged by nonlinear platforms. In the subsections below, I indicate how these key concepts and issues are drawn from the aforementioned bodies of literature.

Television and New Media: Industry Studies

I build upon scholarship in television and new media studies that focuses on the acquisition and distribution of digital video content. The work from which I draw is approached from a media industries perspective and related to my specific case studies on SVOD original television.[4] In particular, Amanda Lotz's work provides an important intervention, theorizing the changing landscape of television as connected to nonlinear services and fragmented audiences. She coins the term "post-network era," defined as beginning in early 2000s and continuing into the present, when competitive industrial practices, like nonlinear access and cross-platform technologies, become too pronounced for many old, network and cable era practices to endure.[5] The post-network era is distinguished in part by a greater prioritizing of "prized content" that viewers specifically have sought out and value.[6] Prized content is one of three types of content Lotz describes, alongside "live sports and contests" and "linear content." These latter content types she sees as primarily consumed live, not time-shifted by viewers.

Prized content is especially pertinent to my work, as both Netflix and Hulu rely mainly upon time-shifted content. SVODs market themselves in part for their ability to give greater choice to viewers, and viewers must specifically "seek out" the content by subscribing to a certain platform. As applied to my argument, the post-network era that

[4] See Amanda Lotz, *The Television Will Be Revolutionized, Second Edition,* (New York: NYU Press, 2014); Stuart Cunningham and Jon Silver, *Screen Distribution and the New King Kongs of the Online World* (New York: Palgrave MacMillan, 2013); Michael Curtin, Jennifer Holt, and Kevin Sanson, *Distribution Revolution* (Oakland: University of California Press, 2014); Jennifer Gillan, *Television and New Media: Must-Click TV* (New York: Routledge, 2011); Chuck Tryon, *On-Demand Culture: Digital Delivery and the Future of Movies* (New Brunswick: Rutgers University Press, 2013).

[5] Lotz, *The Television Will Be Revolutionized*, 8.

[6] Ibid., 12.

Lotz describes includes streaming platforms that increasingly rely on exclusive, original series, unavailable for consumption through other services. Netflix and Hulu hope to acquire and license prized content so users will specifically seek out their services. Lotz correctly cites that the goal for providing original content on SVODs is "to drive subscriptions."[7] Subscribers ideally seek out and value both content *and* the platform on which the content appears. Lotz remarks that these shows and the platforms on which they appear are specifically "distinguished by how audiences desire to experience it."[8] In order to better understand how Netflix and Hulu differentiate their product, in chapter one's historical analysis and chapter three's case studies, I build on Lotz's exploration of how platforms seek to "distinguish" content, enhance audience experience, and differentiate themselves through branding strategies.

While I will examine the programs made available to viewers, it is important to note that in the nonlinear context and through these new streaming platforms, power is not necessarily shifted to the viewer to the extent that their paratexts and that the surrounding discourses indicate. Industries and other key stakeholders (advertisers, trade press, web designers, and more) continue to control what is presented to users in a variety of ways, including the design of their websites, the granular data they obtain about viewer consumption practices, and the content they have chosen to acquire and create in the first place. As Philip Napoli indicates, data results generated by algorithms (and by extension,

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[7] Ibid., 110
[8] Ibid., 13.

their programmers) partially forecast and dictate industry decisions.[9] Considering the commercial interests of the industry, as well as the data collection tools they employ, masked through website design and recommendation tools, I still find these businesses power the medium. Importantly, Lotz argues that "new technologies involve new rituals of use," but she too does not claim these new rituals inherently involve power shifting to the viewers from the industry and its key stakeholders.[10] Here I target Lotz's argument directly toward SVOD services, while keeping in mind her emphasis on disproportionate power relations and streaming services' growing reliance original content. In doing so, I focus on the link between "prized-content" and the conception of publicly defined success constructed by Netflix and Hulu. More specifically, I ask: How do these services convey to the public that they are providing value? What makes content "prized" for such services? How do the perceptions and definitions of "prized" deviate? I find that "prized-content" is branded to audiences, which creates an industry-constructed discourse privileging SVODs, and speaks more broadly about the evolving state of contemporary television.

Branding Television

Television channels, corporations, and programs, after the 1980s, began branding themselves more actively. Branding, as a business strategy, continued into the post-network era and becomes common practice for SVOD platforms. Branding history and

[9] Philip Napoli, "On Automation in Media Industries: Integrating Algorithmic Media Production into Media Industries Scholarship," *Media Industries Journal* 1, no. 1 (2014), http://www.mediaindustriesjournal.org/index.php/mij/article/view/14/60.

[10] Ibid., 263, 275.

theory also is a key component of my research. Analyzing how branding is used, for TV and SVOD platforms, helps to construct the audiences Netflix and Hulu target and, thus, how imagined audiences are created. Catherine Johnson's book *Branding Television* gives an overview of the relationship between branding and television from a film and television studies perspective. Her case studies include both American and British television industries after the 1980s, serving as precedent to this study. Borrowing from Celia Lury's understanding of branding as a "new media object" – a performative, interconnected object in a two-way relationship exchange between producers and consumers[11] – Johnson considers branding as "a form of mediated and dynamic communication that constantly frames and reframes the relationships between producers, products, and consumers."[12] Johnson explains that, in the United States, branding (this mediated and dynamic communication) becomes necessary with the introduction of numerous cable channels, more choices in the post-network era, and, as I argue, SVOD's efforts at differentiation. Strong brand identities enable services such as Hulu and Netflix to be "trusted places" for viewers. Brand identities sustain subscriber bases and viewership, enact and maintain relationships, and allow communication among content producers, products, and consumers.[13] These relationships are my focus as I track mediated communication among these three parties through branding strategies employed by Netflix and Hulu. Netflix and Hulu's brands act as a "trusted place" for viewers; both

[11] Celia Lury, "Just Do What? The Brand as New Media Object," in *Brands: The Logos of the Global Economy,* (Routledge: New York and London, 2004) 5-6.

[12] Catherine Johnson, *Branding Television* (New York: Routledge, 2012), 4.

[13] Ibid., 46.

services, through their branding activities, communicate a guarantee of new, diverse content throughout the year.

Media industries scholar John Caldwell adds to my theoretical framework on branding. Chapter six of his book *Production Culture* surveys an industrial perspective of branding in the mid-2000s.[14] His analysis of how media industries brand themselves to cultivate difference and recognizable images via cultural performance is applicable to my study of SVOD services.[15] Corporate identity, for Caldwell, is a performance of a unique brand, a means of mainstreaming difference for a company to promote their individual company and product. A brand identity influences intra-industry and extra-industrial dialogues surrounding all parts of a company, from managers to content.[16] Netflix and Hulu's brand identities are consistently alluded to in PR materials, corporate documents, and trade press interviews with each company. While Caldwell primarily draws from broadcast network and cable television's brand strategies, he briefly mentions Napster's model of branding interactivity and foregrounding participation to cultivate loyal users.[17] In the mid 2000s, television networks began modeling Napster in their own web spaces, creating websites that reflected each company's desired brand identity. Netflix and Hulu continue this legacy through their interactive, branded online spaces.

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[14] John Thornton Caldwell, *Production Culture: Industrial Reflexivity and Critical Practice in Film and Television* (Durham and London: Duke University Press, 2008).

[15] Ibid., 235-245.

[16] Ibid., 237.

[17] Ibid., 246.

Audience and Fan Studies: Imagined Viewership

Audience studies is a wide-ranging academic field. Its methods are diverse, ranging from quantitative empirical studies to theories of active audiences and understanding audiences as actively decoding meaning from media texts. This thesis contains two frameworks that focus on theorizing the people that engage with media: industry-oriented audience studies and fan studies. Industry-oriented audience studies, including Ien Ang's *Desperately Seeking the Audience* and Philip Napoli's *Audience Evolution: New Technologies and the Transformation of Media Audiences*, provide an understanding of the difficulties in conceiving and studying "the television audience."[18] These difficulties in studying the audience are faced, in different ways, by both industry practitioners and media studies scholars. Both Napoli and Ang consider the audience as a monetized entity constructed by industrial institutions, though *Desperately Seeking the Audience* calls for viewing audiences in different terms. As Ang argues, the "television audience" is not a definite category but rather an industry creation. This point is vital in understanding the conception of a subscriber base and imagined audience for Netflix and Hulu. Ang also demonstrates the importance of paratexts and, accordingly, the discourse analysis necessary to further understand how audiences are conceived.[19] This is why an analysis of promotional paratexts and trade discourse is foundational to this study, as they demonstrate how audiences are created. Discourses surrounding the ratings of network television shows overwhelmingly categorize audiences into those who watch/don't

[18] Ien Ang, *Desperately Seeking the Audience* (New York: Routledge, 1991); Philip M. Napoli, *Audience Evolution: New Technologies and the Transformation of Media Audiences* (New York: Columbia University Press, 2010).

[19] Ang, *Desperately Seeking*, 8.

watch, and feature large, sweeping demographic data sets (18-34 year olds, male/female, etc.). In the post-network era – and especially in terms of streaming platforms – ratings discourse is much more speculative since SVODs do not regularly, publicly release ratings data. Thus, SVOD ratings and audiences are framed differently from linear outlets, which consider audiences largely through Nielsen ratings data.[20]

Ang carefully makes a distinction between "television audience" as industrial discursive construct and the social world of actual audiences.[21] The constructed audience is used by industries to control TV product, monetize the audience, and gain advertiser support. When Ang's arguments are applied to SVOD platforms, which do not employ traditional Nielsen ratings to measure their audiences, her overall argument still remains true. While I avoid conceiving of audiences as "the one SVOD audience" constructed by Nielsen, however, I acknowledge that these services continue to measure a mass and otherwise construct their viewers in large groups from a top-down perspective. While audience is measured differently – through website interaction, subscriber numbers, and engagement – industries still tend to talk about the audience as measurable masses. This thesis will draw attention to Netflix and Hulu's conceptions of "the audience" while also acknowledging the complexity and diversity of viewership, and granting that industry discourses perform self-serving commercial functions.

In this project, I consider how key stakeholders, including the services themselves, as well as journalists and key business partners, conceive of SVODs'

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[20] The Nielsen Company is considered the industry standard for television ratings.

[21] Ang, *Desperately Seeking*, 13.

imagined audience(s). Drawing from Napoli's industry-based conception of the audience, I follow the latest ways that media industries, and in particular, the evolving television industry, researches audiences via active engagement, user-tracking systems, digital surveys, and other methods. While many of these results are not available to the public, I employ Napoli's overarching argument: traditional ratings have become less relevant, in terms of media exposure, because of the wide range of content options for users.[22] He calls for new, varied criteria in assessing content's success (longer windows of measurement, social media engagement, finding ways to measure active watching behaviors). In so doing, he believes the ultimate result will be the "production of content that would not have been viable under traditional metrics of success."[23] Arguably, acquiring content that was not, in the long term, sustainable under traditional success metrics is already seen today, as SVOD platforms pick up new seasons of cancelled shows (*The Mindy Project* and *Arrested Development,* for example). Napoli's understandings of new measurement practices and metrics for success will be applied to my analysis of choices made by streaming platforms in acquiring and distributing original content. In addition, I consider how these companies present their ratings both to others within the industry as well as to the wider public, and consider the cultural implications of such modes of presentation.

Dallas Smythe's theorization of audiences as commodities is helpful in conversation with Napoli and Ang's industrial audience studies. Smythe argues that

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[22] Napoli, *Audience Evolution*, 171.
[23] Ibid., 156.

audience power is the product of commercial mass media in monopoly capitalism and requires work. Thus, "Because audience power is produced, sold, purchased, and consumed, it commands a price and is a commodity."[24] Advertisers, through media institutions, buy the services of audiences, and in particular, predictable audience demographics.[25] Commodifying the audience, specifically in relation to linear television, occurs when advertisers link their product to particular TV programs that are thought to attract certain demographics.[26] The theorization of audience as commodity remains applicable when speaking of SVODs' constructed audiences, which are in turn, commodified through advertisers (Hulu) and branding strategies.

In addition to industry-oriented audience studies, fan studies scholarship must be foregrounded, as Netflix and Hulu frequently use the word "fans" in their paratexts. This will allow me to break down the ways scholars and industries use the word "fan," what the word implies, and the viewing and engagement practices these varied definitions put forth. It also enables an analysis of how industries have co-opted marketing strategies that scholars have traditionally linked to fan productions. First, through this literature review, I examine how academics have theorized fans. Then, I note the scholarship that has linked fans and industries, through issues of co-optation, promotional fan labor, and gift economy. Through my case studies in chapter three and survey of audiences in chapter two, I apply this scholarship to when and how industries use the term.

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[24] Dallas W. Smythe, "On the Audience Commodity and its Work," in *Dependency Road: Communications, Capitalism, Consciousness, and Canada* (Norwood, NJ: Ablex, 1981), 233.

[25] Ibid., 234.

[26] Ibid., 238.

Generally, Netflix and Hulu use the term “fans” when describing particular desired types of audience engagement (using social media, binge-watching, etc.), furthering their ideal, imagined audience and their ways of measuring said audience. Traditionally, scholars classify fans as those who have a passionate/affective relationship with media, relating to a fan’s or fan community’s specific tastes. Early fan studies conducted in the early 1990s commonly defined and analyzed fans through participatory, active, production practices. In a historical overview of fan studies, Jonathan Gray, Cornel Sandvoss, and C. Lee Harrington classify this early stage as the “Fandom Is Beautiful” phase, as scholars place value on the fan (who had been Othered by mainstream society), attempting to “redeem [fans] as creative, thoughtful, and productive.”[27]

Henry Jenkins, one of the early fan scholars who sought to redeem fans, coined the foundational term “textual poaching.” Jenkins’ defined “textual poachers” as fans appropriating a text, taking and “poaching” it (usually through fan art or fan fiction) to serve the individual’s interests and participate in the text’s culture.[28] When applying textual poaching to the digital realm, the term becomes increasingly visual, as common digital fannish creations include memes, gifs, gif sets, and fan art. Jenkins’ work emerges from Michel de Certeau and his idea of “making do.” Fan productions “re-use” a text in a way that adapts and operates to fit the fan’s personal needs, diverting from the industry-

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[27] Jonathan Gray, Cornel Sandvoss, and C. Lee Harrington, “Introduction: Why Study Fans?” in *Fandom: Identities and Communities in a Mediated World*, ed. Jonathan Gray, Cornel Sandvoss, and C. Lee Harrington (New York: New York University Press, 2007), 3.

[28] Henry Jenkins, *Textual Poachers: Television Fans and Participatory Culture* (New York: Routledge, 1992), 23.

constructed text, and "making do" through the text.[29] Sometimes "making do" and poaching requires subverting a show's official canon to serve the fan's personal needs, on other occasions, the show's canon is perpetuated and upheld through fan productions, with many productions blending subversion and perpetuation of the canon. In the digital era, commonly, social media websites like Tumblr, Facebook, and Twitter host, display, and privilege these fan images. On these websites, fans create, make, post, share, circulate, produce, elaborate, comment, and challenge (among many other actions) their own and others' creations. SVOD services have adapted some of these visual creation tropes, as analyzed through case studies in chapter three. I argue this acknowledgement of fan practices is a direct appeal to fan engagement and participation, furthering the economic and marketing goals of Netflix and Hulu, generating buzz.

Continuing Gray, Sandvoss, and Harrington's historical analysis of fan studies, the second phase of fan studies expanded on research from the "Fandom is Beautiful" phase. The second phase, "Fan Cultures and Social Hierarchy," "highlighted the replication of social and cultural hierarchies within fan- and subcultures," with particular focus on the choice of fan objects and consumption practices.[30] "Fandom and Modernity," the third phase the authors present, occurs at a time when "being a fan has become an ever more common mode of cultural consumption."[31] As of the early 2000s, fan communities had migrated online, with numerous spaces for fans to gather, chat, and

[29] Michel De Certeau, "'Making Do': Uses and Tactics," in *The Practice of Everyday Life,* trans. Steven Rendall (Berkeley: University of California Press, 1984), 30.

[30] Gray, Sandvoss, and Harrington, "Introduction," 6.

[31] Ibid., 7.

share. Certain fan communities were more visible and mainstream, and fandom became "part of the fabric of our everyday lives."[32] Fandom became more visible to industries too, who in turn, see the value of fandom and fans as constructed audiences, and use some of these visible practices and tropes in their promotional practices.

Other fan scholars, such as Bertha Chin, Mel Stanfill and Megan Condis, and Matthias Stork, link fans and industries differently. Their work discusses important issues of power surrounding industry's direct co-optation of fan art, labor, and practices. In an introduction to a special issue of *Transformative Works and Cultures* on "Fandom and/as Labor," Mel Stanfill and Megan Condis view fans through the lens of labor: fans do work and thus, generate value.[33] Like Smythe's theorization of audiences as commodities, an economic value is attached to fandom. Stanfill and Condis acknowledge scholars' theorization of the industry's recognition and encouragement of fans' work as both pleasurable and exploitative. Work can be pleasurable to the individual creating the product, but considered exploitative when the industry uses it for commercial benefit. Furthering this divide, Matthias Stork's article on the marketing practices of *Glee* (2009-2015) and Bertha Chin's article linking the fan sites Sherlockology and Galactia.tv to fan labor as gift giving both provide helpful case studies analyzing instances of industry-fan relationships.[34] Stork surveys the ways in which *Glee*'s marketing approach directly

[32] Ibid., 9.

[33] Mel Stanfill and Megan Condis, "Fandom and/as Labor," *Transformative Works and Cultures*, no. 15 (2014), http://journal.transformativeworks.org/index.php/twc/article/view/593/421.

[34] Matthias Stork, "The Cultural Economics of Performance Space: Negotiating Fan, Labor, and Marketing Practice in *Glee*'s Transmedia Geography," *Transformative Works and Cultures*, no. 15 (2014), http://journal.transformativeworks.org/index.php/twc/article/view/490/420; Bertha Chin, "Sherlockology

appeals to its core fans (Gleeks) and incites their direct participation through a multiplatform network of paratexts, creating a community and visible buzz around the show. *Glee*'s marketing team created fan contests (using fans' contributions to promote the show) and circulated texts (preview videos, posters, cast interviews, etc.) on social media platforms. *Glee*'s cast and creators participated in Comic-Con panels and performance tours. Stork argues all of these processes together "created synergy between the official corporate and unofficial fan spaces," sustaining discourse about *Glee* and exploiting fan contributions.[35]

However, Bertha Chin theorizes that fan labor can also be considered as an act of gift giving, building social relationships and reputation within a fan community, and acquiring status.[36] The assumption that fans are always inherently exploited by industries ignores fans' personal conceptions and perhaps, gains achieved in their participations. Assuming exploitation does not fully acknowledge how fans conceptualize their work or their relationship to texts, communities, and industries. Chin calls for further studies and conversations with fans, surveying their relationships with industries and feelings about production and exploitation. The constraints of this project did not allow for a survey of fans and does not adequately gauge fans' relationships with Netflix and Hulu. Still, I consider Chin's argument and contend that SVOD marketers mold fan practices to further commercial goals, but this practice does not always directly correlate with the

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and Galactica.tv: Fan Sites as Gifts or Exploited Labor?" *Transformative Works and Cultures,* no. 15 (2014), http://journal.transformativeworks.org/index.php/twc/article/view/513/416.

[35] Stork, "The Cultural Economics."

[36] Chin, "Sherlockology."

exploitation of fans. This relates back to SVOD's definition of fans as being broader than scholars' definitions of fans. Industries categorize fans as routine users who engage/promote on social media, regularly subscribe, watch a lot of programming, and/or spread the word about the platform. The SVOD industry's "imagined audience" of fans is valued differently than fan scholars' traditional construction and theorization of fans.

Building on Mareike Jenner's Scholarship

Television scholar Mareike Jenner has published two articles addressing VOD platforms and their audiences that directly align with this project's interest in the intersection of audiences, new distribution platforms, and original television series.[37] These articles serve as a foundation that I build upon, complicating Jenner's perspective by digging into Netflix and Hulu's original content libraries, detailing audience practices through promotional materials, and providing a framework for their various constructed audiences. In both pieces, Jenner argues that as Netflix has evolved to become a producer, distributor, and exhibitor, the company has positioned itself and its original content alongside "quality" and "cult" TV labels, and has embraced the viewing practices that are commonly associated with these types of texts. As Netflix began to finance content, Jenner argues, the company hired "television auteurs" like Jenji Kohan, or famous film actors like Kevin Spacey. And, by choosing to create a fourth season of "cult" (Jenner calls attention to the disputed nature of the term) television show *Arrested*

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[37] Mareike Jenner, "Is This TVIV? On Netflix, TVIII and Binge-Watching," *New Media & Society*, July 7, 2014, 1461444814541523, doi:10.1177/1461444814541523; Mareike Jenner, "Binge-Watching: Video-on-Demand, Quality TV and Mainstreaming Fandom," *International Journal of Cultural Studies*, September 18, 2015, 1367877915606485, doi:10.1177/1367877915606485.

Development (2003-), Netflix chose to produce original content aligned with a perception of "cult" or "quality." Jenner's definitions of 'cult' and 'quality,' are ambiguously described as texts with complex narrative structures, culturally defined, and "encouraging and rewarding binge-watching through textual strategies."[38]

Important to my argument, Jenner chose to analyze shows deemed 'quality' or 'cult,' like *House of Cards* or *Arrested Development*. Her 2014 and 2015 articles overlook the full range of available original material provided by these services and the broad range of audience tastes SVOD original content aims to satisfy. Both critics and scholars frequently write about shows they personally enjoy or that are discussed extensively within their taste cultures, building a canon that does not represent the entire catalog of texts produced and distributed. By doing so, they do not provide a detailed overview and understanding of these emerging platforms and the full range of business strategies employed by them. From their origins, Netflix and Hulu have produced shows that span a wide range of genres, taste categories, and demographics beyond the "quality" or "cult" designations including: kids' shows [*Turbo FAST* (Netflix, 2013-)], horror series [*Hemlock Grove* (Netflix, 2013-2015)], stand-up comedy specials [*Bill Burr: You People Are All the Same* (Netflix, 2012)], parodies [*The Hotwives* (Hulu, 2014-)], and competition reality shows [*If I Can Dream* (Hulu, 2010)]. While remaining attentive to

[38] Jenner, "Binge-Watching," 2.

tendencies by television critics, journalists, and scholars to focus on quality content[39] – I expand my analysis to all content types.

In both articles, Jenner's focus on binge watching behaviors connects to the idea that so-called "cult" or "quality" texts have a certain "bingeable" quality. Here Jenner draws from fan studies research to compare binging as "the viewing of an excessive amount of episodes" with fandom as an "excessive audience-text relationship."[40] She argues that any on-demand material inherently encourages fannish behavior in audiences. However, from her perspective, fannish behavior does not always equal binge watching. As seen in the section prior, what constitutes fans and fannish behavior is envisioned by industries and scholars in differing ways, and promoted in conflicting ways accordingly. I situate binge watching within a diverse range of audience and fan consumption practices. Certainly, through their marketing and PR materials, streaming platforms have encouraged extended/binge-viewing practices. They have done so, for example, by promoting scheduled marathons and auto-playing successive episodes. "Binge-watching" is a term regularly used and propagated by the popular press as well. However, as I build upon ideas provided in Ang's work in *Desperately Seeking the Audience*, Jenner's study limits her research to binge-watchers (or certain types of audiences or behaviors), which inherently categorizes populations that may not place limits on watching behaviors. While my study focuses on watching habits promoted by Netflix and Hulu as well as affiliated stakeholders (with binge watching predominately encouraged by Netflix,

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[39] Michael Newman and Elana Levine, *Legitimating Television: Media Convergence and Cultural Status*, (New York: Routledge, 2011).

[40] Jenner, "Binge-Watching," 11.

weekly watching by Hulu), it is important to note that in practice, audiences' watching habits are far more distinctive and diverse. I analyze how Netflix and Hulu imagine various types of audiences, especially, audiences as subscribers and as data.

METHODS

Discourse analysis as employed by media industries studies and audience studies will be used in order to investigate and understand publicly available industry documents, trade press coverage, and journalistic discourses surrounding the platforms and original series. My studies are accomplished through discourse analysis of trade press as modeled by John Caldwell. Acknowledging that trade press articles are primarily aimed toward industry personnel, Caldwell claims that the paratexts that the industry releases constructs an "aura" of the industrial "inner-space," creating a narrative surrounding an industry that produces narratives.[41] Knowing that PR materials and statements released to the trade press are shrouded in a self-promoting narrative of the company is important in grounding and situating this study. The biases and careful positioning expressed in their promotional materials and media coverage enables further analysis of how these businesses frame *themselves*. Working through these positions and noting their subjective tendencies and partial representations permits a valuable analysis of prioritization and the mechanics of situating a SVOD service within media industries.

I have chosen Netflix and Hulu as case studies specifically because of their mass appeal and wide market reach, branding strategies, range of original content, and

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[41] John Caldwell, "Cultural Studies of Media Production: Critical Industrial Practices," in *Questions of Method in Cultural Studies*, ed. Mimi White and James Schwoch (Malden, MA: Blackwell, 2006), 130.

continued coverage by the trade press. Both companies began their move into streaming by acquiring content and both started financing and licensing online original content in the early 2010s. However, my research window is 2007-2016 to more fully contextualize the original content within their wider subscription models and business practices. It is important to differentiate their business practices and the discourses about them. Hulu's weekly release model, conglomerate funding sources, and partial reliance on advertisements mirrors legacy television network practices. In contrast, Netflix's binge-release model, tech company funding, and purely subscription-driven model represents a different way of circulating content and engaging with audiences. These variations create differences in how the two function within a larger media landscape. Business model disparities represent tensions between older, legacy, Hollywood, conglomerate-focused model and a newer, Silicon Valley, technology company-focused orientation.

Primarily, my examples in this study will diverge from the commonly cited examples of *House of Cards* or *Orange is the New Black* (2013-) regularly referred to by the press and by other scholars. By digging further into Netflix and Hulu's original content catalog and exploring shows like *Battleground* (2012), *Wet Hot American Summer: First Day of Camp* (2015), and *The Mindy Project* (Hulu's season 4, 2015), I can look to shows that are not as "critically" acclaimed or as frequently quoted in trade publications. This is due, in part, to their relatively recent debuts and attempt to avoid building an academic subscription video-on-demand original content canon. Some of these critically acclaimed shows must be mentioned to build a robust depiction of Netflix and Hulu, but my main case studies will not focus on these shows. Alongside analysis of the marketing and distribution of these original programs, I also survey and conduct textual analyses of advertisements and marketing materials, ranging from advertisements created for an audience of advertising professionals (Hulu) to advertisements promoting ideal watching habits (Netflix).

Through a combination of textual analysis and the application of branding theory, case studies from Netflix and Hulu's original programming and advertising materials enable more concrete analyses of industrial discourses and reception of programs by media critics, grounding my research more clearly in key examples. By comparing shows and ads from both platforms, I can better understand how each company imagines their audience and how these differing business decisions create specific cultural narratives about legacy companies, new technologies, the current state of television, the ongoing flux of media industries, and prized audience groups in the twenty-first century. I am interested in original television content specifically – rather than the larger slate of evergreen series, feature films, and specials provided by these services – because these programs are distributed exclusively on streaming platforms and thus mark a particularly distinct branding mechanism and value proposition for each. This original content most strongly differentiates Netflix and Hulu within a larger streaming media and TV ecosystem.

Historical Context: Video-On-Demand and Netflix/Hulu Pre-Original Content

The larger landscape of VOD platforms from the late-2000s to mid-2010s includes an array of companies involved in acquiring previously aired content and licensing original content. Some of these platforms, such as arthouse-oriented Mubi and horror-oriented Shudder, cater more specifically to niche audiences; others, like Netflix and Amazon Prime, seek widespread "mass market" appeal by assembling a diverse subscriber base through the acquisition of varied content choices. Some platforms, like Netflix and Amazon Prime, require monthly or yearly subscription fees (subscription video-on-demand, or SVOD), while others, including (the now defunct) Yahoo Screen and the free and first-tier versions of Hulu, make money through online advertisements (advertising video-on-demand, or AVOD). Others, such as HBO Go and FX Now, are included with a cable package as part of a "TV Everywhere" value-added proposition.

As noted above, this thesis will closely examine two of the larger, "wide-appeal" platforms which acquire a diverse set of content options and target larger audience numbers: First, Netflix, which makes its money through monthly subscriptions, and second, Hulu, which makes money from both advertisers and subscriptions. Netflix and Hulu's "wide appeal" both in content and to different audiences will be valuable to my study. Such breadth in content and attempt to appeal to all audiences allows access to a wider range of material and variability in distribution and acquisition practices. Netflix and Hulu's popularity and "wide appeal" also allows me to analyze the cultural impact of their presence in the industry.

To further contextualize video-on-demand platforms, the industrial and cultural conditions of television in the 2000s must be examined in this thesis. Contemporary television critics consistently write of "prestige television," a "golden age of television," "a platinum age," or "peak television."[42] Select television content is discussed as "cinematic" or labeled as "quality" by industry personnel and tastemakers, while it is also described in quantitative terms as "excess" or "peak," as labeled by FX President John Landgraf and taken up by the press, referring to a vast array and overabundance of choices. Netflix and Hulu have been contributing to the "peak" television era by licensing even more first-run original content; further, they are contributing to perceptions of "quality" by hiring well-known and well-respected actors, directors, and showrunners and actively pursuing awards.

As streaming services have become a part of the evolving industry landscape, especially in the mid-2000s onward, and as television is culturally positioned using the above phrases, the technological factors contributing to the current state of television must be foregrounded. The expansion of high-speed Internet infrastructure across the United States in the early 2000s facilitated the growth and expansion of streaming services. In the same period, gadgets like laptops and tablets became more affordable and widespread, and mobile devices and mobile data plans enabled streaming capabilities for

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[42] See Cynthia Littleton, "FX Networks Chief John Landgraf: 'There Is Simply Too Much Television,'" *Variety*, August 7, 2015, http://variety.com/2015/tv/news/tca-fx-networks-john-landgraf-wall-street-1201559191/; Tim Goodman, "Welcome to the Platinum Age of Television-And Good Luck With That," *Hollywood Reporter*, August 9, 2015, http://www.hollywoodreporter.com/bastard-machine/golden-age-tv-best-tv-814146; David Carr, "Barely Keeping Up in TV's New Golden Age," *New York Times*, March 9, 2014, http://www.nytimes.com/2014/03/10/business/media/fenced-in-by-televisions-excess-of-excellence.html.

a wider audience, varied distribution and consumption practices have developed. iFilm, the first online VOD platform, debuted in 1997.[43] But, following its pervasive access, YouTube became a significant precedent for later SVODs. YouTube and other early video streaming sites like Dailymotion (both beginning in 2005) allowed users to gain familiarity with video streaming capabilities. Alongside YouTube's success, complementary online content from broadcast networks ABC (the first network to offer catch-up TV episodes in 2006[44]), NBC, CBS, and Fox served to enhance storytelling through network owned-and-operated websites featuring additional bonus video content, character profiles, recaps, chat rooms, and synopses.

Through these technological, cultural, and industrial conditions, a few main, mass-appeal streaming video-on-demand platforms have emerged as of 2015. Among those dominating the market in VOD are Netflix, Amazon, Hulu, Yahoo, YouTube, and Apple.[45] As noted above, a study of Netflix and Hulu, in particular, uncovers many other issues in the wider contemporary television and film industries, and points to these industries' intersection with emerging digital video. Additionally, issues of policy, international viewership, distribution and acquisitions practices, production, and access, among many other topics, are vital to explore in future studies, in order to better understand the current media backdrop. Due to the limitations of this project, I cannot adequately address all of the above factors that influence the streaming industry.

[43] Cunningham and Silver, *Screen Distribution*, 2.

[44] Ibid., 17.

[45] Cunningham and Silver, *Screen Distribution*. Cunningham and Silver's overview of the players, contextualized in historical media studies, is a valuable resource. Also see Andrew Wallenstein, "The OTT View-Niverse: A Map of the New Video Ecosystem," *Variety*, accessed November 28, 2015, http://variety.com/2015/digital/news/ott-map-video-ecosystem-1201480930/.

Netflix and Hulu are only two companies among a growing number of streaming video services spending money on exclusive first-run original content. Another key competitor, Amazon Prime, has experienced critical acclaim with shows like *Transparent* (2014-) and *Alpha House* (2013-). Before ceasing operations after just two years, Yahoo Screen licensed the sixth season of *Community* (2009-2015, previously aired on NBC). Meanwhile, broadcast network and cable channels place more content online through their own websites or through video services like Hulu, and authenticated video-on-demand service TV Everywhere as well as Dish's over-the-top (OTT) service Sling TV both provide additional on-demand options for consumers. The "originals" labels used by Netflix and Hulu help each company construct a distinct brand, maintain popularity, minimize churn, and boost subscription numbers at a time when other players (Comcast, Dish, the networks, and more) enter and try to retain (or grow) market share. Before the spread of branding via original content (pre-2010s), Netflix and Hulu were discussed differently by the press and presented themselves differently to the public. As such, it is necessary to briefly provide an overview of their businesses before they launched VOD subscription options and original content licensing.

From 1997-2006, Netflix was primarily known as a movie rental competitor.[46] The rental service sent DVDs to subscribers based on a rental queue determined by the user. Upon mailing back the DVD, Netflix in return sent the next film or TV season disc in a user's queue. The service was akin to a lending library or Blockbuster, without late fees, and without driving to a nearby movie rental store. The company's value

[46] Tryon, *On-Demand Culture*, 101.

proposition during this phase related to its convenience. The shift to SVOD cloud-based content represented a significant set of changes, as the company shifted from physical to digital, and from providing subscribers with a few options at one time to many choices instantaneously. As of 2016, Netflix continues to send DVDs by mail but is not building more physical distribution warehouses[47], and the dominant public discourse (perpetuated by Netflix and popular press) focuses on its streaming service and library. Subscribers can still access both physical and digital content, but the change in the culture's understanding of the service – and how the service has sought to be understood by the culture – is significant. Netflix streaming continued to rely on providing subscribers with previously released films and TV shows from 2006 to the early 2010s. From 2005 to 2008, Netflix's Red Envelope Entertainment foray represented an early interest in original film production and distribution. This move also foreshadowed the company's eventual focus on original content.

In contrast, in 2007, Hulu started with digital distribution, instead of relying on the distribution of physical media. In other words, the platform did not undergo the extreme physical to digital transition. The company has remained more focused on growth and adding subscription tiers rather than in altering its content delivery method. Hulu was built to remain competitive as a response to media companies' anxieties surrounding YouTube and digital streaming. Hulu has always been tied to digital, but its response and competition has changed as industries anxieties shift from the possibilities

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[47] Janko Roettgers, "Netflix May Ditch DVDs Sooner Rather Than Later," *Bloomberg,* October 21, 2013, http://www.bloomberg.com/news/articles/2013-10-21/netflix-may-ditch-dvds-sooner-rather-than-later.

of YouTube to Netflix's sizeable original programming lineup. From 2007-2010, Hulu was an advertising-driven company, branded as a complement to traditional television, and a response to DVR and on-demand options from cable companies. While Hulu presently continues to function in these ways, its content has diversified with original programs, adding and extending more network licensing deals, renewing its 2011 licensing deal with the Criterion Collection[48], and its subscription options encourage different ways of engaging with and understanding the website and its product. Hulu has moved from complement to television to, partially and hesitantly – in part due to its corporate owners' legacy investments – a surrogate for television.

In the following chapters, first I analyze Netflix and Hulu, their stakeholders, subscription offerings, and original content origins. This analysis is contextualized within the television and media industry as I consider Netflix and Hulu's competition and wider cultural discourse disseminated by trade press and critics. Chapter one serves to situate Netflix and Hulu within an industrial and cultural framework, and argues how its stakeholders and business models influence the platforms. In chapter two, I move to consider audiences, specifically, how Netflix and Hulu imagine, construct, directly address, and measure audiences; how their key stakeholders inform this construction; and the wider cultural narratives that result from these discourses. I find that Netflix and Hulu focus on audience engagement and promote particular types of viewing behaviors, while constructing audiences as data and as subscribers. Chapter three builds on the analysis

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[48] Todd Spangler, "Hulu Renews Criterion Collection Pact, Adds Oscar Winner 'The Great Beauty,'" *Variety*, April 15, 2014, http://variety.com/2014/digital/news/hulu-renews-criterion-collection-pact-adds-oscar-winner-the-great-beauty-1201157485/.

from chapters one and two. I conduct case studies from specific advertisements, social media campaigns, and public narratives to demonstrate particular examples of stakeholder influence, audience construction, and cultural discourses. Branding theory is applied to Netflix and Hulu's brand within the SVOD market, and fan studies scholarship is used to track how these platforms co-opt rhetoric and practices traditionally assigned to fans. These chapters are interwoven with larger claims about the television industry, cultural discourses about television and media, ongoing competition between Hollywood legacy companies and Silicon Valley technology companies, and underlying anxieties about the new and the different.

Chapter One

Complement or Competition? How Netflix and Hulu's Stakeholders Shape Cultural Understandings of the Platforms

In her foundational book, *Hollywood and Broadcasting*, Michele Hilmes argues that advertisers directly influenced radio shows (and consequently television broadcast). Through her extensive case studies, she finds that stakeholders – including sponsors, networks, studios, and advertisers – defined and informed broadcasting models, content, and production culture that emerged from the 1920s through the 1980s. This fundamental structure of broadcasting, "entertainment…used as bait for commercial messages," has continued to change.[1] First, cable largely drew from broadcasting structures – advertising, rerun content, televisual flow, etc. – in the 1980s. Then, in the twenty-first century, different business entities became involved in a constantly evolving media industry, entities that define and inform streaming models and content.

Hilmes' argument, influenced by Stuart Hall's encoding/decoding model, with particular focus on the process of encoding, finds that broadcasting developed in part due to advertising agency goals. These encoders distinctly shaped the production of radio broadcasts. Recognizably, relationships between stakeholders have continually shifted in the near-century since broadcasting's inception. In this first chapter, I examine the relationship between stakeholders as they took shape in the twenty-first century and as they are connected to Netflix and Hulu's business and programming practices. Netflix

[1] Michelle Hilmes, *Hollywood and Broadcasting: From Radio to Cable* (Urbana, IL: University of Illinois Press, 1990), 100.

and Hulu's original content functions as bait: to hook subscribers and satisfy stakeholders.

Like the 1930s radio shows Hilmes explores, *Lux Radio Theatre* and *RKO Theater of the Air*, Netflix and Hulu remain under the influence of certain prominent industry stakeholders. *Lux Radio Theatre* was encoded by major advertising agencies, influencing the creative practices of the programs' production and the ways radio was broadcast. Netflix and Hulu's encoders – shareholders and conglomerate owners, respectively – influence how the platforms function and how each platform first approached original content. For these two platforms, who those stakeholders are – and the kinds of pressures they place upon Netflix and Hulu – differ dramatically. As noted in the last chapter, both companies initially distributed previously aired televisual content before slowly growing and translating broadcast and cable's TV practices (actors, directors, format, structure, seasonality, seriality, etc.) into their own originally licensed, exclusive content. However, how both companies have diverged from and adapted to what Hilmes deems "the fundamental economic structures of broadcasting"[2] differs.

The ways that Netflix and Hulu each deviate from *and* copy the economic structures of broadcasting – and subsequently, cable as well – provide the focal point for this chapter. Here my analysis involves assessing what each of the companies seeks to achieve, while also considering the key players that inform platform structures and goals. To examine their business goals and how they construct particular images of themselves via public discourse, first, I detail the origins of both companies as streaming subscription

[2] Ibid.

services. I follow up this overview with a comparative analysis of the stakeholders each company engages most prominently with, and a discussion of how this engagement with stakeholders connects to their respective business models. After laying out their business models and illustrating their relations with key stakeholders (owners, partners, directors, etc.), I then move on to look at their original series ventures as well as how each constructs their main competition in their corporate materials and through remarks from key executives. I conclude by addressing how the trade press articles and TV critics write about each, prioritizing certain practices, and positioning the two in specific ways. This chapter ties together how the business models and stakeholders of both Netflix and Hulu have informed their growth, which in turn connects to larger cultural discourses about technology companies and legacy media corporations. This analysis goes further than historicizing the two companies or providing partial narratives; this chapter also places the platforms in a larger context, puts them in conversation with business narratives, and breaks down how these conversations are influenced and fashioned.

BUILDING OUT SUBSCRIPTION OPTIONS: HULU PLUS AND NETFLIX STREAMING

2007	• Joint venture announced with NBCUniversal Television Group/Comcast and News Corp/Fox Broadcasting company • Online beta testing begins in October • Jason Kilar named CEO • Andy Forsell named SVP, head of content and distribution
2008	• Website launches publicly
2009	• Disney-ABC Television Group joins (NBCUniversal 32%, Fox 36%, Disney-ABC 32%)
2010	• Hulu Plus subscription option debuts
2012	• First original scripted program, *Battleground,* premieres; plans for seven other original programs to premiere over the next several years
2013	• Mike Hopkins named CEO, replacing Kilar
2014	• Library expands with huge *Seinfeld* and *South Park* deals • Craig Erwich named SVP, head of content, replacing Forsell • Tim Connolly named SVP, head of distribution
2015	• Ad-free Hulu subscription option debuts

Table 1: Hulu's Timeline and Key Players

Prior to 2010, Hulu was not a subscription platform but rather solely advertising supported. Post-2010, a Hulu subscription became optional, though necessary if customers sought out older TV episodes, seasons, or deeper catalog items. After Hulu.com debuted to the public in 2008, their next big product announcement, Hulu Plus, was publicized in June 2010 on Hulu's official blog, with a post written by CEO Jason Kilar.[3] Hulu's official blog directs posts toward a general audience, but includes details for journalists to spread through stories and reports, expanding its reach. Kilar called Hulu Plus an "incremental" and "complement" product for current Hulu users, for the price of $7.99 per month. The subscription was still ad-supported, but, instead of offering

[3] Jason Kilar, "Introducing Hulu Plus: More Wherever. More Whenever. Than Ever.," *Hulu*, June 29, 2010, http://blog.hulu.com/2010/06/29/introducing-hulu-plus-more-wherever-more-whenever-than-ever/.

a “handful of trailing episodes,” Hulu Plus offered full seasons of current shows, as well as access to back seasons.

With Hulu Plus’s premiere, the company also introduced the option to watch programs from other types of screens beyond computer screens. In other words, Hulu Plus subscribers were not limited to Mac or PC browser windows, but rather could access the service on new screen options including internet-connected smart TVs, Blu-ray players, tablets, and smart phones. Kilar called the service both “revolutionary” and “convenient,” speaking directly to Hulu users and to new subscribers. He proclaimed that the service was built to answer the question, “What if your favorite TV shows loved you back?”[4]

Presumably, Hulu Plus “loved” its subscribers by offering more programming and ease of access on multiple screens. Here we see Kilar anthropomorphizing Hulu’s television shows and attaching an affective relationship between the new platform and its viewers. Hulu Plus subscribers, from this main question Kilar poses, “get more” from watching television with the complement of Hulu Plus. Apart from appeasing existing users, to summarize, Hulu Plus differentiated itself – and potentially attracted new users – by providing more content, both old and new, with a monthly subscription fee. The service continued to rely partially on advertisements interspersed between segments, as with traditional linear television programming.

Most of Kilar’s blog announcement was geared toward hooking new subscribers. However, the last two paragraphs mention a particular goal of Hulu’s: to please its three

[4] Ibid.

customer groups, “our end users, our advertisers, and our content suppliers.” While the order of these groups and the amount of time spent on the blog post talking about “end users” may indicate that Hulu prioritized these stakeholders, Kilar is clearly trying to equally appease all groups in positioning this new subscription tier:

> With Hulu Plus, we believe we’ve met that goal [pleasing the three customer groups]. For our end users, we’re offering them the most convenient way to access their favorite shows, on devices they love, in high definition, at a fair price. For our advertisers, who allow us to keep our Hulu Plus price low with the support of ad revenue, we offer one of the world’s most effective advertising platforms, with the ability to speak effectively to users across a variety of devices, anywhere they happen to be. And finally, for our content partners [such as The Walt Disney Company, Fox, and The CW], we offer revenues that compensate them fairly for bearing the cost of producing the shows we love.[5]

This explicit acknowledgement of three customer groups marks a crucial difference between Hulu and Netflix. Hulu presents its platform here as similar to broadcast and cable television, using content to draw in advertisers and viewers. This is largely due to its media conglomerate owners, Disney (ABC), Comcast (NBC), and 21st Century Fox. Hollywood content companies directly influence Hulu. As has always been the case with linear television, effective advertising generates profit. Presumably, Hulu’s Hollywood owners stressed the benefits of the advertising model. Additionally, money from subscribers allows Hulu to bring in more content; much has been true with cable for decades with its dual revenue model. This traditional conception of a new technology makes sense considering Hulu’s partners and stakeholders, which are examined in greater detail in the next section.

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[5] Ibid.

1997	• Start-up (DVD distribution service) founded by Reed Hastings (CEO) and Marc Randolph (co-founder, CEO)
1999	• DVD-by-mail subscription service begins
2000	• Ted Sarandos named Chief Content Officer
2002	• Public IPO
2005	• Red Envelope Entertainment launches, begins to acquire films such as *The Puffy Chair* (2005), *2 Days in Paris* (2007), and *Sherrybaby* (2006)
2006	• First generation of VOD service debuts
2007	• Video-on-demand subscription popularity grows within the company
2008	• Red Envelope Entertainment shuts down to avoid competing with film studios
2010	• Netflix's website becomes biggest source of U.S. internet traffic[6] • Enters Canadian market, begins international venture
2011	• Enters Latin American market (Brazil, Argentina, Paraguay, Uruguay, Bolivia, Chile, Colombia, Ecuador, Peru, Venezuela, and Mexico) • Enters Caribbean market
2012	• Enters European market (UK and Ireland) • Original program *Lilyhammer* debuts (in partnership with NRK/Norway)
2013	• Original television programs *House of Cards*, *Hemlock Grove*, *Orange is the New Black*, *Turbo FAST* debut
2014	• Original documentary *The Square* nominated for an Academy Award • Robin Wright and Kevin Spacey (original television show *House of Cards*) nominated for Golden Globes
2015	• Enters Australia/New Zealand market • Enters Japanese market
2016	• Hastings labels Netflix a "global TV network"[7] • Netflix available in 190 countries • Enters South Korea, Singapore, Hong Kong, and Taiwan

Table 2: Netflix Timeline and Key Players

As noted in the previous chapter, Netflix began as an online DVD rental subscription service in 1997. Created by entrepreneur Reed Hastings and software/computer engineer Marc Randolph, the company emphasized an intuitive user

[6] "Global Internet Phenomenon Report: Spring 2011," *Sandvine*, May 12, 2011, https://www.sandvine.com/downloads/general/global-internet-phenomena/2011/1h-2011-global-internet-phenomena-report.pdf.

[7] Mike Snider, "Netflix CEO Declares Service a 'Global TV Network,'" *USA Today*, January 6, 2016, http://www.usatoday.com/story/tech/news/2016/01/06/netflix-ceo-declares-service-global-tv-network/78350114/.

interface and personalized algorithms for its DVD catalog. Whereas Hulu's interface, market orientation, and mode of audience engagement were a product of Hollywood content companies, Netflix's were the product of the technology industry. In 2007, Netflix introduced a collection of 1,000 acquired films and television shows to stream online – including *Zoolander* (2001), *Kojak* (1973-1978), and *The Motorcycle Diaries* (2004)[8] – enabling the company to bypass the U.S. Postal Service. As Netflix's streaming service and content library continued to grow, like Hulu, their compatible technology expanded to allow access from smartphones, tablets, and Internet connected TVs. In the early 2010s, Netflix began to compete more directly with linear television channels by introducing original streaming television series, documentaries, and stand-up comedy specials.[9]

Beginning as early as fourth quarter (Q4) 2006, Netflix's letters to shareholders included references to their rapidly expanding Internet streaming services. To understand Netflix's move to streaming video content, I have tracked Reed Hastings's quotes in quarterly reports from 2006-2010, with a focus on his discussion of online video growth. For example, in Q4 2006, Hastings wrote: "Our accomplishments during the year – strong subscriber growth, continued improvement in the customer experience, and increased profitability – together with the recent launch of the first generation of our online video option, leave us better positioned than ever to achieve our long-term

[8] Miguel Helft, "Netflix to Deliver Movies to the PC," *The New York Times*, January 16, 2007, http://www.nytimes.com/2007/01/16/technology/16netflix.html.

[9] "Company Overview," *Netflix*, accessed May 15, 2015, https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10477.

objective of being the movie rental leader."[10] In Q3 2007, Hastings assures shareholders that "we will remain focused on making our core service even better and growing our DVD rental business, while continuing to invest in our Internet delivery initiatives."[11] Finally, in Q4 2007, Hastings attributes success to both DVD rentals and "TV episodes over the Internet instantly, [which] positions us to achieve solid growth in 2008 and over the long term."[12]

In 2008, Netflix began announcing partnerships with hardware over-the-top (OTT) services like Roku. In Q4 2010, the company announced their strong interest in television and itemized the steps taken to expand television content. Netflix started with particular content company deals, ABC/Disney for example, licensing full seasons of syndicated content, while touting that the company remained commercial free.[13] In a paragraph on DVDs in the Q4 2010 report, Hastings assured shareholders that "streaming is much bigger for us than DVD, in hours of entertainment delivered, and streaming is growing much faster than DVD."[14]

As such examples indicate, over time, Netflix emphasized expansion of its streaming service. Through these quarterly reports, we can see how Hastings informs the

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[10] Deborah Crawford, "Netflix Announces Q4 2006 Financial Results," January 24, 2007, http://files.shareholder.com/downloads/NFLX/4046490554x0x69407/18397325-97AD-4EAE-B193-DC2C28B68312/4Q06%20Earnings%20Release%201%2024%2007%20final.pdf.

[11] Deborah Crawford, "Netflix Announces Q3 2007 Financial Results," October 22, 2007, http://files.shareholder.com/downloads/NFLX/4046490554x0x138792/424B53A4-DB67-4A62-9F20-D9101907AB66/nflx1022.pdf.

[12] Deborah Crawford, "Netflix Announces Q4 2007 Financial Results," January 23, 2008, http://files.shareholder.com/downloads/NFLX/4046490554x0x160228/7C2BA2B4-5A56-481D-AD7F-274B9C8DAF9E/160228.pdf.

[13] Reed Hastings and David Wells, "Q410 Letter to Shareholders and Financial Results," January 26, 2011, http://files.shareholder.com/downloads/NFLX/4046490554x0x437075/925E81C4-3D5D-44B6-AE5E-A70C91251131/Q410%20Letter%20to%20shareholders.pdf.

[14] Ibid.

company's shareholders and the press that the focus of the company was shifting from DVD rentals to providing full seasons of television content, and more specifically, content available exclusively through Netflix. By conducting this background on the early years of Hulu Plus and Netflix streaming services, we can see how Netflix, from its inception, was linked to the technology industry and Hulu was linked to legacy media companies. Hulu's public materials were directed toward three groups: end users, advertisers, and content suppliers. Netflix official materials target shareholders. These differences speak to the ways each company is owned and operated (Hulu privately and Netflix publicly). In the next section I shift to focus more specifically on how Netflix's business partners and Hulu's corporate owners and influence both businesses.

OWNERSHIP/PARTNERSHIP: NETFLIX VS. HULU

During its beta testing period, Hulu revealed its distribution partner sites in September 2007: AOL, Comcast, MSN, MySpace, and Yahoo.[15] Linked to these technology websites, and distributing Hulu's content on AOL or Yahoo, Hulu began to sound more like a technology start-up, networking with social media services, Internet service providers, and video streaming services.[16] Relationships with these tech companies are connected to Hulu's stated goal of streaming television online in a community setting. However, the fact that its corporate owner-investors were Comcast's

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[15] Jason Kilar, "A Hulu Hello," *Hulu*, September 4, 2007, http://blog.hulu.com/2007/09/04/a-hulu-hello/.

[16] "Hulu Debuts via Private Beta and on Distribution Partners AOL, Comcast, MSN, Myspace, and Yahoo!," *Business Wire*, October 29, 2007, http://www.businesswire.com/news/home/20071028005079/en/Hulu-Debuts-Private-Beta-Distribution-Partners-AOL.

NBCUniversal, 21st Century Fox, and Disney indicate much deeper roots and allegiances to an old, legacy American broadcast television model.

A major difference between Hulu and Netflix rests in their ownership. Hulu is a privately owned company, co-owned by the three media conglomerates mentioned above. Netflix began as a technology start-up and remains a publicly traded company. While Hulu must answer to the three governing bodies of Comcast's NBCU, 21st Century Fox, and Disney, Netflix must be more transparent and appease its shareholders through its publicly released quarterly reports. The variations in ownership are reflected their distinctive business models. Hulu has retained many markers of linear television, including: advertisements interrupting content, maintenance of televisual flow[17], foregrounding of network channel logos on the lower third of the screen, offering the ability for viewers to search for programs by television channels, and providing access to terrestrial TV episodes (and Hulu Originals) following their weekly broadcast. Netflix, on the other hand, does not directly answer to media conglomerates – it merely licenses content from them – and is not trying to serve as a complement cable or broadcast television. At times, Netflix plays nice with broadcast and cable television channels (e.g., by acquiring their content for a reasonable price) while at other times, it directly competes with broadcast and cable television channels (e.g., by licensing their own original programs, often directly from companies providing content to cable and broadcast outlets was well).

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[17] Raymond Williams, *Television: Technology and Cultural Form* (New York: Routledge, 2003), 86-96.

These clear distinctions, with Hulu serving the interests of established television companies and Netflix frequently subverting legacy companies' traditions, have become blurrier and more nuanced as both businesses have continued to grow. With the introduction of Hulu's original programs in 2012 and a monthly subscription plan without advertisements in 2015, Hulu became a more direct competitor to Netflix as well as Amazon. It has still tried to acquire current and past television content, but increasingly distinguished itself as being *both* a complement to broadcast/cable television (like a DVR) and an exclusive provider of desirable content (like Netflix or HBO).

It remains uncertain whether Hulu will succeed in both roles. The company has many stakeholders to answer to, including: advertisers, its media conglomerate-parents, additional content providers, and subscribers. Ideally, television series exclusively distributed through Hulu (*Casual*, *The Path*, *Difficult People*, *11.22.63*, and more) will boost its advertising sales and increase its subscriptions, making Hulu's three conglomerate owners happy. As of 2015, Hulu was in talks with Time Warner about joining Hulu as a fourth owner. *Variety* predicted if Time Warner became a fourth owner, Hulu would have more money to compete with Netflix.[18] And, because of Time Warner's large investment in cable subscriptions, Time Warner executives have spoken against Hulu's practice of making current season TV content available online, threatening linear television viewership.[19] If Time Warner bought a quarter of Hulu, Hulu's streaming

[18] Todd Spangler, "Hulu Looking to Sell Stake to Time Warner: Report," *Variety,* November 12, 2015, http://variety.com/2015/digital/news/hulu-time-warner-stake-1201639424/.

[19] Keach Hagey and Shalini Ramachandran, "Time Warner Talks With Hulu Zero In on Current Seasons," *The Wall Street Journal*, January 31, 2016, http://www.wsj.com/articles/time-warner-talks-with-hulu-zero-in-on-current-seasons-1454276633.

window may increase. However, this deal has not happened, but it reveals Hulu's uncertain future and desire to compete and grow: to catch up with Netflix.

Though Hulu's new original content may make it more competitive with Netflix and other SVODs (and linear channels as well), linear TV networks have begun to debut their own Hulu-like websites (Lifetime's MyLifetime or FX's FXNOW) that stream new episodes, either with advertisements or requiring login ("authentication") for cable subscribers. Perhaps Hulu foresaw broadcast and cable networks creating their own proprietary websites, and countered with original programs. Though their internal business decisions remain unknown, as of 2016, Hulu straddles an interesting space between new streaming technologies (subscription-based, original programs) and legacy media companies (conglomerate corporate ownership, linear programs, advertising). I explore the origins of original series in the next section, in an effort to further understand the goals of Hulu and Netflix.

Original Series Origins: From Experimentation to Expansion

Both Netflix and Hulu began investing in the production and distribution of television shows in the early 2010s. Original series are especially noteworthy because these TV products are distinguishing factors for services, enabling differentiation among SVOD services as well as between them and broadcast/cable television offerings. Original programs help both Netflix and Hulu compete directly with the television industry, brand their product to subscribers, and gain recognition among both the trade and popular press as well as with critics.

In summer 2011, Hulu began publicly plugging its exclusive programming. Exclusive programming, for Hulu, is first-run programming distributed in Hulu's market. For example, the U.K. TV drama *Misfits* (2009-2013) debuts in the U.S. as a Hulu exclusive. In Jason Kilar's Q3 2011 blog post, he announced that Hulu's three summer exclusives (*Misfits,* an hour long U.K. drama, *The Booth at the End,* a half-hour Canadian drama, and *Whites*, a BBC sitcom) all, at some point in the season, hit number one on Hulu's Most Popular ranking. Because of this success, Kilar reasoned, "We will continue to invest in bringing our users exclusive, defining, top-tier programming."[20] The same 2011 blog post included a synopsis of the results of Hulu's "first foray into original long-form programming," documentary series *A Day in the Life*, directed by documentary filmmaker Morgan Spurlock. Kilar touted *A Day in the Life* as an example of the "exclusive, high-quality content" Hulu looked to invest in. Presumably, such content would continue to have recognizable talent attached. By summer 2012, Hulu had doubled its Hulu Exclusive and Hulu Original Series offerings. Hulu Exclusives have run in other markets, whereas Hulu Originals debut solely on Hulu. At this time in 2012, the streaming platform announced ten varied exclusive and original series, "including comedy, sci-fi, travel, reality, and even a little magic."[21] The *original* series revealed included *Spoilers* (a 10 episode, half-hour, movie talk show with Kevin Smith) and *Up to Speed* (a six episode, hour long travel series created by Richard Linklater). In Kilar's 2012 year-end wrap up, he announced that "We are extremely proud of the TV series we

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[20] Jason Kilar, "Q3," *Hulu*, October 5, 2011, http://blog.hulu.com/2011/10/05/q3/.

[21] Andy Forssell, "Summertime...and the Viewing Is Easy," *Hulu*, May 20, 2012, http://blog.hulu.com/2012/05/20/summertime…and-the-viewing-is-easy/.

released in 2012, and are excited about the slate of original series and exclusive series coming to Hulu in 2013."[22] After the debut of the aforementioned nonfiction original shows, and scripted exclusive shows, Hulu began offering a few original programs each subsequent year, with its first scripted original program, *Battleground*, airing in 2012.

Battleground (2012-) is a half-hour workplace/political mockumentary. On Hulu's official, titular blog, a post from February 2012 highlights an interview with *Battleground*'s creator, JD Walsh (actor, *Dharma and Greg*, *Two and a Half Men*, turned writer-producer).[23] The post asks Walsh, "Why Hulu?" In other words, Hulu wants to foreground why Hulu was a better choice over linear TV or other VODs. Walsh's explanation uses key words and phrases commonly employed by Netflix, Hulu, and premium cable outlets (HBO, FX, and more) original content creators. He declares he "connected with the people [at Hulu]" and he was given "tremendous freedom" which is "rare in [the television] industry."[24] This publicized "freedom for creators" at Hulu frames their company as eager, easy to work with, and providing an opportunity for creators to innovate in an unrestricted atmosphere. Walsh says Hulu "trust[ed] its creators to make the show that they believe in" which is why he chose the company. Their notes "were always an attempt – not to satisfy a demographic or a fad or a meme – but instead the notes were to make the show smarter or funnier or more interesting with its

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[22] Jason Kilar, "A Big 2012.," *Hulu*, December 17, 2012, http://blog.hulu.com/2012/12/17/a-big-2012/.

[23] Ben Collins, "Love Is a 'Battleground': A Talk with JD Walsh, Creator of Hulu's First Scripted Original Series," *Hulu*, February 14, 2012, http://blog.hulu.com/2012/02/14/love-is-a-battleground-a-talk-with-jd-walsh-creator-of-hulus-first-scripted-original-series/.

[24] Ibid.

storytelling."[25] By framing Hulu as interested in the quality of a show, not in pandering to a certain audience, Walsh directly contrasts Hulu to networks or cable companies interested in satisfying a particular niche demographic. This appeal to a particular demographic is common for cable television, and the overconfident language about Hulu speaks more toward advertising Hulu as a generous space for creators. *Battleground* was Hulu's first scripted original series, its marketing materials needed to cultivate a friendly narrative to persuade future content creators and partners to link up with Hulu.

Simultaneously, the 2011-2014 Netflix quarterly reports written for the company's investors, and frequently taken up by press outlets for news stories, construct a narrative of Netflix Originals' beginnings and convey some of the reasons behind the creation of the originals department. As noted above, *Lilyhammer* (2012-2014), "a fish-out-of-water story set in Norway" starring Steven Van Zandt, was the first Netflix Original Series; the first season debuted in February 2012.[26] While these reports do not reveal the amount spent on licensing *Lilyhammer*, *House of Cards* first season, or the fourth season of *Arrested Development*, the document states that if the shows are, "popular enough on Netflix so that the fees we've paid for each are in-line with that of other equally-popular content on Netflix during the same time period, we'll consider them a success."[27] As we see here, Netflix was defining its own standards of success, and

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[25] Ibid.

[26] Reed Hastings and David Wells, "Investor Letter Q4 2011," January 25, 2012, http://files.shareholder.com/downloads/NFLX/170689058x0x536469/7D1A24B7-C8CC-4F19-A1DD-225A335DABC4/Investor%20Letter%20Q4%202011.pdf.

[27] Ibid., 8

that success is not determined by Nielsen audience ratings. Netflix measures success internally, based on engagement with other programs.

These early originals test cases must have exceeded Netflix's standards of success because the company has continued to acquire projects and label them as "Netflix Originals." Indeed, it has done so increasingly frequently as each year has proceeded (Table 3).

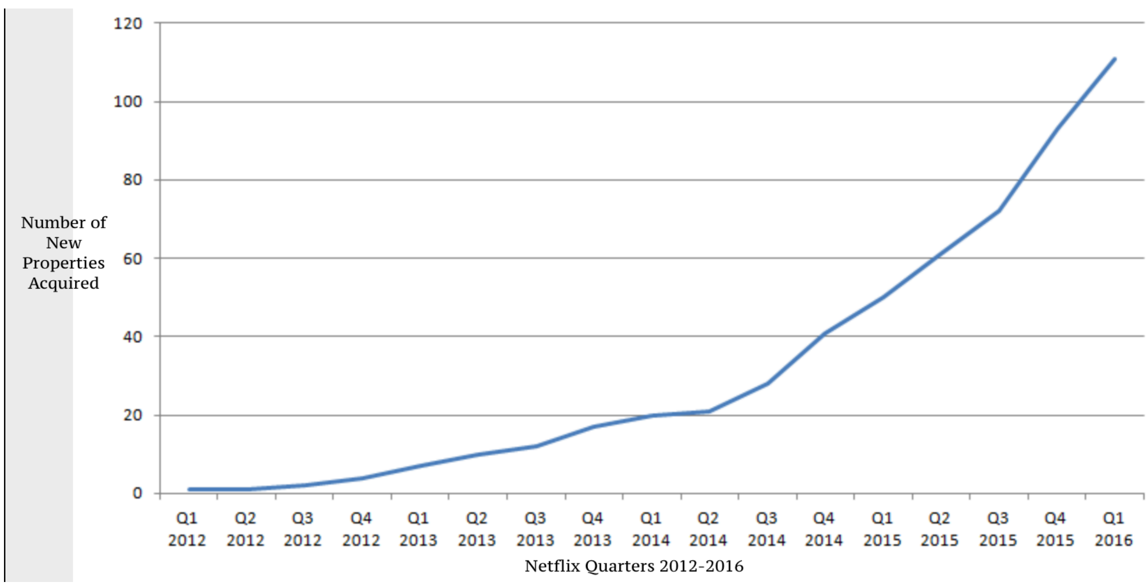

Table 3: Number of New Netflix Original Series, Films, and Specials Premiered from 2012-2016

Though, importantly, legacy companies have tightened control on their content, increasing the price of licensed material or pulling their content from the streaming service. Famously, in 2011, Starz cut their four-year Netflix deal short after (allegedly) Netflix's popularity surged and too many subscribers streamed the films, exceeding the maximum agreed upon content views.[28] Following Starz pulling its content, analysts speculated if Starz were to renegotiate and renew with Netflix, Netflix's renewal cost would increase significantly.[29] As legacy companies realized Netflix's potential and popularity, they asked for more money per content deal. The Netflix Originals expansion displayed both a desire to legitimate its business and a counter to a more competitive content licensing market. However, publicly at least, in the first quarter of 2011, Netflix's report explained the rationale for the acquisition of *House of Cards* from Media Rights Capital (a film and television studio): "Rather than a shift in strategy towards original programming, our decision was driven by a desire to test a new licensing model using a small portion of our content budget."[30] As this statement indicates, early on, Netflix did not define itself as being in the "originals" business. Their reluctance to define themselves in this manner is possibly due to the format of investor letters. Indications of a big change in Netflix's strategy could signal an unstable investment period. They must "gain confidence," licensing a few shows to test the market, before they publicize their new strategy extensively.

Over time, Netflix executives did reveal greater confidence in and enthusiasm for their original programs. As early as 2012, the "Original Programming" section became a major theme in their reports, and moved up in the document from the seventh page to the

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[28] Ben Fritz and Joe Flint, "Starz Deal Behind the Pulling of Sony Movies from Netflix," *Los Angeles Times*, June 24, 2011, http://articles.latimes.com/2011/jun/24/business/la-fi-ct-starz-netflix-20110624.

[29] Ibid.

[30] Reed Hastings and David Wells, "Q1 2011 Letter to Shareholders," April 25, 2011, http://files.shareholder.com/downloads/NFLX/170689058x0x461760/11046BA9-7EA4-4B77-B1BD-A3035FC913D5/Q1%2011%20Letter%20to%20shareholders.pdf.

third. The letters to shareholders in 2012 and 2013 read much differently than the ones from 2011. Previously the "originals" section comprised about half a page in the middle of the document. As of 2012, the company consciously divided itself into three phases; with the first involved in acquiring movies, the second focused on licensing prior-season television, and in 2012, a shift in focus to functioning as a service with the "first window premiere of exclusive serialized episodic television."[31] Rather than turning to original programming as "a strategic experiment," as was the case early on, as of 2012, original programming is a priority for Netflix's "strategic expansion."[32]

In Q1 2012, the investor letter speaks optimistically about their new strategy, reassuring investors who may have been concerned about this shift in orientation: "Another way to think of originals is vertical integration; can we remove enough inefficiency from the show launch process that we can acquire content more cheaply through licensing shows directly rather than going through distributors who have already launched a show?"[33] Conceptualizing Netflix Originals as a practice of vertical integration, Netflix effectively removed the intermediaries of distributors (namely, the media conglomerates such as Disney, Comcast-Universal, and 21st Century Fox), saving the technology company time (waiting for an entire season to air on TV) and money. Though the company has not cut all ties with these conglomerates, Netflix has worked

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31 Reed Hastings and David Wells, "Investor Letter Q3 2012," October 23, 2012, http://files.shareholder.com/downloads/NFLX/170689058x0x607614/6BC75664-8A60-4398-8E52-FE918B79BF67/Investor%20Letter%20Q3%202012%2010.23.12.pdf.

32 Reed Hastings and David Wells, "Investor Letter Q1 2012," April 23, 2012, http://files.shareholder.com/downloads/NFLX/170689058x0x562104/9EBB887B-6B9B-4C86-AEFF-107C1FB85CA5/Investor%20Letter%20Q1%202012.pdf.

33 Ibid., 8.

with large media conglomerates as financiers, most famously, Disney-owned Marvel Television.[34]

By 2013-2014, Netflix continued to announce new original content. They continued diversifying their originals selections with a children's show like *Turbo: F.A.S.T.* (DreamWorks Animation Television), sci-fi thriller *Sense8* (2015-, Motion Picture Capital), prison dramedy *Orange is the New Black* (Lionsgate Television), Ricky Gervais' comedy *Derek* (2012-2014, Derek Productions), animated series *BoJack Horseman* (2014-, Tornante Company), a final season of *The Killing* (2011-2014), historical drama *Marco Polo* (2014-), and crime thriller *Narcos* (2015-, Gaumont International Television), among others.[35][36] In a chapter from *Distribution Revolution*, a book consisting of a series of interviews with media industry executives and creatives, Netflix's chief content officer Ted Sarandos shares his perception of Netflix's model of acquisition and original programming choices. For Sarandos, Netflix got into the business of original programming to gain greater control, to provide programs that "matter most to our consumers," and to become competitive with broadcast and cable networks reluctant to sell their past seasons (e.g., HBO, Showtime, and Starz).[37]

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[34] Todd Spangler, "Netflix Orders Four Marvel Live-Action Series," *Variety*, November 7, 2013, http://variety.com/2013/digital/news/netflix-orders-four-marvel-live-action-series-1200804887/.

[35] Reed Hastings and David Wells, "Investor Letter Q1 2013," April 22, 2013, http://files.shareholder.com/downloads/NFLX/170689058x0x655293/5C1951A4-E79C-49C8-BB83-1595635BF934/Investor_Letter_Q12013.pdf.

[36] Reed Hastings and David Wells, "April 2014 Earnings Letter," April 21, 2014, http://files.shareholder.com/downloads/NFLX/170689058x0x745654/FB5AAAE0-B991-4E76-863C-3B859C8DECE8/Q114%20Earnings%20Letter%204.21.14%20final.pdf.

[37] Ted Sarandos, interviewed by Michael Curtin, Jennifer Holt, and Kevin Sanson, *Distribution Revolution* (Oakland: UC Press, 2014), 141-142.

Underscoring a key distinction in mission between Netflix and Hulu, Sarandos notes that "Algorithms drive our entire website – there isn't an inch of uncalculated space."[38] Using algorithms and monitoring user trends, Sarandos then predicts "what we should and shouldn't have on the site," which applies to original content and content from networks as well.[39] Netflix identified a set of users dedicated to watching hour-long, serialized, television dramas, so Sarandos acquired *House of Cards*.[40] Sarandos claims to vet Netflix Originals projects more thoroughly than network and cable channel do. Networks traditionally have a pilot season of multiple shows, after which some shows are cancelled, and the remaining run for a few episodes to a season before cancellation or renewal. Instead, Sarandos commits to fewer shows that are "better developed" with "a couple of scripts, talent attached, a bible" then rewarding the commitment with nothing "short of a full-season commitment," sometimes two-season commitments, a practice associated with cable television.[41] This development process allows Netflix to skip the pilot season method of narrowing down shows based on preview test screenings, critics' reactions, and viewer response. Sarandos promotes how the company chooses forward-looking tactics; potentially saving money on shows that flop, and using more granular viewer data first before committing, rather than committing then cutting based on viewer data. This is Netflix's distinctive and competitive advantage, the amount of granular viewer data deployed to commit to projects.

[38] Ibid., 144.
[39] Ibid., 136, 141.
[40] Ibid., 141.
[41] Ibid., 142.

In this context – and with this data – Netflix holds the power over linear networks and cable channels. Comparatively, linear television outlets are still relying on Nielsen audience data, which overwhelms public discourse and serves as currency in television industries. What's more, that data is made widely available to journalists, competitors, and the public, whereas Netflix's information is not available to any outside parties. Nielsen data does not include ranking systems (favorites or stars) like Netflix allows. As Netflix expands internationally, they are amassing an ever-growing amount of viewer data. They are aware of taste profiles and viewer behavior patterns by region, gender, and age – and even more precise data (star rankings, genre preferences, local and global viewing habits, etc.) than such demographic categories than those. As Netflix expands further, the content they acquire for their Originals label is important to examine in greater detail, as it reveals more about the kinds of audiences Netflix wishes to privilege. The types of audiences Netflix privileges are addressed in chapter two.

COMPETITORS: NETFLIX AND HULU "POURING FUEL ON THE FIRE"

"The secular shift to on-demand consumption is best described as 'consumers evolving vs. old habits' rather than 'Netflix vs. traditional media.' We're all racing to fulfill consumer desires."

-Netflix Q3 Report, 2015[42]

As illustrated in the sections above, although both fall under the umbrella term "subscription video-on-demand," Netflix and Hulu define themselves as very different entities in terms of their business models and stated goals in acquiring original content.

[42] Reed Hastings and David Wells, "Q3 15 Letter to shareholders," October 14, 2015, http://files.shareholder.com/downloads/NFLX/4046490554x0x854558/9B28F30F-BF2F-4C5D-AAFF-AA9AA8F4779D/FINAL_Q3_15_Letter_to_Shareholders_With_Tables_.pdf.

They also imagine their competitors differently, even when they are cited as each other's competitors. In April 2015, *Variety* writers Debra Birnbaum and Todd Spangler situated Hulu against "VOD rivals" Netflix and Amazon Prime original series, stating that, comparatively, "Hulu gained little traction with more modest efforts."[43] While spokespeople from Hulu did not directly refer to Netflix or Amazon Prime, Hulu CEO Mike Hopkins underscored his company's objective of combining originals, syndication, and marketing for ultimate success in the competitive SVOD environment. Speaking to Hulu's competitive outlook, their large upcoming content slate, and the vast amount of content available on various platforms in an era of "peak TV," Hopkins said: "If you're in it, you have to win it… We're trying to pour fuel on the fire."[44]

Potential competitors for Hulu not only include other SVOD services but also television channels such as Lifetime, TBS, or HBO that form standalone websites or apps for viewers to access whether through authentication, advertising, or some combination thereof. Even their own corporate owners have such sites (e.g., ABC's WATCH ABC, NBC's integrated into the NBC.com homepage, and Fox's FOX NOW). In an interview with *The Hollywood Reporter*, Hopkins responded to this growing threat by saying that, while these websites are new and fresh, Hulu is "right there along with a lot of other folks. In many ways, we're out ahead of a lot of people in respect to our distribution

[43] Debra Birnbaum and Todd Spangler, "Hulu Bets on Ambitious Slate to Catch Up to Competition," *Variety*, April 28, 2015, http://variety.com/2015/digital/news/hulu-ceo-mike-hopkins-original-series-netflix-amazon-1201480770/.

[44] Ibid.

footprint."[45] Hopkins flaunts Hulu's longevity and breadth of programming, while striving to remain in the good graces of television networks. Hopkins, at *Business Insider*'s IGNITION December 2015 conference, reinforced the idea that Hulu is more "network-friendly" than Netflix, because it allows networks to keep their brand logos on the content. As such, the service represents a better place for networks to sell content than Netflix.[46]

Despite such claims, in October 2015 Reed Hastings infamously argued that Hulu is "much more disruptive" than Netflix and is a "even more of a cord-cutter's dream than Netflix is."[47] These brief quotes reflect Hastings's view that Netflix is a better place for networks to sell content because there more time elapses between the original on-air debut of a show and Netflix's season acquisition. The time delay functions similarly to a DVD box set release. Regardless of which platform is more "network friendly" or "disruptive," Hulu and Netflix are compared and pitted against each other. Such moves suggest the perception that most individuals are unlikely to subscribe to multiple services, though subscriber overlap exists, and thus they are seeking money from many of the same individuals.

The competitive discourse around Netflix and Hulu represents a larger conversation occurring in the television industry. With these new services and

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[45] Natalie Jarvey, "Hulu CEO on Shelling Out for 'Seinfeld,' Reviving 'Mindy' and His Next Moves," *The Hollywood Reporter*, October 15, 2015, http://www.hollywoodreporter.com/news/hulu-ceo-shelling-seinfeld-reviving-831557.

[46] Nathan McAlone, "Hulu's CEO Explains Why TV Networks Should Sell Shows to Him and Not Netflix," *Business Insider*, December 8, 2015, http://www.businessinsider.com/hulu-ceo-why-his-company-is-better-for-networks-2015-12.

[47] Mike Shields, "Netflix Calls Hulu a 'Cord-Cutter's Dream'," *The Wall Street Journal*, October 15, 2015, http://www.wsj.com/articles/cmo-today-netflix-calls-hulu-a-cord-cutters-dream-1444908668.

technology, the industry does not know who will dominate, how consumers choose one subscription over another, what content will be popular, and how the future of television will play out. Anxiety over predicting the future is a recurring theme in the industry; Netflix and Hulu are participating in traditional discourses of the television industry and television studies. To show Netflix's participation in this competitive discourse, in 2013, Ted Sarandos said that Netflix's central goal was "to become HBO faster than HBO can become us."[48] This brief statement reveals the extent to which Sarandos considered HBO a threat to the streaming service, or, at least publicly, wanted to establish a connection between Netflix and HBO. HBO has been extensively theorized in academia and in the popular press as a key proponent of "quality" television.[49] As such, it is logical for Netflix to align itself with HBO, or to position the service to compete with/beat HBO's offerings. To distinguish itself and "become HBO faster," Netflix, multiple times per year, has released extensive schedules for future television and film offerings and repeatedly vied against HBO for Emmys and Golden Globes.

Although Sarandos deployed such a comparison between Netflix and HBO for a few years, as of April 2015, Netflix did not present itself as in competition with HBO or Internet MVPD offerings (e.g., Sony's Playstation Vue and Dish's Sling TV). At least in its own internal reports and statements, Netflix does not believe its content is a substitute for HBO, especially because of the differences in their content libraries (HBO does not

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[48] Matthew Ball, "The State and Future of Netflix v. HBO in 2015," *Redef*, March 5, 2015, http://redef.com/original/the-state-and-future-of-netflix-v-hbo-in-2015.

[49] Michael Newman and Elana Levine, *Legitimating Television: Media Convergence and Cultural Status* (New York: Routledge, 2011).

sell its original shows to Netflix).[50] With regard to Internet MVPD offerings, Netflix identifies competition between MVPDs and pay TV bundles – but does not see itself as subject to these competitive forces directly. In letters to shareholders, as of 2015, Netflix does not publicly consider itself in competition with anything, besides the long-term threat of piracy, which they determine happens, "mostly outside the US."[51] Considering the audience for these quarterly reports, Netflix can be seen as assuring their shareholders that their product is unique, untouchable, thriving, and worth investing in.

The Netflix Q3 2015 report lists the evolution of other SVOD services, including Hulu's commercial-free option, HBO GO, and Amazon Prime. The statement continues: "The[se companies] remain active bidders for content, in addition to all the cable networks around the world."[52] Instead of threats to the company, in 2015, Netflix frames other media players as trying to play catch up with what it is doing. A quote from Sarandos in Q4 2015 is especially impactful and effectively represents Netflix's confident attitude regarding the issue of competition with established TV networks:

> The growth of Netflix has created some anxiety among TV networks and calls to be fearful. Or, at the other extreme, an NBC executive recently said Internet TV is overblown and that linear TV is "TV like God intended." Our investors are not as sure of God's intentions for TV, and instead think that Internet TV is a fundamentally better entertainment experience that will gain share for many years.[53]

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[50] Reed Hastings and David Wells, "Q1 15 Letter to Shareholders," April 15, 2015, http://files.shareholder.com/downloads/NFLX/692972882x0x821407/DB785B50-90FE-44DA-9F5B-37DBF0DCD0E1/Q1_15_Earnings_Letter_final_tables.pdf.

[51] Ibid.

[52] Hastings and Wells, "Q3 15 Letter to shareholders."

[53] Reed Hastings and David Wells, "Q4 15 Letter to Shareholders," January 19, 2016, http://files.shareholder.com/downloads/NFLX/4046490554x0x870685/C6213FF9-5498-4084-A0FF-74363CEE35A1/Q4_15_Letter_to_Shareholders_-_COMBINED.pdf.

Further evidence of Netflix's vision for its original series – as well as its attitude toward its competition – resides in a page on their Investor Relations website (ir.netflix.com) titled "Long-Term View." This page is dedicated to "Netflix's View: Internet TV is replacing linear TV."[54] Relying on archiving from Wayback Machine, the "long-term view" webpage has focused on Internet TV replacing linear TV since May 2013.[55] Netflix lists what they perceive as precedents, such as linear TV replacing radio entertainment, and the telephone replacing the telegraph, prompting a competitive response from linear television as Netflix presumes its future: SVODs replacing linear television. Speaking to their primary audience of future/current investors, their focus as of January 2016 has been on first-class apps in delivering Internet TV, "content people love" through curating titles and having "the best in each category" based on consumer feedback, possessing a "focused passion brand, not a do-everything brand," straightforwardness, and flexibility. This forward-thinking document is meant to forecast media consumption in a general sense, construct itself as competing against linear television, and to place Netflix as ahead of the curve. Netflix strives here to show investors their willingness to change and reinforce how they are responding, reacting to, and predicting trends in an evolving media environment.

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[54] "Netflix's View: Internet TV Is Replacing Linear TV," *Netflix*, January 19, 2016, http://ir.netflix.com/long-term-view.cfm.

[55] "Http://ir.netflix.com/long-Term-View.cfm," *Internet Archive: Wayback Machine*, n.d., https://web.archive.org/web/20130615000000*/http://ir.netflix.com/long-term-view.cfm.

TRADE PRESS AND CRITICS RESPOND

After examining the rhetoric directly produced and circulated by both businesses to investors and the press, it is worth looking at trade publications like *Variety* and *Deadline*, as well as magazines and newspapers like *The New York Times*, and consider how they in turn tell the story of Netflix and Hulu's development. The rhetoric from trade press and critics surrounding Netflix and Hulu has changed over time, due in part to the companies' business decisions, content acquisition choices, rising popularity, shifting subscriber bases, and evolving relationships with other companies. The ways the press and critics have responded is also a function of changes in the larger media landscape and the place of these companies within the broader television and media ecosystem. As mentioned in an earlier section on competitors, trade press writers are eager to compare/contrast platforms with TV channels and their stories work to situate Netflix and Hulu in the television industry.

To begin an overview of the shifts in trade coverage over time, as an example of how the press engaged with Netflix and Hulu originals early on, we can look to a 2012 article from Mike Hale of *The New York Times*. Here, Hale directly compares the first original shows from Netflix and Hulu, *Lilyhammer* and *Battlefield*.[56] Compared to the abundant coverage on Netflix and Hulu original shows in the later 2010s, these show did not receive a lot of media attention. Hale asks readers to think back to the early days of cable. He lists examples, HBO in the late 1970s and early 1980s and AMC in the early

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[56] Mike Hale, "The Shenanigans Behind the Slogans," *The New York Times*, February 14, 2012, http://www.nytimes.com/2012/02/15/arts/television/battleground-is-an-original-hulu-scripted-series.html?_r=0.

2000s. These channels used the money they earned from acquiring previously aired shows to fund their original content ventures. Hale compared Hulu and Netflix with HBO and AMC, and considered the quality/pleasurability of the cable channels' early shows. Hale argues that television networks and SVOD platforms must build original content libraries. He maintains that it takes time and effort to achieve a culturally acclaimed show like *The Sopranos* (1999-2007) or *Mad Men* (2007-2015). While the article is mainly a review of *Battlefield* (the show he deemed more enjoyable of the two due to its shorter length and engaging story), Hale foresaw a future for both Hulu and Netflix by comparing both platforms to HBO and AMC: "It's worth remembering, though, that as disposable as 'Battleground' or 'Lilyhammer' may be, they match up pretty well with, say, 'Dream On' and 'Remember WENN' – shows that those with long memories may recall from the early days of HBO and AMC. There's always room for improvement."[57] While Hale consciously chose to focus on Hulu's first original series over Netflix's, over time, Netflix's original program lineup built more rapidly and gained more critical acclaim than Hulu's, as is evident in the discussion of trade press articles provided below. Hale's optimism for both companies is noteworthy in hindsight, but he does not hide his feelings of disappointment toward their first televisual attempts.

In 2015, Netflix announced they would not renew *Lilyhammer* for a fourth season, citing an "entangled ownership and rights web and escalating costs" as the reasons for

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[57] Ibid.

cancellation.[58] Previous articles focused primarily on upcoming shows, considered how SVODs were disrupting the larger media environment, and speculated on the future of both linear and nonlinear television, by 2015, articles increased the topics addressed regarding Netflix's cancellations[59], disappointments[60], global expansion efforts[61], award show nominations[62], and more. *Indiewire* marked the change in rhetoric in July 2015, with an article titled "Netflix and the Future: The Two Things Changing Your Favorite Streaming Platform." The article ends by stating: "…through smart investment and innovative strategizing, Netflix has become one of the most powerful players in the game in a very short window of time."[63] The article's author, Liz Shannon Miller, drew a distinct contrast between Netflix's original content offerings in 2013 and 2015, noting a move from "a lineup dominated by prestige dramas" to "everything from stand-up specials to documentaries to the multi-camera sitcom." The two words that Netflix – and Ted Sarandos, in particular – consistently used circa 2015 were "exclusivity and control," thereby reinforcing the service's goals for original television programming expansion and slowing down licensing deals with legacy companies. Trade press writers covering

58 Denise Petski and Nellie Andreeva, "'Lilyhammer' Canceled After 3 Seasons on Netflix - TCA," *Deadline*, July 28, 2015, http://deadline.com/2015/07/lilyhammer-canceled-netflix-1201486351/.

59 Ibid.

60 Brian Lowry, "TV Review: 'Sense8,'" *Variety*, May 27, 2015, http://variety.com/2015/tv/reviews/sense8-wachowskis-netflix-review-1201499916/.

61 Jeff John Roberts, "As Netflix Goes Global, More Customers Jump Digital Fence," *Fortune*, July 7, 2015, http://fortune.com/2015/07/07/netflix-vpns/.

62 Ellen Killoran, "Netflix Emmy Nominations Break Record, But HBO Still Dominates," *Forbes*, July 16, 2015, http://www.forbes.com/sites/ellenkilloran/2015/07/16/netflix-emmy-nominations-break-record-but-hbo-still-dominates/#1a5d05503730.

63 Liz Shannon Miller, "Netflix and the Future: The Two Things Changing Your Favorite Streaming Platform," *Indiewire*, July 29, 2015, http://www.indiewire.com/article/netflix-and-the-future-the-two-things-changing-your-favorite-streaming-platform-20150729.

Netflix mirror these words[64], indicating how these writers copy the rhetoric circulated by Netflix and Hulu and pointing to a relationship between corporate discourse and media coverage.

At the same moment that Netflix was called "Your Favorite Streaming Platform" in *Indiewire*, critics reviewed Hulu's latest original series. At this point in 2015, from the perspective of most trade press coverage, Netflix is deemed as more established than Hulu and is more respected by the press for its accomplishments. In July 2015, *Variety* reviewed Hulu's new television show, *Difficult People* (2015-), produced by Amy Poehler, and starring Julie Klausner and Billy Eichner. Critic Bryan Lowry argues that *Difficult People* will change how Hulu original programs are perceived: "Hulu has made only modest noise with original programming, a situation that could change, and should, with *Difficult People*."[65] Indeed, this review (among several others[66]) marks a distinct 2015-2016 slate of original shows. These series often feature recognizable talent, including *Casual* (2015-, produced by Jason Reitman), *The Mindy Project* season four (with established talent Mindy Kaling and special guests), *11.22.63* (2016, based on a Stephen King novel, executive produced by J.J. Abrams, and starring James Franco), and *The Path* (2016-, starring Aaron Paul). While the success of these shows is yet to be

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[64] Todd Spangler, "Netflix Losing Flicks: Why It's Actually Smart to Shed 'Hunger Games,' Other Epix Movies," *Variety*, August 31, 2015, http://variety.com/2015/digital/news/netflix-losing-hunger-games-transformers-epix-movies-1201581737/.

[65] Brian Lowry, "TV Review: Hulu's 'Difficult People,'" *Variety*, July 30, 2015, http://variety.com/2015/tv/reviews/difficult-people-review-hulu-billy-eichner-series-1201552610/.

[66] Brian Lowry, "TV Review: '11.22.63,'" *Variety*, January 28, 2016, http://variety.com/2016/tv/reviews/11-22-63-review-stephen-king-james-franco-jj-abrams-hulu-miniseries-1201680622/; Tim Goodman, "'Casual': TV Review," *The Hollywood Reporter*, September 16, 2015, http://www.hollywoodreporter.com/review/casual-tv-review-823786.

determined – and success itself becomes more difficult to measure in the streaming context, in which audiences are measured differently – such linkages via original programming represent another example of how the two companies are played off of one another by the press.

Another common way Hulu is talked about and related back to Netflix is the company's decision to stick to weekly releases for its original series.[67] This becomes important in August 2015 as the aforementioned shows are about to debut on Hulu, and Netflix's establishment of the "binge-viewing" model has increasingly become a cultural norm. A *Variety* article explaining Hulu's reasoning for maintaining the weekly release model cites Netflix as a trailblazer with the binge-viewing model, and Amazon following suit.[68] However, Hulu differentiates its brand and platform model by maintaining the weekly release model, explaining that this practice "value[s] the shared experience and the joy of the water cooler that is television," as Craig Erwich, Hulu's senior VP and head of content explained.[69] However, although the premieres are weekly, audiences have the option to binge watch and catch up after Hulu has debuted a certain number of episodes or the entire season. This business decision of relying on weekly premieres, then, becomes a way to distinguish Hulu, and play with the format, while sticking to a more "traditional" way (at least upon premiere) of viewing television…commercials included.

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[67] Cynthia Littleton, "Hulu Sticks with Weekly Release Schedule for Original Series," *Variety*, August 9, 2015, http://variety.com/2015/tv/news/hulu-weekly-release-episodes-original-series-1201566334/.

[68] Ibid.

[69] Ibid.

It also points to Hulu's heritage: its status as a joint venture of legacy media conglomerates.

CONCLUSION

As illustrated through an examination of their corporate documents, Netflix and Hulu's different business models and stakeholders influence the two companies' activities. Furthermore, how both companies position their businesses in the broader media market, and how critics and the trade press cover both companies, in turn influence our understandings of them. Netflix, without ownership ties to media conglomerates, has been able to move into original series territory more thoroughly and quickly than Hulu. Hulu has sustained its relationships with advertisers, obliging broadcast and cable television networks, while also changing their business model in recent years. Hulu has struggled to navigate the competing demands of being an innovative streaming service taking on competitors such as Netflix and Amazon even as it serves the interests of companies bound to a linear television model. The fact that both companies began distributing original programs points to the competitive nature of the television industry, and "peak" TV's variety of choice. Chapter two will look at another important factor in these two businesses: how Netflix and Hulu consider and construct their audiences. The subscriber/SVOD relationship reveals interesting behavior patterns emerging in both companies, showing how each prioritizes viewership and engagement, and acquires content that reflects their businesses' goals and appeals to their imagined audiences.

Chapter Two

"Something for Everybody": Imagining Netflix and Hulu's Audiences

In her research on postwar television and the sociocultural and industrial context of its production, Lynn Spigel finds that daytime schedules, program types, and promotional materials were "based upon ideal images of female viewers and, consequently, they were rooted in abstract conceptions about women's lives."[1] Spigel presents the idea that the industry formed ideal and abstract conceptions of daytime television's female audiences. As such, she argues that scholars cannot reconstitute these women's viewing experiences. Rather, she maintains, "we can better understand [female daytime audience's] concerns and practices by examining the ways in which their viewing experiences were explained to them at the time."[2] Women's magazines, among other media forms, featured images, articles, and promotional materials that worked alongside the television industry's own materials to promote and construct certain modes of spectatorship. Similar methods, I argue, can be employed to understand how contemporary streaming media services such as Netflix and Hulu have promoted their brands and modeled ways of engaging with and understanding these platforms.

In this second chapter, I study forms of media similar to those Spigel describes: industry materials such as advertisements, press releases, blog posts, one sheets, and trade as well as mainstream media forms. This study is meant to represent a portion of

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[1] Lynn Spigel, *Make Room for TV: Television and the Family Ideal in Postwar America*, (University of Chicago Press: Chicago, 1992), 30.

[2] Ibid.

industrially authored and directed materials. I acknowledge there are many other forms of mediated content that construct and imagine viewers, which must be considered in the future. Due to the breadth of content available in the post-network era, catered to fit many different niches, as a result, niche content targets and constructs many different types of viewers. The portion of this content I examine – industry-authored texts available on platform-affiliated websites and trade press, by proxy – helps us to see how SVODs such as Netflix and Hulu constructed viewers and encouraged particular relationships between their services and their audiences. As Spigel notes, this is an abstract concept of people; neither she nor I intend or expect to reconstruct the "actual" audience. Ien Ang has made clear such a task would be impossible, as discussed below. However, materials about Netflix and Hulu's audience base as ideal abstractions can further help explain how they imagine people and envision their platform and its programming being used.

This imagined audience is important to examine because it reveals a particular form of corporate audience engagement. In *Desperately Seeking the Audience,* Ang finds two ways the television industry (as of 1991) saw audiences: audience-as-market (connected to commercial service) and audience-as-public (connected to public service).[3] "Giving the audience what it wants" defines the former construction, audience-as-market, and the latter, by "a pervasive sense of cultural responsibility and social accountability."[4] Legacy television companies and premium cable channels, in particular, have imagined audiences in additional ways since Ang's 1991 theorization – how SVODs construct

[3] Ang, *Desperately Seeking*, 28.
[4] Ibid.

audiences overlaps with particular ways legacy TV considers audiences. I target three ways, in particular, Netflix and Hulu imagine audiences: audiences as data, as subscribers, and as promotional partners. Netflix and Hulu's engagement with these three audience imaginings contributes to an understanding of their business plans, their brands, and their ideal viewing practices. Further, it addresses culturally shifting ideas of audiences and the ever-changing television industry. Both SVODs spend valuable resources, time, and money trying to understand their audience and reach subscribers. Imagined audiences inform how shows are marketed, and how both companies explain their goals to the public. These audiences can be commodified and used by SVODs and stakeholders, as theorized by Smythe. New media technologies are built on a platform of both greater consumer choice and personalization. However, an analysis of how Netflix and Hulu imagine and construct audiences via marketing materials and public discourse show the limits to the construct of "consumer choice" and process of commodification. In addition, this analysis reveals both the planning that goes into the creation of content choices, and sheds light on how companies strive to gain and sustain viewership.

Previous studies of streaming television and new media platforms have focused on audiences interacting with VOD television through the lenses of big data, surveillance/dataveillance, and producer/consumer power relationships.[5] For example, studies from media scholar Mark Andrejevic have propagated the idea that audiences and their labor are exploited by industry. This study, due to the constraints of this project,

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[5] Mark Andrejevic, *iSpy: Surveillance and Power in the Interactive Era* (Lawrence, KS: University Press of Kansas, 2007).

only explores how these platforms consider audiences. Nevertheless, this study will not speak in broad strokes about the absolute power of industries because audiences watch and interact in diverse ways even within the constructions that the industry places upon them. The approach taken here, which draws from cultural studies in its orientation, is necessary to add to the growing body of literature on streaming television. At the same time, I still acknowledge that the TV industry – and for the purposes of my study, SVOD services such as Netflix and Hulu – constructs audiences.

The process of constructing, gaining, and sustaining audiences is often framed, by industries, through "engagement." Ivan Askwith tracks the use of the word "engagement" in industrial discourse in the early 2000s. Askwith, through the industry discourse, argues that television executives saw the future success of television as reliant on "recasting it as an active medium," largely accomplished through "audience engagement."[6] Engagement, for Askwith and the industry discourses he cites, is loosely defined as "a level of attentiveness and emotional investment," though he admits there is no one, consistent definition.[7] To supplement this flexible definition, he tracks the patterns within discourse and helpfully breaks down the industry's understanding of and rhetoric surrounding the process of engagement:

1) The viewer decides to watch a television program.
2) The viewer is "engaged" with the content of the program.
3) The viewer will accordingly do one or more of the following:
    a. Watch the entire program without changing channels.
    b. Become a regular and loyal viewer of the program.

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[6] Ivan Askwith, "Television 2.0: Reconceptualizing TV as an Engagement Medium," (master's thesis, Massachusetts Institute of Technology, 2007), 11.

[7] Ibid., 12.

c. Be a more attentive viewer when watching the program.

4) As an added bonus, the viewer may also:

a. Become passionate about the program.

b. Convince others to watch the program as well.

5) All of the possible results listed in (3) and (4), in turn, benefit the program's advertisers, since each of these outcomes increase the odds of the viewer being exposed to, aware of, and persuaded by the advertisement.

6) Furthermore, through a process of transference, the viewer's positive feelings toward the program will "spill over," making the viewer more receptive to advertising appearing during the program.[8]

This above process and the terms employed change only slightly with SVOD technologies. I have slightly revised Askwith's break down.

1) The viewer decides to visit a SVOD platform.

2) The viewer decides to watch a television program.

3) The viewer is "engaged" with the content of the program.

4) The viewer will accordingly do one or more of the following:

a. Watch the entire program without exiting the platform.

b. Become a regular, loyal, or *binge-viewer* of the program.

c. Be a more attentive viewer when watching the program.

5) As an added bonus, the viewer may also:

a. Become passionate about the program.

b. Convince others to watch the program as well (*through social media posts or word of mouth*)

5) All of the possible results listed in (4) and (5), in turn, benefit the program's advertisers *(or the platform's shareholders)*, since each of these outcomes increase the odds of the viewer being exposed to, aware of, and persuaded by the advertisement. *Or increase the odds of the viewer being persuaded by the enjoyment and variety of programming.*

6) Furthermore, through a process of transference, the viewer's positive feelings toward the program will "spill over," making the viewer more receptive to advertising appearing during the program. *Or, through the process of transference, the viewer's positive feelings toward the program will "spill over," making the viewer more receptive to continuing their monthly SVOD subscription.*

At its core, this audience engagement process (as detailed by Askwith, through industry discourse) remains true as SVOD stakeholders talk about engaging an audience.

[8] Ibid., 23.

Engagement measurement strategies, similarly continuing within SVOD industry discourse, are most broadly broken down in three ways: through viewer attitudes, viewer behaviors, and viewer attentiveness.[9] Primary documents in this chapter and chapter three will point to these patterns of "engagement," as framed through Netflix and Hulu discourse.

In this chapter, I am interested specifically in Netflix and Hulu in order to focus on the streaming sector of the television industry's conception/imagination of the audience. This speaks more broadly for culturally circulated, changing ideas about audiences, namely, valuing engagement and quantifying viewership through big data. These questions, in turn, build on the questions explored in chapter one, which included addressing how these companies decided on what products to acquire and how to position that product to consumers it wished to acquire and retain.

AUDIENCES/VIEWERS/USERS/FANS/SUBSCRIBERS

Before analyzing how Netflix and Hulu construct audience through advertisements, public discourses, and industry materials, I want to break down some commonly used industry terms of the "people watching SVOD television": viewers, subscribers, audiences, users, spectators, fans, and more. Throughout the analysis in the following chapters, it is important to keep in mind how Netflix and Hulu use these terms, when they use them, and for what purposes. Frequently, the platforms use these terms in ways different than how scholars have traditionally defined them. The terms are conflated and used informally. This section differentiates between the scholarly definitions and the

[9] Ibid., 28-32.

industrial definitions of the most common terms used. However, for my purposes, evoking Ien Ang, I primarily use "audiences" to describe Netflix and Hulu's imagined groups of people watching and interacting with their platform and shows. I use "viewers" or "viewership" to describe a mass of people and their behaviors when the group has not been constructed by industries. For scholars, audiences are (in part) inherently defined by media organizations.[10] This definition is true for industries too, as we see the construction of audiences by media organizations throughout this chapter. While audience(s) are inherently plural, "viewer" or "viewers" can span from singular to mass. The term television "viewers," as a mass, does not evoke the same definition as "audiences" – "viewers" lacks the connotation of a constructed group. Industries use "viewer" to indicate a specific (if fictional) person, and they swap between "audiences" and "viewers" most frequently.

For media scholars, especially those who study the Internet, "users" are "generally referred to as active internet contributors."[11] However, when deployed by industries and trade press, a Netflix or Hulu "user" is simply a person who logs in and/or interacts with the website. "Fan" has similar links to "user," in that the word evokes active behavior. Traditionally, though, scholars narrow the definition of fan to include people who have a passionate/affective relationship with a media text(s). Also, for scholars, the definition can suggest participation and production practices. More broadly,

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[10] Napoli, *Audience Evolution*, 12.

[11] Jose van Dijck, "Users Like You? Theorizing Agency in User-Generated Content," *Media Culture & Society* 31, no. 1 (2009): 41.

industries imagine fans as dedicated, engaged consumers of content and use the term accordingly, which will be explored further in chapter three.

A subscriber represents the outlier of the group; the word evokes both a monetary exchange and a long-term relationship with a service. There is a gatekeeping system in play, a login and password is necessary in order to receive access. This is apparent with Netflix; one needs to be a subscriber (or know a subscriber[12]) to access their service. Netflix cultivates subscribers – that is the main goal of their business model. Hulu, as we saw throughout chapter one, relies only partially on subscribers due to its three different tiers of service. Hulu Plus relies on subscribers to generate revenue. Subscribers' interaction can stop at a monthly monetary exchange. The monthly fee is automatically taken out of one's credit/debit card or bank account. Just because one pays to subscribe does not mean they watch the service. Being a subscriber does not equate to being a viewer, audience, user, and/or fan. Netflix does not need view counts (like broadcast and cable television) to function; it just needs monthly payments. Traditional, free Hulu does need viewer counts and viewer engagement to appease and gain advertising partners, but the commercial-free Hulu Plus tier requires monthly payments.

The goal for both of these companies is how to build and sustain subscribers, though the degree to which it matters differs for Netflix versus Hulu. This is how original, diverse content comes into play. Both Netflix and Hulu Plus (since full seasons

[12] There is a considerable informal economy of SVOD password sharing. Famously, 2015 Emmys host, comedian Andy Samberg, shared his HBO Now username and password during the live broadcast. The login information worked briefly, until HBO suspended the account. Brad Tuttle, "The Real Rules for Sharing Passwords at HBO Now, Netflix, Amazon Prime, and Hulu," *Time*, September 21, 2015, http://time.com/money/4043147/hbo-netflix-amazon-prime-share-account-password/.

of original programs can only be accessed through Hulu's subscription tiers) have created a business of maintaining and growing subscriber bases, and see the most benefit in creating their own original content. This marks a rhetoric shift in television industries.

When working to maintain and grow subscription numbers, both Netflix and Hulu Plus speak in terms of audiences, fans, and viewers. In an industrial context, all of these terms evoke the practice of watching content. However, for industries, the distinction between subscribers and audiences, viewers, fans, and/or users is most significant. For public relations purposes, talking publicly in terms of audiences, users, fans, and viewers is more beneficial to Netflix and Hulu than talking in terms of subscribers. These terms obfuscate thoughts of monetary exchanges and customer relationships, shifting the rhetoric to a simple exchange of content for eyeballs (as is also true with broadcast or cable television). When Netflix and Hulu deploy the term "fans" in industry and public relations materials, the word imagines a particular audience and encourages interaction with the platform – through excessive watching, participation with official social media feeds, rating programs, and regular usage – rather than just speaking in monetary terms.

Following this breakdown of subscribers versus audiences, users, etc. the foundations of monetary exchanges between people and Netflix/Hulu are important to keep in mind. But, more broadly, the fact that audiences are labeled and conflated in various ways points toward larger cultural patterns. Audiences are differently addressed and catered to, revealing SVOD (and wider television industry) uncertainty about their audience and anxieties over maintaining popularity.

IMAGINING AUDIENCES: AUDIENCES AS DATA

It's intuition that is checked by data.

- Ted Sarandos[13]

Netflix famously attributed the critical (and presumed numerical) success of *House of Cards* season one to their data collection system. Trade and popular press, and academics, can only presume numerical success because the company's rhetoric implies large viewing numbers but does not release specifics.

> [Netflix] already knew that a healthy share had streamed the work of Mr. Fincher, the director of "The Social Network," from beginning to end. And films featuring Mr. Spacey had always done well, as had the British version of "House of Cards." With those three circles of interest, Netflix was able to find a Venn diagram intersection that suggested that buying the series would be a very good bet on original programming.[14]

As media studies scholar Chuck Tryon writes in his essay "Building on a House of Cards," Netflix consciously attempted to build an "on-demand spectator" through the analysis of viewer engagement and taste.[15] Tryon puts it simply: "through its use of algorithmic recommendations, Netflix seems to promise us that it knows what we want to watch before even we do."[16] While the practice of imagining and predicting content that

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[13] Alan Sepinwall, "Ted Talk: State of the Netflix Union Discussion with Chief Content Officer Ted Sarandos," *Hitfix*, January 26, 2016, http://www.hitfix.com/whats-alan-watching/ted-talk-state-of-the-netflix-union-discussion-with-chief-content-officer-ted-sarandos.

[14] David Carr, "Giving Viewers What They Want," *The New York Times*, February 24, 2013, http://www.nytimes.com/2013/02/25/business/media/for-house-of-cards-using-big-data-to-guarantee-its-popularity.html?_r=0.

[15] Chuck Tryon, "Building on a House of Cards: On-Demand Culture and Big Data," *Media Fields Journal*, no. 10 (November 14, 2015), http://mediafieldsjournal.squarespace.com/building-on-a-house-of-cards/.

[16] Ibid.

audiences want is a widespread practice in linear television, Netflix's novelty (for the company and for journalistic press) lies in the type of data Netflix acquires and how they acquire it. Due to behind-the-scenes data driving the website, and thus, programming choices (especially regarding Netflix originals), it is critical to include a discussion of how Netflix promotes particular audience behaviors in order to construct their imagined audience. This pursuit of knowledge might be perceived as a feedback loop: Audiences watch, rate, and interact with television shows on Netflix, Netflix gathers this data[17] and creates shows. But also, Netflix purposefully promotes certain content as the first thing audiences see upon visiting the website, influencing audiences to watch, rate, and interact with them in turn. The programs, Netflix's infrastructure, and its subscribers all inform each other. We must understand all three, but especially for this study, it is important to note Netflix's role as a player in this feedback loop.

When Netflix spins this process of gathering big data to the public, the rhetoric used in interviews and articles is one of "giving back" to a loyal audience. The company heavily promotes the idea that it provides the audience with a range of choices. I agree with Tryon's counter to such claims; he maintains that Netflix's algorithmic system in fact constrains and limits consumer choices, effectively feeding consumers particular programs based on the strict categories recommended to users through their personalized algorithmic data set. Although Netflix's conception of their audience is limited to these

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[17] Yvonne Villarreal, "When Did You Get Hooked On 'Mad Men'? And When Did Netflix Know It?," *Los Angeles Times*, September 23, 2015, http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-netflix-hooked-episodes-tv-shows-20150922-htmlstory.html. A pertinent example of the type of data they collect is seen when Netflix announced they knew when viewers were "hooked" on a show. Netflix presumably collects data based on time, sustained watching behavior, star ratings, etc.

data sets, users can still play within the boundaries it constructs. Setting up this feedback loop and the players involved in constructing Netflix's imagined audience, I turn to the materials released from the company and interviews with executives to analyze how they portray their audiences as data sets.

According to remarks made by Netflix communications director Joss Friedland in a November 2012 interview with *Wired*:

> We know what people watch on Netflix and we're able with a high degree of confidence to understand how big a likely audience is for a given show based on people's viewing habits. We want to continue to have something for everybody. But as time goes on, we get better at selecting what that something for everybody is that gets high engagement.[18]

Whether for linear or nonlinear outlets, executives are always searching for the next TV show that will appeal to broad audiences, stimulate the process of engagement, and generate revenue. The key for Netflix is data collected through audience response, also known as big data. Television scholar Timothy Havens asserts that big data includes "the integration of digital recording, distribution, and data analysis technologies" in media industries.[19] Havens argues that Netflix's use of big data contributed to several major programming decisions, including *House of Cards*. Since the audience remains the "central obsession of the commercial media industries," big data helps in predicting a program's successful return on investment.[20] Big data also, effectively, commoditizes the

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[18] Roberto Baldwin, "Netflix Gambles on Big Data to Become the HBO of Streaming," *Wired*, November 29, 2012, http://www.wired.com/2012/11/netflix-data-gamble/.

[19] Timothy Havens, "Media Programming in an Era of Big Data," *Media Industries Journal* 2, no. 1 (2014): 5, http://www.mediaindustriesjournal.org/index.php/mij/article/view/43.

[20] Ibid.

audience as Netflix makes purchasing decisions based on audience data. If Netflix did not have this system of measurement, they would depend upon the decisions of executives as well as the cruder Nielsen ratings system currency. While executives still have a say in the content chosen for Netflix viewers, publicly, the company's reliance on big data makes for an engaging narrative and branding strategy. Instead of claiming a show came from a Hollywood executive, now it comes "from the people," the people as data. Though, importantly, data "from the people" is constrained within the boundaries that Netflix has constructed. Netflix's big data is also internally informed through their previous content purchases, particular program promotions, and how subscribers work within Netflix's internally constructed constraints.

Continuing to consider Netflix's publicly promoted discourse – interaction with audiences as a feedback loop – PR and marketing teams rely on the discourse of "audiences as data" to construct Netflix's image. However, the extent to which the company actually uses audience data to make and inform business decisions is unknown. The company's programmers rely on "audiences as data" to publicly justify what they wish to license and acquire. Yet, in spite of all the rhetoric, big data and the Netflix algorithm is simply an updated version of audience testing and TV pilot screenings in Hollywood.[21] Publicly, audiences are considered and constructed through data but executives still have the final say.

As emphasized in chapter one, Hulu's audience is defined through multiple stakeholders (prominently, legacy media companies and advertisers) – even more than

[21] Todd Gitlin, *Inside Prime Time* (New York: Pantheon Books, 1994). See chapter two.

Netflix. As such, Hulu's feedback loop expands to include network affiliates, cable companies, and advertisers. Hulu's construction of advertisers as business partners *and* advertisers as audiences (reminiscent of network television considering advertisers as audiences, supporting Smythe's theory of audiences as commodities) is explored in a further section, but for now, I examine Hulu's relationship with audiences as data. Like Netflix buying content that matches their data set, Hulu shows ads to audiences based on data. A one-sheet from Hulu's advertising webpage includes a quote from Peter Naylor, SVP of Advertising, who says that "The marketplace has shown that data is overwhelmingly the new currency." Both companies customize their product for their audiences based on user data, but in different ways according to their different relationships with key stakeholders. The data talked about on Hulu's website is largely shaped by advertising needs. Data that comes from audience engagement with advertisements (taking quizzes, clicking on advertisements, choosing which advertisement to watch, etc.) is presently most valuable to Hulu. The company claims that its "goal for advertisers is to offer the highest quality of verifiable and measurable media for our clients."[22] Due to several factors, including that the company is privately owned, has fewer original series currently available, is not a market leader, and has unclear future business plans, Hulu does not rely on the same narrative that Netflix employs – namely, that audiences can be interpreted as measurable data to shape programming decisions.

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[22] Hulu Advertising," *Hulu*, n.d., http://www.hulu.com/advertising/research/.

IMAGINING AUDIENCES: AUDIENCES AS SUBSCRIBERS

Netflix and Hulu both use subscriber statistics as a proxy for audiences. As briefly stated earlier, the companies are interested in subscriber numbers, even if reports of these numbers do not figure prominently in much mainstream press coverage. Subscription numbers drive their revenue and appease stakeholders, so references to subscribers are mostly contained within quarterly reports and official corporate blog posts. Subscriber numbers, however, do not give information about audience engagement or what people actually watch. Or, to put it simply, subscriber numbers only detail the amount sold rather than the amount used.[23] Insights into algorithms and data collection give more information about actual consumption patterns and usage than subscriber data, but both companies use and rely on subscription figures. Statistics like the following are commonly featured in reports and upfront presentations: "[Hulu] announced that its subscriber base has grown to nearly nine million subscribers, a 50% increase in subscriber base since 2014."[24] Perhaps evident but worth reaffirming, subscription numbers quantify money earned and thus, from the perspective of the industry, are an important way to consider audiences.

Increasingly after 2012, Jason Kilar's Hulu blog posts strategically situated Hulu as competing with other mass-market SVODs. Publicly addressing their success through graphs and statistics (Figure 1) gives the impression that Hulu makes money, courts

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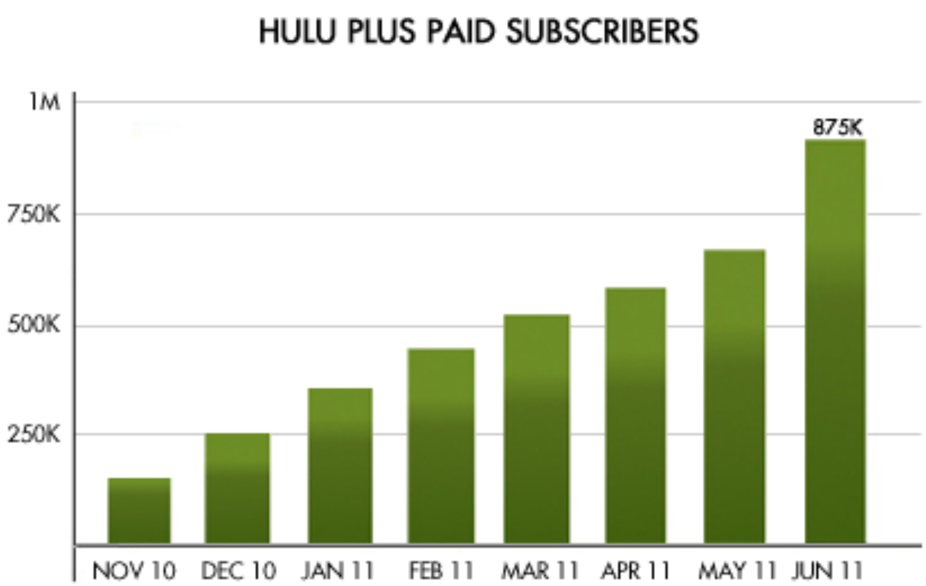
[23] Nielsen data is arguably trying to encompass viewership data (amount used/TV viewed). But, just because a television is on a particular channel does not mean anyone is watching. Though, Nielsen ratings are more relevant to viewership than subscription numbers.

[24] Press Admin User, "Hulu Announces Overall Growth and Unveils New Content Deals at 2015 Upfront Presentation," *Hulu Press*, April 29, 2015, http://www.hulu.com/press/posts/hulu-announces-overall-growth-and-unveils-new-content-deals-at-2015-upfront-presentation.

subscribers, and can thus threaten the structure and practices of the legacy TV industry. However, Hulu's goal pre-2012 was to court the industry and play nice with the content community and advertisers. As Hulu introduced original programs after 2012, their clear goals of appeasing their three stakeholders have become increasingly muddled. Demonstrating how Hulu used its construction of audiences-as-subscribers to account for their financial success, Kilar's Q2 2011 post included company goals and marketing statements.[25] For example, he provided a chart with the "slope of Hulu Plus's subscriber ramp" (Figure 1) as faster than anticipated, aiming for one million subscribers by the end of summer, six months sooner than anticipated. Comparatively, by mid-2011 Netflix had 25 million subscribers globally, 24.6 million of those in the United States.[26]



[25] Jason Kilar, "Q2," *Hulu*, July 6, 2011, http://blog.hulu.com/2011/07/06/q2/.

[26] Reed Hastings and David Wells, "Q2 11 Letter to Shareholders," July 25, 2011, http://files.shareholder.com/downloads/NFLX/4046490554x0x485532/067C1C07-F779-40F8-A1FB-20096EEB9BBC/July%20Investor%20Letter%201130am.pdf.

Figure 1: Hulu Plus Paid Subscribers[27]

In the same post, Kilar also explained how the company appeased the content community: "we proudly and profitably pay the content community approximately $8 per subscriber per month for the content offering you see today on Hulu Plus. A portion of the $8 payment to the content community comes from our $7.99 subscription fee; the balance comes from the revenue we generate through advertising."[28] This is similar to a cable model, which makes money from advertising and program packages, in addition to service delivery fees, and cable box rental fees. Kilar also listed the various platforms on which viewers can access Hulu Plus, as well as continued growth in Hulu Plus's content library. In terms of appeasing advertisers, he noted that "Hulu serves nearly 2x the number of video advertisements of the next largest advertising service [Adap.tv, now part of ONE by AOL]."[29]

Four years later, in October 2015, Hulu announced it was adding a more expensive subscription option. When Hulu announced this ad-free version, (priced at $11.99 per month) the company reasoned it was "to get people on Twitter off its back."[30] It makes sense that a subsection of subscribers complained about advertisements on Hulu. Any other comparable subscription video service (Netflix, Amazon Prime, HBO Now, Showtime) does not include advertisements. In customers' minds, they were paying to get rid of ads on these other services, why not Hulu too? Hulu's argument, and public appeal,

[27] Kilar, "Q2."
[28] Ibid.
[29] Ibid.
[30] Mike Shields, "Hulu Haters on Twitter Spurred Ad-Free Option," *The Wall Street Journal*, October 28, 2015, http://www.wsj.com/articles/hulu-haters-on-twitter-spurred-ad-free-option-1446064123.

said the main perk of an original (advertising-included) Hulu Plus subscription was access to more content – a larger library. By adding an advertising-free subscription tier, and attributing this decision to audience feedback, Hulu presented itself as appeasing and catering to their subscriber-base. Hulu's most recent CEO, Mike Hopkins, publicly stated that he did not think most people will pay for the extra tier, but providing it as an option speaks to Hulu's respect for their audience and their desire to cultivate a strong relationship with subscribers. Hopkins' forward thinking was accurate. Months later, he reported many customers did not purchase the commercial-free plan (those numbers are not public) and, "Almost overnight, complaints about advertising stopped because consumers know the bargain."[31]

Further analyzing the rhetoric used in the ad-free addition announcement shows another, less positive angle of Hulu's attitude toward audiences. "Getting the Twitter users off their back" does not portray a particularly positive relationship between Hulu and its audience. While Hopkins attributes the decision to the vocal Twitter group, the turn of phrase reveals the company's reluctance. Perhaps their public reluctance was due to Hulu's corporate owners. Advertising is a crucial part of broadcast television. When the top-tier subscription got rid of advertising, framing it as a reluctant decision – a decision just to get Twitter users off of their backs – still maintains Hulu's status as part of broadcast television.

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[31] Todd Spangler, "Hulu CEO Mike Hopkins: Service Will Grow Ad Share With Better Measurement," *Variety*, November 20, 2015, http://variety.com/2015/digital/news/hulu-ceo-mike-hopkins-advertising-data-1201645483/.

In the documents utilized above, Netflix and Hulu carefully invoke subscriber numbers to appease shareholders, content creators, or advertisers. While advertising pages, one-sheets, and shareholder letters are available to the public, they are foremost written for intra-industry stakeholders. Audiences as subscribers feeds into the industry-held idea that a monthly monetary exchange proves success. However, this data does not prove engagement or how particular viewers consider the platform. Audiences as subscribers are only valuable within the industry itself, elsewhere the construct is arbitrary.

IMAGINING AUDIENCES: ADVERTISING AGENCIES

Advertisers have courted younger consumers (18-49 year olds) for decades due to the long-standing industry belief that this demographic has the most disposable income and the most time to get (and remain) hooked on a product. With the concept of the millennial generation dominating journalistic discussions of branding and marketing products[32], and due to its reliance on advertising revenue, Hulu has intermittently prized the millennial audience (though this demographic focus is only within a larger business model of taking whatever audience they can get). In Hulu's blog aimed specifically at advertising companies, they have touted that their audience is skewed "significantly younger than broadcast TV and DVR viewers."[33] In a promotional video produced in 2015, they claim that 52% of subscribers are 18-34 year olds, and 92% of all 18-34 year

[32] Melissa Hoffmann, "Attention Brands: This Is How You Get Millennials to Like You: Looking at What Resonates Most With Marketers' Dream Demo," *Adweek*, October 6, 2014, http://www.adweek.com/news/advertising-branding/attention-brands-how-you-get-millennials-you-160575.

[33] Hiram Reid, "Hulu Delivers Millennials," *Hulu Advertising*, April 6, 2015, http://www.hulu.com/advertising/hulu-delivers-millennials/.

olds claim to skip advertisements. Importantly, on Hulu, it is almost impossible to skip advertisements, and if consumers are able to skip ads, advertising companies are not charged for ads that do not play from start to finish. This makes Hulu "a solution" for advertising companies frightened by DVRs and fast-forwarding capabilities. Hulu spends a significant amount of time and money courting advertising agencies – money that is not similarly spent by Netflix. As such, ad agencies should be considered part of Hulu's audience, especially when viewing Hulu's audience through their appeals to advertisers.

Hulu's website, hulu.com/advertising, is a hub for advertising agencies to browse the advertising opportunities that Hulu provides. Advertising agencies can view the type of ads – traditional commercial video spots, interactive quizzes or games, companion banners or sidebars, or brand/product placement within original programs – they might wish to purchase for Hulu's website. There is also a list of sponsorships available, and an entire section dedicated to advertising specifically with Hulu Originals. While the blog posts and trade press are pitched at Hulu's three customer groups of end users, advertisers, and content suppliers, this advertising page caters specifically to advertising agencies. On the Hulu Originals page, the company lists three reasons to advertise with the company: "Break ground on Hulu with never-been-done executions. Brand association with tent-pole original content that's defining pop culture. Drive brand results beyond the use of standard ad units & creative."[34] Partnership elements include "Organic brand integrations into story arcs across multiple episodes. Product placement throughout the season. Leverage show characters to develop custom content. Unique integrated

[34] "Hulu Originals," *Hulu Advertising*, n.d., http://www.hulu.com/advertising/hulu-originals/.

marketing activation around the series. Premium media placements within the series."[35] Hulu's pitch to advertisers shows its roots in linear television, drawing from common advertising strategies on linear television, such as product placement. Revealing Hulu's in-between position of legacy brand and new technology, it also attempts to differentiate itself from linear television with how the platform offers something different, calling their product "Advanced TV."

In a separate "Advanced TV" one-sheet, Hulu states their Advanced TV buying is "the next evolution."[36] For Hulu, Advanced TV is the combination of the right ad, for the right person, at the right time – this basically involves targeting specific demographics using viewer data and advertising data. Hulu lists seven unique value propositions here, including "Younger audience, lighter ad load, unskippable ads, effective targeting, industry-leading viewability, #1 safe site for brands, and 100% ad completion." This advertising page emphasizes that Hulu sees their company as unique, fresh, relevant, and willing to try new things through advertising. In regards to their audience, Hulu reiterates its prioritization of youthfulness at the same time it claims advertiser satisfaction. Hulu's promotions made for advertising agencies show its unique position, how the company straddles linear and nonlinear television, and its appeals to younger audiences and traditional advertising companies.

[35] Ibid.

[36] "Advanced TV One-Sheet_FINAL," *Hulu*, n.d., https://hulu.app.box.com/s/ay9ozgmthhut05h30gguppzd7dal2jif.

THEORIZING WATCHING BEHAVIORS

The way Netflix and Hulu release their original programs sheds light on how they view their subscribers/audiences, and how they believe their subscribers will watch their programs. *How* audiences watch something is an important area of emphasis in television studies[37], and how a program is presented to an audience (or which choices are given to audiences) is critical to think about when analyzing these two companies' practices. Both services present themselves as giving their audience "choice," but two different conceptions of choice will be revealed in this analysis.

Both mainstream and trade publications help to make binge watching synonymous with catching up on already-aired television content and, in particular, Netflix Originals. Binge viewing differs depending on those defining it. Scholar Mareike Jenner surveyed journalistic, popular, and industrial discourses that listed the qualifications of "binging." In an official press release, Netflix cited 73% of people surveyed quantified binge watching as watching between two and six episodes, while *The Atlantic* journalist Nolan Feeney inserts a caveat and separates hour and half hour programs in his definition.[38] I am in agreement with Jenner's claim that binge viewing is "subjective" and "in relation to one's own media consumption."[39] Though the definition remains subjective per individual user, Netflix releases their original content in a way that can be easily binged, with full seasons dropped at midnight on a Friday – prime time for a

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[37] See Spigel, *Make Room for TV*; Tamar Liebes and Elihu Katz, *The Export of Meaning: Cross-Cultural Readings of Dallas* (New York: Oxford University Press, 1990).

[38] Jenner, "Binge-watching," 4.

[39] Ibid.

weekend's consumption. This gives subscribers the opportunity to watch it all on that Friday, over the course of a week, thirteen weeks, or throughout the year.

Even before the first season of *House of Cards* debuted on Netflix in 2012, the company's communications director, Joss Friedland, declared the binge model would, "change the way people look at television. By putting all 13 episodes out on the same day giving everyone the opportunity to watch it at their own pace is going to be a major moment. We put consumers in charge of their own experience. It's going to be an interesting time."[40] Sarandos similarly claimed that, "there's no reason to release [*House of Cards*] weekly" because of his opinion that the culture has "move[d] away from appointment television."[41] As mentioned earlier, data collected by the company regarding people's consumption practices led them to decide to release full seasons at a time.

Inversely, Hulu has continued with the weekly release model, thereby differentiating its platform and exposing its stakes in broadcast television. If subscribers want to see the latest Hulu original series, they must wait a week between episodes to watch, or wait a few months for the full season to debut and binge/create their own schedule. SVP and head of content Craig Erwich advocates for the shared viewing experience, a weekly release schedule allows viewers to "discover" Hulu series in real time, and allows viewers to simulate terrestrial television habits by watching multiple

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[40] Roberto Baldwin, "Netflix Gambles on Big Data to Become the HBO of Streaming," *Wired*, November 29, 2012, http://www.wired.com/2012/11/netflix-data-gamble/.

[41] Alan Sepinwall, "Ted Talk: State of the Netflix Union Discussion with Chief Content Officer Ted Sarandos," *Hitfix*, January 26, 2016, http://www.hitfix.com/whats-alan-watching/ted-talk-state-of-the-netflix-union-discussion-with-chief-content-officer-ted-sarandos.

shows at once and keeping a "steady stream of shows premiering."[42] As mentioned in chapter one, the weekly release model also evokes Hulu's ties to TV and media conglomerates. Audiences are urged to watch Hulu like network or cable TV, connecting the process of persuading particular audience behavior to its conglomerate ownership.

For Netflix, the company urges audiences to watch their programs in ways different from Hulu and thus, linear TV. As such, Netflix's algorithms must be considered once again. After generating a list of genres and tags in 2006, the SVOD changed its recommendation feature from requesting users rate films with a certain number of stars ("You would give this film 5-stars, it seems like you would like it") to a more language/genre-based system of recommendations (e.g., "Recommended for you: Dramas Featuring a Strong Female Lead"). Todd Yellin, Netflix's VP of Product, explained the rationale for the change:

> Predicting something is 3.2 stars is kind of fun if you have an engineering sensibility, but it would be more useful to talk about dysfunctional families and viral plagues. We wanted to put in more language. We wanted to highlight our personalization because we pride ourselves on putting the right title in front of the right person at the right time.[43]

Through its personalized recommendation system, Netflix wants to guide watching habits/behaviors. Recommending the right movie or TV show at the right time, from Netflix's perspective, encourages viewers to continue to come back and sample more of

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[42] Cynthia Littleton, "Hulu Sticks With Weekly Release Schedule for Original Series," *Variety*, August 9, 2015, http://variety.com/2015/tv/news/hulu-weekly-release-episodes-original-series-1201566334/.

[43] Alexis Madrigal, "How Netflix Reverse Engineered Hollywood," *The Atlantic*, January 2, 2014, http://www.theatlantic.com/technology/archive/2014/01/how-netflix-reverse-engineered-hollywood/282679/.

their content.[44] Building original content that reflects this range and personalization further enables the success of this model. Sarandos considers Netflix's brand to be "personalization…we didn't want any show to define Netflix…[Netflix wants] the best shows from everyone in the world for everyone in the world."[45] These shows are then categorized and internally quantified to present themselves to viewers. This process includes two concepts the company continually reiterates and considers part of their brand: personalization and data. These two distinctive abilities are targets for competition and invoke concern for linear television companies.

HOW COMPETITORS DEFINE NETFLIX VIEWERSHIP

Netflix's lack of transparency and tight hold of data and viewership information makes scholarship about Netflix's viewership quite difficult. However, it justifies the following discursive analysis. Other media companies must get creative if they want to try to understand what Netflix knows. Netflix constructs and caters to an audience based on the ways it provides recommendations, acquires content, and advertises to the public. To better understand how the nonlinear viewing audience is conceptualized, we can examine the way other media companies talk about products and platforms to the public. Unfortunately, there are limited occasions in which to access Netflix's data – and the

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[44] I have found that Netflix more frequently promotes its Originals programs as the first visible recommendation on the top of the website, as well as in the "Trending Now" and "Recently Added" sections, and even within a dedicated "Netflix Originals" section label. Though this may reflect my past viewing tendencies of Netflix Original programs, this hints at Netflix's prioritization of Netflix Originals within their recommendation algorithm, though the specifics of this algorithm remain hidden by the company.

[45] Alan Sepinwall, "Ted Talk: State of the Netflix Union Discussion with Chief Content Officer Ted Sarandos," *Hitfix*, January 26, 2016, http://www.hitfix.com/whats-alan-watching/ted-talk-state-of-the-netflix-union-discussion-with-chief-content-officer-ted-sarandos.

release of their data is often highly selective and controlled for maximum public relations impact. It is worth considering the few moments where the data slips through the cracks, so to speak –where Netflix releases certain statistics or, more interestingly in my opinion, when other media companies go rogue. Frequently, media companies release statements speculating about Netflix's viewership, but occasionally, companies try to quantify Netflix's viewership and release that data to the public.

Famously, in January 2016 at a Television Critics Association (TCA) luncheon, NBCUniversal President of Research and Media Development Alan Wurtzel revealed ratings for Netflix original TV series, including *Jessica Jones* (2015-), *Master of None* (2015-), and *Narcos*.[46] Wurtzel conducted a ratings study through Symphony Advanced Media, a company that uses a mobile app to track media interactions in real time. The app collects information on a user's interaction with TV content (by capturing the soundtrack of the show), advertising, mobile apps, social media, Internet searching, GPS, and more.[47] Symphony's panel included 15,000 users, and the company stated that its goal involved "Measuring what people do rather than what they say."[48] Symphony's company goal and data tracking method, again, bring up a focus on engagement. Symphony measures "what people do," meaning, how they interact and engage. Quantifying engagement has become more valuable to Wurtzel – especially in relation to the latter part of the goal, "rather than what they say." Historically, Nielsen has used viewing diaries and had its survey

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46 Michael O'Connell and Lesley Goldberg, "NBC Exec Outs Netflix Ratings for 'Jessica Jones,' 'Master of None,' More," *The Hollywood Reporter*, January 13, 2016, http://www.hollywoodreporter.com/live-feed/nbc-exec-outs-netflix-ratings-855642.

47 "How It Works," *Symphony Advanced Media*, n.d., http://www.symphonyam.com/technology/.

48 "Home Page," *Symphony Advanced Media*, n.d., http://www.symphonyam.com.

participants write down their television consumption throughout the week. Nielsen's diaries have been called out by industries as being subjective and inaccurate. Symphony counters that claim and positions itself as objective. This values and equates "real data" with what people do, and "fake data" with what people say, which relates to a larger industrial trend, valuing big data and its measurement of engagement.

Instead of focusing on Wurtzel and Symphony's actual viewership data, what is of interest to me is Wurtzel's publicly declared purpose for collecting and sharing the data. Understanding why Wurtzel contributed to the Netflix viewership mystery is important in building a more complete definition of Netflix's relationship with the television industry. Wurtzel's main goal in sharing these figures at TCA was to demystify viewership numbers, to prove Netflix did not pose a threat to NBCUniversal (Netflix's numbers "pale in comparison"[49]), and to put Netflix's business model in perspective, especially for the critics and journalists at TCA. Wurtzel said, "Their business model is to make you write a check next month…I don't believe there's enough stuff on Netflix that is broad enough and is consistent enough to effect us in a meaningful way on a regular basis."[50] Ultimately, Wurtzel is completely differentiating network TV and SVOD TV, through their different business models (advertising vs. subscription), extent of their library (range of content), and scope (broadcast/narrowcast). Thus, he also is making a

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[49] Olivia Armstrong, "NBC Slams Netflix at TCA, Says Streaming Series Ratings 'Pale in Comparison' to Broadcast," *Decider*, January 14, 2016, http://decider.com/2016/01/14/nbc-exec-slams-netflix-ratings-tca-2016/.

[50] Michael O'Connell and Lesley Goldberg, "NBC Exec Outs Netflix Ratings for 'Jessica Jones,' 'Master of None,' More," *The Hollywood Reporter*, January 13, 2016, http://www.hollywoodreporter.com/live-feed/nbc-exec-outs-netflix-ratings-855642.

judgment about network audiences in relation to SVOD audiences – namely, that viewers are seeking something different from each service.

After Wurtzel presented this data at the TCAs, Ted Sarandos responded to the validity of the figures provided and gave clues about Netflix's viewership tracking practices. Sarandos stated that the data was "remarkably inaccurate" and that "the methodology doesn't reflect any sense of reality we keep track of."[51] Sarandos's response is an attempt to prove that Netflix still *knows* its audience, but has different priorities. Nevertheless, Sarandos and Wurtzel both construct the audience, respective of their data sets, in targeted ways. Wurtzel's data from Symphony focused on the demographic of 18-49 year olds, which Sarandos says Netflix does not track. The company has not released data broken down by demographics. Instead of constructed demographics (historically used for TV advertising agencies), Netflix counts when people are "pressing start on a Netflix original," thus, "There is not an apples to apples comparison to Netflix watching and any Nielsen rating."[52] Sarandos is actually mirroring Wurtzel's point, again: there is something fundamentally different in how NBCUniversal conceives of an audience and how Netflix conceives of an audience. But both are desperate to capture and understand audiences. How each tracks their own audience reflects back on their unique definitions of success.

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[51] Michael O'Connell, "Netflix's Ted Sarandos Reacts to NBC Outing His Ratings: 'Remarkably Inaccurate Data,'" *The Hollywood Reporter*, January 17, 2016, http://www.hollywoodreporter.com/live-feed/netflixs-ted-sarandos-reacts-nbc-856438.

[52] Ibid.

How Netflix Defines Success

Success for both Netflix and Hulu becomes challenging to assess without access to internal corporate documents. Through raw subscription numbers, as of 2015 (the last time Hulu released subscription numbers), Netflix dominated the market with 60 million global subscribers (40 million located in the U.S.), with Hulu trailing behind significantly with nine million subscribers. Hulu's number does not include the number of people who have watched Hulu without a subscription, and the company does not make this data available. Since neither company has to release audience data, it is difficult to claim one platform is performing better than the other except in terms of these raw subscription numbers. But to survive within the larger television industry, both must cultivate a sense of superiority, stellar performance, and active audience engagement to remain competitive and relevant. Drawing on what these companies personally count as "success," carefully cultivated statistics and media blurbs do not give a full view of their performance in the industry relative to other SVODs, network, cable, or premium cable TV. However, what a discussion of *perceived* success, as defined and promoted by Netflix, provides is a way to think through the company's priorities as well as the shifting cultural and industrial positioning of television.

Netflix's priorities, much like traditional TV channels, still revolve around imagined audiences. But, as Sarandos emphasized in his response to Wurtzel, Netflix's conception of audiences is different from linear television companies. As television scholar Jason Mittell writes in *The Atlantic*, "Netflix simply doesn't care about ratings –

at least not in the way other television providers do."[53] Netflix still cares about ratings, to be sure, but this is a new conception of ratings. Such a new conception must be examined and considered in future SVOD studies and by television studies scholars more generally.

The most common ways that Netflix has defined success have been through award nominations/wins (an appeal to taste cultures), occasional PR releases that include viewer and subscriber data (quantifying success), and by marketing high levels of cultural relevance (success measured by engagement).[54] Netflix occasionally lists quite general statistics on viewership in their quarterly reports or through press releases. For example, 2015's Q1 reports include the following viewership data: "*House of Cards*, in its third season, had its biggest launch yet in terms of viewers." It also noted critical acclaim: "*Unbreakable Kimmy Schmidt*…winning Rotten Tomatoes scores of 90%+ from both critics and viewers," as well as perceived audience response, "[the company was] delighted by the fan excitement and critical response around last Friday's launch of *Marvel's Daredevil*."[55] By Q4 2015, the focus was on end-of-year lists, with *Marvel's Jessica Jones*, *Master of None*, *Narcos*, *Sense8*, *Marvel's Daredevil*, and *Bloodline* all noted for securing a spot on IMDb's "Top 10 new TV shows of 2015." IMDb is a noteworthy choice because the website is based on viewer ratings and votes, not the

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53 Jason Mittell, "Why Netflix Doesn't Release Its Ratings," *The Atlantic*, February 23, 2016, http://www.theatlantic.com/entertainment/archive/2016/02/netflix-ratings/462447/.

54 Press Admin User, "Hulu Renews Difficult People for Season Two," *Hulu Press*, August 27, 2015, http://www.hulu.com/press/posts/hulu-renews-difficult-people-for-season-two. Hulu has less experience with original programming, but when announcing the renewal of *Difficult People*, Hulu announced a season two ten-episode order "following a critically acclaimed debut" of season one.

55 Reed Hastings and David Wells, "Q1 15 Letter to Shareholders," April 15, 2015, http://files.shareholder.com/downloads/NFLX/692972882x0x821407/DB785B50-90FE-44DA-9F5B-37DBF0DCD0E1/Q1_15_Earnings_Letter_final_tables.pdf.

assessment of television critics.[56] The choice to feature this information further underscored that Netflix increasingly relied on cultural engagement and popular hype to dictate success. Another example of Netflix using cultural relevance to define success is through their discussion of the documentary series *Making a Murderer* (2015) within the Q1 2015 shareholder letter. The SVOD service claimed that the show "triggered a national conversation on fairness of the American criminal justice system." The Q1 2015 letter provided a link to the *Making a Murderer* Rotten Tomatoes webpage. The Rotten Tomatoes page lists high critical and audience acclaim for the show. The letter also links to a *People* story on "Who Killed Teresa?" inspired by the documentary series.[57] The 2015 Q4 report included information on the brand's reputation, citing two studies that name Netflix as 2015's number two "best-loved brand" from *Adweek* and as included a top ten "most relevant" brands from Prophet, explored in more detail through chapter three's case studies.[58] After linking to these studies, Netflix claimed that their "all digital approach makes us efficient and relevant to active Internet users everywhere."[59]

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[56] Bill Bradley, "The Top 10 New Shows of 2015, According to IMDb," *Huffpost TV*, December 23, 2015, http://www.huffingtonpost.com/entry/top-new-shows-2015-imdb_us_5668a505e4b009377b23b326.

[57] Sandra Sobieraj Westfall and Tara Fowler, "Who Killed Teresa? The Untold Story Behind 'Making a Murderer,'" *People*, January 13, 2016, http://www.people.com/article/making-a-murderer-who-killed-teresa.

[58] "Apple, Samsung and Microsoft Named Most Relevant Brands by Prophet's New Brand Relevance Index," *Prophet*, January 11, 2016, https://www.prophet.com/about/news/658-apple-samsung-and-microsoft-named-most-relevant-brands-by-prophets-new-brand-relevance-index.: From Prophet, a brand strategy firm, the four measures of relevancy are customer obsessed, ruthlessly pragmatic, pervasively innovative (engagement), and distinctively inspired (emotional connections, trustworthy).

Robert Klara, "Who Are the Year's Best-Loved Brands? Hint: Half Are Probably Younger Than You," *Adweek*, January 13, 2016, http://www.adweek.com/news-gallery/advertising-branding/who-are-years-best-loved-brands-hint-half-are-probably-younger-you-168930.

[59] Hastings and Wells, "Q4 2015."

From these blurbs that Netflix touts in its quarterly reports, it is clear that the company cares about people as both subscribers (for monetary purposes) and viewers (for engagement purposes), and that in fact the two are symbiotic for the company. Building hype by remaining a relevant brand, winning awards, and making top ten lists leads to subscribers that become viewers. I agree with Mittell's claim, that for Netflix, at least externally, "actual popularity is less important than perceived popularity."[60] Netflix's marketing strategies strongly construct and promote perceived popularity. Nonetheless, actual popularity is still important when it comes to appeasing shareholders and content producers, because actual popularity translates into income (and loss of churn). Netflix envisions its product as more successful the more people that subscribe, tweet, and share Netflix experiences. This is a different type of popularity than tuning in at 8 p.m. Eastern time on a Thursday to gain ratings. Sarandos outlines his criteria for success directly when he asks, "Is it drawing an audience? ... Is it getting positive reception from fans, from you guys, from the critical reception...Is the show positive to Netflix?"[61] There is clearly a balance of numerical popularity, critical acclaim, and brand building happening in Netflix's discussion of success.

CONCLUSION

In carrying over chapter one's discussion of these two companies, when viewing Netflix and Hulu's conceptions of their audiences, we can further see how various players

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60 Jason Mittell, "Why Netflix Doesn't Release Its Ratings," *The Atlantic*, February 23, 2016, http://www.theatlantic.com/entertainment/archive/2016/02/netflix-ratings/462447/.

61 Alan Sepinwall, "Ted Talk: State of the Netflix Union Discussion with Chief Content Officer Ted Sarandos," *Hitfix*, January 26, 2016, http://www.hitfix.com/whats-alan-watching/ted-talk-state-of-the-netflix-union-discussion-with-chief-content-officer-ted-sarandos.

are involved in framing our cultural understandings of SVODs and their audiences. There are relationships among shareholders, audiences, advertisers, officers, directors, and content creators all informing one another, all with various amounts of power and control. It is a complex web of input, feedback, provoking expressions, and creating impressions.

Similar to Ang's understanding of audiences in the broadcast era, Netflix and Hulu construct audience groups for industry purposes. Audiences are industrially created abstractions used in the interest of institutions.[62] The ways audiences are grouped, especially as data and as subscribers, reflect larger changes in the television industry. Technology enables Netflix and Hulu to track audiences differently, through "big data," which they promote as more valuable than the older Nielsen methods. Legacy companies' competitive responses, and attempts to track linear television like Internet usage (Symphony's measurement system), reveal how big data is privileged in this era.

The next chapter will take a look at some specific examples of advertisements, original TV content produced for Netflix and Hulu, and social media material in order to track the end product: the construction of content. How does content matter to these companies? How does this content (i.e., product) help to maintain audiences? I see this happening, primarily, through brand building carried over from TV channel strategies as well as attempts at audience engagement, efforts to build and sustain brand relevance in the evolving digital space.

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[62] Ang, *Desperately Seeking*, 2.

Chapter Three

Building Business Models, Brand Strategies, and Subscriber Bases: Two Approaches

Chapter one laid out business foundations of Netflix and Hulu, their stakeholders, forays into original content, competitors, and broader industrial discourse. The second chapter explored how these SVODs build, imagine, and consider audience groups: as data, as subscribers, and for advertisers. This chapter builds on the framework laid out in the first two chapters by looking at and analyzing paratexts, advertisements, social media campaigns, and promotions. In particular, the promotional tools discussed here support, complicate, and challenge company discourse about creating and implementing brand categories while targeting demographics and audiences. Each advertisement and social media post is analyzed in two ways: in relation to the brand identity the companies are attempting to cultivate and in relation to their imagined audiences. I examine the marketing strategies employed by these outlets to maintain the brand of the platform, build the show's brand identity, and sustain subscribers/audiences for the service.

There are two main through-lines in this chapter's case studies. First, I argue that Netflix and Hulu's advertising, branding strategies, and marketing campaigns imagine audience in particular ways (increasingly imagined as fans) and encourage specific modes of engagement. The media industries have encouraged some of the practices and tropes commonly ascribed to fans, fan productions, and fandom – in particular, sharing art and video on social media, producing content, forming communities, and rewatching/marathoning shows. These industry strategies reflect widespread industrial patterns of social media practices, emphasis on engagement, and engagement used to quantify and determine success. Instances of industries adapting fan practices have been theorized in fan scholarship from Bertha Chin and Matthias Stork, who acknowledge that fans can take pleasure from and/or feel exploited when industries take up their production practices.[1]

At the same time, such brand strategies (and appeals to fans) are also common to SVODs, which communicate their valuation of public engagement (instead of numerical data, more so than linear television) in order to illustrate their popularity to the press and public. Targeting fan bases, most often linked to TV shows, also helps Netflix and Hulu maintain their brand. This appeal maintains brand relevance for Netflix and Hulu, especially to their most prized demographic: audiences consuming TV series through online platforms. Secondly, through an examination of Netflix and Hulu's content acquisitions and promotional materials, I illustrate how they address – and juggle – the concerns of their stakeholders: maintaining subscribers and turning a profit. In the process, one can see two different ownerships and business models at work, and how those models intersect with means of imagining and interacting with audiences.

These case studies reveal key points of divergence in Netflix and Hulu, which reflect the differences in business models (see chapter one). Netflix constructed a strong, all-encompassing brand. So, when referring to watching habits, audiences tend to frame

[1] See Chin, "Sherlockology." Stork, "The Cultural Economics."

their engagement with the platform as "watching Netflix."[2] Hulu's audiences highlight their engagement by citing particular content available on the platform. Netflix's strong brand status, as of the mid 2010s, shows its early transition to streaming and strong original content bid, while Hulu's brand remains blurry, straddling legacy and new technology company goals. Hulu's brand is blurred further with its appeals to numerous stakeholders laid out in chapter one, most importantly, appealing to advertisers. Netflix's brand can, at times, contradict itself as it advertises to "everyone" as its key demographic. Simultaneously, the company focused on turning casual users into frequent users, privileging a demographic they categorize as "fans." Unlike Netflix, Hulu's Originals brand occasionally targets millennials; presumably hoping this generation will engage on social media and remain lifelong subscribers. But Hulu's vast amount of previously aired programming and film selection shows the platform's efforts to target a broader audience.

LITERATURE REVIEW: BRANDING TELEVISION

Before starting the case studies, a discussion and overview of the pertinent branding literature is necessary. Branding has become an extremely important practice in global popular culture and media businesses. As detailed in Adam Arvidsson and Tiziano Bonini's article, "Valuing Audience Passions," there is utility in drawing from Dallas W. Smythe's theory on the culture of branding among industries, viewers, and advertisers.[3] Updating Smythe's work, Arvidsson and Bonini claim a new style of consumption began

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[2] Jason Lynch, "Here's Why Consumers Love Netflix More Than Amazon and Hulu," *Adweek*, June 24, 2015, http://www.adweek.com/news/television/here-s-why-consumers-love-netflix-more-amazon-and-hulu-165547.

[3] Adam Arvidsson and Tiziano Bonini, "Valuing Audience Passions: From Smythe to Tarde," *European Journal of Cultural Studies* 18, no. 2 (April 2015): 158–73.

in the mid-twentieth century as media industries worked to transform viewership practices into audience commodities that could be sold to advertisers.[4] Media industries and products, including broadcasting and magazines, structured and situated audience attention in predictable ways, thus leading to a greater return on investment and helping to ensure a larger percentage of viewers purchased products. This process of "situating" the audience transformed throughout the twentieth century, but the introduction and widespread use of demographics in the 1950s and psychographics in the 1960s and 1970s, marked an especially important moment for marketing teams involved in selling engagement. Arvidsson and Bonini argue that psychographic data and other newer forms of twenty-first century data collection – such as Nielsen's audiometers and, I argue, Netflix's algorithms and Hulu's access to big data – gave way to multifaceted audience data, and considers both passions (i.e., the strength of audiences' affective ties, combined with audience consumption over time) and noise (i.e., media landscape in spaces outside of the home).[5] In the current media landscape, the focus on audience passion is due to the fragmentation of audiences and the perceived ability to understand passion, owing to the availability of diverse, detailed data. Companies must work to sustain passions, especially consumption practices and engagement, in order to predict and sustain consumer behavior.[6]

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[4] Ibid., 161.

[5] Ibid., 163

[6] Ibid., 168; See Henry Jenkins, Sam Ford, and Joshua Green, *Spreadable Media: Creating Value and Meaning in a Networked Culture* (New York: New York University Press, 2013).

A more direct connection between audiences, branding, and television is made apparent in Catherine Johnson's *Branding Television*, where she explores the history of popular brands tied to certain TV channels. Through a case study that explores basic cable channel MTV, Johnson argues that television has historically relied on both product differentiation and niche branding strategies; Johnson finds that the MTV brand historically has conveyed a certain set of values to audiences, upscale and youthful, a particularly attractive audience commodity for advertisers.[7] In addition, she shows how channels like HBO have constructed ties to Hollywood, award ceremonies, sports programming, and documentaries. Collectively, HBO's branding strategies convey "quality."[8] Johnson writes, "HBO's move towards original programming [in the 1990s] could be seen as an attempt to construct a brand identity over which it ha[d] more control."[9]

Johnson's argument can be updated to Netflix and Hulu's original programming forays in certain key ways. Both companies use original programming to support their business models and cultivate their brand identities. In her book, Johnson looks at Hulu as a case study, though her case study was initiated before the company began offering subscriptions and original series. She argues that Hulu's brand has been "defined by the experience that Hulu offers to its viewers" because Hulu aims to offer consumers a range of programming.[10] More concretely, Johnson argues, "What Hulu offers is an experience

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[7] Catherine Johnson, *Branding Television* (New York and London: Routledge, 2012) 17-19.
[8] Ibid., 30.
[9] Ibid., 33.
[10] Ibid., 55.

defined by what you can do with television."[11] Johnson's focus on "experience" marks Hulu's digital space as interactive, focused on engagement, and creating a distinctly branded environment. Since Hulu (at the time of Johnson's book release in 2012) did not offer a subscription service, Johnson aligns Hulu predominantly with free-to-air network television channels. However, with the addition of Hulu Plus in 2010 and original content in 2012, in 2016 parts of the service (e.g., its two subscription options and original content distribution) also align with HBO and other premium channels' objectives.

This chapter, through its case studies of Netflix and Hulu's advertisements, social media posts, and engagement strategies, will bring Johnson's framework up to date and complicate how Netflix and Hulu brand certain values of engagement. Netflix and Hulu's brands each reveal sets of publicly recognized business values (broad choice, engagement, and personalization) while working to both increase and sustain subscription numbers. Also important to consider, the press and critical rhetoric cited in this chapter tend to uncritically replicate official channel branding strategies and programming choices by circulating official memos and conducting interviews with executives.[12]

NETFLIX VS. HULU BRAND STRATEGIES

This section provides a brief overview of Netflix and Hulu's branding strategies during the period relevant to this thesis, 2007 to 2016. While the introduction and previous chapters have surveyed the two companies' corporate structures, business models, and means of imagining audiences – all of which encompasses parts of their

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[11] Ibid., 56.
[12] Ibid., 31.

brand recognition – it is necessary to briefly return to key points before proceeding with this chapter's case studies. Unlike Johnson's case study of MTV, where a channel's brand stands in for the niche demographic the channel seeks to serve, for the most part, Netflix and Hulu's brands *as platforms* are not tailored to niche demographics. I admit that Hulu, at times, explicitly brands *programs* to millennials. When Hulu links its brand to a millennial audience, the company is directly addressing advertising agencies – those most interested in gaining millennial consumers. This is explored further in a case study in the following section. As mentioned, a niche brand goes against these services' primary business goal of acquiring a broad, diverse base of subscribers and maintaining supportive relationships with both advertisers and shareholders. Their overall goal is to acquire a broad audience, which, at times, Hulu accomplishes by targeting a specific group. When Hulu targets millennials, however, it is aimed to promote the end goal of increasing subscribers, regardless of their demographic, and securing advertisement deals.

In lieu of a specific brand identity, Netflix and Hulu situate their platforms as more generalized landing places for users – where audiences are guaranteed to find a wide range of quality content tailored to their personal tastes. This brand identity is demonstrated in a 2015 study from iModerate, a consumer insights firm. When asked about their viewing habits, users mention "watching Netflix."[13] Audiences are watching a brand – listing a platform's name instead of a specific show. In contrast, Hulu subscribers claimed to watch Hulu for a specific show. iModerate notes, as I argue in the pages to

[13] Lynch, "Here's Why Consumers."

follow, that Hulu's acquisition of *The Mindy Project* and its distribution of other original shows with recognizable talent should provide a boost for Hulu's brand identity ("watching Hulu"). Hulu's brand growth and strategy indicates the company strives to be defined by its brand, like Netflix, not just its content. This matches advice from brand strategists in the early 2010s, as Prophet (a brand and marketing consultancy) Vice Chairman David Aaker stresses brand identity and relevance as key to market survival.[14]

Netflix's brand identity – in which consuming diverse content through a streaming platform is equated with "watching Netflix" – is directly tied to its brand relevance. Industry logic maintains that the more relevant a brand, the greater the chance that consumers will engage with the brand. Brand strategists recommend building a new category or subcategory. "Category," a brand strategist term, refers to a market sector that serves a particular need.[15] New categories or subcategories provide unique, valuable services – differentiation is key. Netflix has built a strong "category," making its brand synonymous with high quality online streaming television and film. Netflix's streaming subscription offer was first in its category, clearly defined itself, and then slowly differentiated its brand through the introduction of original content. Hulu did not create an original category since its initial mission essentially repackaged broadcast television as, in effect, a DVR (with commercials) available online. However, with the introduction of Hulu Plus and Hulu Originals, the company has been actively trying to differentiate

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[14] David Aaker, *Brand Relevance: Making Competitors Irrelevant* (San Francisco, CA: Jossey-Bass, 2011). See David Aaker's book for an industry perspective of branding strategies in the twenty-first century.

[15] Aaker, *Brand Relevance*, 18.

itself, grow its audience, and become more relevant. Though it is doing so in an existing category with already strongly branded, relevant players including Netflix, Amazon, and legacy broadcast VOD websites, and with ties to existing categories of linear television channels. Presently, in contrast to Netflix, Hulu's branding strategies are not only targeted directly for consumers, but also specifically for its advertisers too, as examined in more detail in the next section.

ADVERTISING CREATED FOR ADVERTISING AGENCIES

As discussed in the prior chapters, Hulu distinguishes its platform from Netflix because it maintains advertising in two of its three watching options (traditional Hulu and Hulu Plus's cheaper tier). To engage advertisers – something that Netflix does not worry about – Hulu distributes advertisements targeted and tailored to them. One such advertisement from 2015, titled "Hulu Reaches Millennials," features Hulu's Peter Naylor, SVP of Ad Sales.[16]

[16] Hiram Reid, "Hulu Delivers Millennials," *Hulu Advertising*, April 6, 2015, http://www.hulu.com/advertising/hulu-delivers-millennials/.

Figure 2: Hulu Reaches Millennials[17]

Naylor is standing in a crowd of twentysomethings. Everyone in sight is playing on his or her cell phone. As Naylor turns around, he looks up from his phone, addresses the camera, and says he is “hanging with his millennial friends.” Here Naylor plays the unaware, out-of-touch, middle-aged corporate executive character, mislabeling social media platform usage, “snapfacing” instead of snapchatting, and “instabooking” rather than instagramming. Throughout the advertisement, text bubbles pop up next to Naylor’s body, representing what the surrounding millennials are texting/tweeting/communicating about while he speaks. Naylor lists statistics on advertising, millennials, and Hulu’s subscriber base. To persuade advertisers, he announces Hulu’s key demographic: millennials. “It’s a very important demo, these 18-34 year olds. Did you know they make up more than half of Hulu subscribers? ...According to comScore 92% of these guys say they skip ads when watching shows on recorded television.”

[17] Ibid.

In the background, text bubbles chime up with "#skipsalot" or "yep," showing the millennials featured in this commercial while stand-ins for actual millennials with Naylor's claims. Further engaging advertisers, Naylor lists why advertising with Hulu is more desirable than advertising on network TV: "It's a good thing Hulu's ads aren't skippable… and we only charge you for ads that are viewed to one-hundred percent completion." "cantskip" "dontskip" "wontskip" pop up in the background. Since advertisers are concerned about DVR and on-demand fast-forwarding capabilities, Hulu carefully notes, fast-forwarding and avoiding ads is not an issue with their platform. Should users figure out how to avoid ads, Hulu will not charge advertisers. As such, Hulu sets up a desirable platform for advertisers and makes the case for this desirability in advertisements like this one. As Naylor persuades viewers (here meaning advertisers) to contact a Hulu sales representative, he also introduces a trailer for "the second season of our critically acclaimed, Hulu original, *Deadbeat* [2014-]." As the trailer ends, the camera reveals the previously featured group of millennials along with Naylor watching the trailer on a tablet. The group laughs and begins to tweet and text "#deadbeat" "#cantwait" "#lolzzzz."

Overall, this two minute commercial for advertisers reinforces Hulu's relationship between the content they feature, their platform, and advertisers desires: Hulu's platform appeals to millennials, Hulu's original content also attempts to appeal to millennials, advertising on Hulu is made appealing because millennials have no choice but to watch them, and millennials will engage with the content and thus, in turn, have the potential to watch/buy/engage with whatever products the advertisers display. Put simply, Hulu spins the value of its original content for advertisers, meaning, advertisers are considered throughout the acquisition and distribution process in a way that Netflix avoids. This is common knowledge for television executives who are aware of how specific content will or should (theoretically) attract specific audiences. Advertisers willingly and eagerly link their products to this content. TV matches content to advertisers, who match their product to these imagined demographics. This process of matching advertisers to content to audiences has been a common practice in linear and cable television for decades. It also aligns with Ivan Askwith's break down of the industry's constructed process of engagement.[18] Hulu's engaged millennial viewers (who are forced to watch an ad) increase the odds that a viewer will be exposed or persuaded by an advertisement. Netflix, in contrast, imagines a different type of audience and cultivates a distinctive brand identity, through engagement. Netflix's content is designed to support a more expansive brand, which caters to wider range of subscribers (and, of course, ideally to shareholders as well).

ADVERTISING CONTENT FOR SUBSCRIBERS

Netflix builds and fine-tunes promotional tools within its platform to engage current subscribers, especially those who visit the site less regularly, and also to promote the breadth of the company's original programs. Banner art and trailers work as advertisements to "casuals" within the platform. Casuals, as defined by scholar Henry Jenkins, are people who "watch a particular series when they think of it or have nothing

[18] See Askwith, "Television 2.0," 23.

better to do."[19] From Netflix's perspective, casuals– who oppose or overlap with zappers who "flit across the dial" or, in this case, across the web and loyals who "give themselves over fully" to shows – have a more likely potential to watch more content and become more frequent users.[20] Netflix uses acquired data to customize these advertisements and cater to individual user preferences, thereby boosting content engagement and turning casuals into loyals, who are dedicated to shows, or power users, who use Netflix to its most advanced capacity (rating shows, watching hours of content, curating a queue, etc.). *Variety* correspondent Janko Roettgers writes that these marketing tools are simple and exist to answer the following question: "Are users more likely to stay engaged, and maybe extend their free trial to become paying subscribers, or are they going to cancel their service? In other words: Are they going to add to the growth of the company?"[21] Todd Yellin, Netflix's SVP of product innovation, confirms, "We are not out to make cool bells and whistles for power users."[22]

[19] Henry Jenkins, *Convergence Culture: Where Old and New Media Collide* (New York: New York University Press, 2008), 74.

[20] Ibid.

[21] Janko Roettgers, "Distributing 'Daredevil': The Technology Behind Netflix's Latest Global TV Show Launch," *Variety*, March 18, 2016, http://variety.com/2016/digital/news/daredevil-netflix-technology-war-room-1201733912/.

[22] Ibid.

Figure 3: Netflix Originals Cover Art Example[23]

Market research tests, such as testing different customized cover art and trailers, and monitoring big data are meant to grow the company and expose infrequent users to the breadth of their content. As Yellin states, the tests are not meant to cater to existing, loyal customers (power users) or "make cool bells and whistles" for them. Rather, the tests are meant to turn casual users into more frequent power users. The second season premiere of *Daredevil* (2016) experimented with such marketing tests. Netflix designers created eight cover art images, randomly shuffled per user. Netflix watched results, picking the best performing cover art (presumably, the art people engage with most frequently), and used that particular art for all subscribers. Prior to the *Daredevil* release,

[23] Janko Roettgers, "This Simple Trick Helped Netflix Increase Video Viewing by More Than 20 Percent," *Variety*, January 7, 2016, http://variety.com/2016/digital/news/netflix-ab-tests-image-optimization-trick-1201674325/.

chief product officer Neil Hunt reported a twenty to thirty percent viewing increase when specific title art was chosen by a subset of viewers.[24] As seen in Figure 3 (above), Netflix Originals banner art can highlight particularly interesting characters or settings, spinning the show for audience groups in its attempts to persuade subscribers to keep clicking "Play." Importantly, too, Netflix Originals are explicitly branded with the red Netflix logo on the upper left corner. Personalized banner art attracts audiences and reinforces the Netflix Originals brand, as audiences "watch Netflix."

Quantifying engagement may help Netflix increase the odds of success of an original series. Though the company can sustain itself on continuous subscribers, Netflix seems to believe, as made apparent by these marketing tests, that engagement leads to loyal subscribers. Netflix has conducted similar tests with original content teaser trailers featured on the site. *House of Cards* season one (2013), for example, featured ten different trailers from different cuts of footage (now unavailable to the public), catered to different audiences based on their past viewing habits.[25] Netflix also attempted personalization based on time of day, but found that most viewers binge watch (presumably one show at a time). As a result, viewers are looking to continue watching whatever television show they have already started, rather than looking to watch cartoons on Sunday mornings or movies at night.[26]

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[24] Ibid.

[25] Janko Roettgers, "For 'House of Cards' and 'Arrested Development,' Netflix Favors Big Data Over Big Ratings," *Gigaom*, February 12, 2013, https://gigaom.com/2013/02/12/netflix-ratings-big-data-original-content/.

[26] Ibid.

These trials and tests show Netflix's attempts to improve user experience while promoting engagement. Within Askwith's break down of engagement, and through my updated steps, Netflix's cover art trials and trailer tests attempt to influence step two's process: "The viewer decides to watch a television program."[27] For Netflix, accomplishing step two would encourage the engagement process as viewers then potentially go through steps three-six: become engaged, become a regular/loyal/binge-viewer, become passionate and share their passion for the program, increase the viewer's feelings of enjoyment as connected to Netflix, which spill over and serve the company's larger aims of maintaining monthly subscribers. Netflix's strategy, as of the mid-2010s, uses big data and test trials to personalize and promote products to subscribers, which helps the company maintain and even grow its subscription numbers. Netflix constructs that narrative about itself, increasing its brand relevance, by releasing this type of information through interviews with the trades and popular press.

ADVERTISING PLATFORMS

Netflix and Hulu advertisements run on linear television as well as on online video sites like YouTube. Advertisements promoting their platform and original programs are examples of both companies directly presenting their branding strategies to engage and sustain audiences. Hulu's fall 2015 commercial, "Hello from Hulu," advertises both available and upcoming content [*South Park* (1997-) and *The Mindy Project* (2012-)], Hulu's commercial-free subscription option, Hulu's connection with

[27] See pages 68-69.

Hollywood content producers, and Hulu's connection with their audiences.[28] The 1:22 minute commercial features a young, attractive, white male spokesperson who acts as a stand-in for a company executive and directly addresses the audience. The spokesperson enthusiastically lists TV shows, illustrating knowledge of the platform and its features. He allows the audience to access the "TV shows (*South Park* and *The Mindy Project* specifically) they love" by taking them on a tour of Hulu headquarters. He reads audience tweets, notifies actress Mindy Kaling about the renewal of the fourth season of *The Mindy Project*, and thanks the audience for their active engagement and posts about the show on Twitter. He indicates such activity helped to save the show after Fox canceled it. After scrolling through a tablet, presumably reading *Mindy Project* fan tweets begging Hulu to save the show, he says to Kaling, "You're back!" She asks, "On Hulu?" "On Hulu!" he says, to emphasize excitement and mark Hulu's brand as the savior of adored programs. The spokesperson, functioning as more than just an accessible executive stand-in, in fact becomes an advocate for the audience and their passions. In so doing, he displays that Hulu is in touch with their (imagined) audience and with the interests of the existing fans and audience of *The Mindy Project*. A statement he makes at the conclusion of the ad reinforces this: "The shows you love, we love."[29]

This statement can be interpreted in two ways. One, that Hulu is responsive: Hulu is in touch with its audience's tastes and listens to their feedback. Two, that Hulu is strategic: Hulu's business model latches on to established shows, brands, and talent with

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[28] Hulu, "Hulu TV Commercial: Hello From Hulu," *YouTube*, October 18, 2015, https://www.youtube.com/watch?v=4DP94iqzri4.

[29] Ibid.

built-in, pre-existing audiences in an attempt to guarantee viewership.[30] The "Hello from Hulu" advertisement illustrates how Hulu addresses audiences though a lens informed by its stakeholders: Hulu balances a "viewer-friendly" brand while showing broadcast and cable television continuities in its business and marketing practices.

As a point of comparison, it is helpful to look at an advertisement produced by Netflix a year before "Hello from Hulu," in 2014. In a manner that similarly merges their business model with a branding strategy geared to their own aforementioned imagined audience, Netflix employs British comedian Ricky Gervais as a model for acceptable watching behaviors in their "Superfan" advertisement.[31] The commercial begins with the title card to *House of Cards* and Gervais, from his couch, addressing the camera, "You know when you're watching your favorite Netflix show and after five straight episodes, it's like, you want to be in it?" During the course of the commercial, Gervais binge watches Netflix's original programming, ostensibly demonstrating and normalizing such viewing behaviors in the process. Netflix, through Gervais, thereby encourages binge watching.

Quickly, though, the commercial constructs boundaries and rules around TV watching. Gervais imagines himself participating in the narratives of Netflix's original series. He visits the fictional universes for the service's shows, including *House of Cards*, *Lilyhammer*, and *Orange is the New Black*. Doug Stamper, a main character, corrects his grammar in *House of Cards*, he is stared down by *Lilyhammer* star Steven Van Zandt,

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[30] This has been done throughout TV history, through spin-offs primarily.

[31] Netflix, "Ricky Gervais - 'Superfan' - Netflix Commercial - EMMY 2014 - HD," *YouTube*, August 25, 2014, https://www.youtube.com/watch?v=0SZv2vPdj6g.

and several *Orange is the New Black* characters threaten him in a prison scene. Following this sequence of events, Gervais sits back on his couch and laughs, declaring "Maybe I'm better off just watching." Gervais's final statement becomes a way that Netflix models that there are limits to participation with its service.

Watching multiple episodes in a row and being engrossed in the story is encouraged, but participating in the narrative, confusing fantasy and reality, and deviating from the story's official canon is taboo in terms of Netflix-accepted viewing practices. In recent years, TV marketers consider industry-constructed fans – ones that play within the official canon – as a viable (and consuming) audience. Historically and presently, fannish audience members have been linked to conceptions of "excessive" fans, pathologized, or considered obsessed by industry and the press. That perspective is acknowledged in this advertisement, when Gervais wants to participate in Netflix's original series narratives. Scholar Joli Jensen writes on two historically common portrayals of fans, as either the obsessed individual or the hysterical crowd.[32] Jensen suggests that fandom is seen as a "social dysfunction" and these two types of fans are an inherent "critique of modernity."[33] Ideal audiences, for Netflix, are engaged through industry-approved channels: Netflix's official accounts on Twitter or Facebook, promoting the show through word of mouth, watching more content, and renewing their subscription. Gervais models excessive behavior and "poaches" the texts for his own use. Then, reigned in by the industry, warns

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[32] Joli Jensen, "Fandom as Pathology: The Consequences of Characterization," in *The Adoring Audience: Fan Culture and Popular Media*, ed. Lisa Lewis (London: Routledge, 1992), 9.

[33] Ibid.

against its practice, telling ideal audiences to remain engaged and watching, but through official channels.

Both Hulu and Netflix's commercials reveal the companies' efforts to construct audiences and coach them to act in certain ideal ways. These ideal ways are in accordance with their larger corporate goals, business models, targeted audiences, and brand identities: Netflix reveres binge-watchers while Hulu reveres audiences that love existing TV shows. Netflix's binge-watchers are power users, in keeping with their subscriber model, these power users reduce churn. Hulu, maintaining an audience of TV lovers, shows that its business straddles the goals of linear and nonlinear television. Hulu's acquisition of *The Mindy Project* serves as an ideal instance, as Hulu encouraged weekly viewing.

ORIGINAL CONTENT ACQUISITION AND PLATFORM-CONSTRUCTED NARRATIVES

The Mindy Project, produced by Universal Television, 3 Arts Entertainment, and Kaling International, and distributed by NBCUniversal Television Distribution, debuted on Fox broadcast network in September 2012. The show aired on the network for three seasons until Fox canceled it in May 2015.[34] When Fox announced its cancellation, the trade press, popular press, and fans circulated rumors that Universal Television was in talks with Hulu. As *Variety* explained at the time, *The Mindy Project*'s cancellation evokes "another fan-favorite comedy resurrected online: *Community*" a show cancelled by NBC and picked up by Yahoo Screen. When, just days after Fox cancelled it, Hulu

[34] Elizabeth Wagmeister, "'The Mindy Project' Cancelled: Fox Comedy May Return to Hulu After Season 3," *Variety*, May 6, 2015, http://variety.com/2015/tv/news/the-mindy-project-cancelled-fox-hulu-1201489438/.

announced that the fourth season of *Mindy* would debut on the streaming platform, it marked *Mindy* as the first show Hulu agreed to save. Hulu was widely hailed by the media and fans as saving the project. Hulu's SVP and head of content, Craig Erwich said, "With so many of her fans already catching up and tuning in to the series on Hulu, we know her millions of fans will be eager to find out what Mindy has in store for the next chapter." Creator, writer, and star Mindy Kaling said in an official statement, "I am thrilled *The Mindy Project* has found a new home on Hulu, where so many of our fans are already watching the show. It's such an exciting place to be."[35] *The Mindy Project* is an ideal example of a program with an existing (if imagined) audience moving to another platform, especially from network broadcast to digital streaming platform, *and* an example of Hulu satisfying the already present "*Mindy* on Hulu" audiences.

As seen above in the quotes from Erwich and Kaling, when a shows' renewal is threatened, the industry and surrounding discourse frequently uses the word "fans" both to describe the community actively advocating for a show's renewal, and the affective relationship between the audience and text. These moments of a show's uncertainty bring up interesting issues of fan as viewer and consumer, and fans' status in relation to the industry. Christina Savage's research on the "save our show" campaigns around the NBC show *Chuck* (2007-2012) provides an illustration of fans of *Chuck* using their power to

[35] Todd Spangler, "'The Mindy Project' Moving to Hulu for Season 4 After Fox Cancellation, "*Variety*, May 15, 2015, http://variety.com/2015/digital/news/the-mindy-project-moving-to-hulu-for-season-4-after-fox-cancellation-1201497556/.

influence industry decision making.[36] When fans feared for *Chuck*'s cancellation in its second season, online fan forums posted recommendations and calls to action for the fan community, including writing letters, watching the show, buying the DVD box set, and preordering the season's DVD box set. Famously, fans bought footlong sandwiches from Subway (one of *Chuck*'s sponsors) and left comment cards telling Subway the sandwich was purchased in support of *Chuck*. This strategy showed "both the network and the sponsor that there was not only an audience for the show but also an audience that was paying attention to the advertising for the show and supporting those sponsors."[37] While Savage does not wholly link NBC's decision to renew *Chuck* for a third season with the Subway campaign (she contextualizes the decision with pressures from critics, advertisers, and the production company), fans' actions contributed to the industry's decision. This particular "save our show" campaign strategy is a direct example of Askwith's engagement model, consciously deployed, showing fans' power as a commodity.[38]

My focus is not on a save our show campaign for *The Mindy Project*, but rather, Hulu's categorization as "savior" of *The Mindy Project*, Hulu targeting *Mindy*'s existing fan base to construct an audience, and their conscious effort to thank the fans for saving *Mindy*. "Save our show" campaigns, like Savage illustrated, create powerful promotional discourse for networks, advertisers, and stakeholders. I aim to break down how SVODs

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[36] Christina Savage, "*Chuck* Versus the Ratings: Savvy Fans and 'Save Our Show' Campaigns," *Transformative Works and Cultures*, no. 15 (2014), http://journal.transformativeworks.org/index.php/twc/article/view/497/427.

[37] Ibid.

[38] Askwith, "Television 2.0." Smythe, "On the Audience Commodity."

use this "save our show" discourse to publicly promote their original programing. In the case of *The Mindy Project*, Hulu co-opted "save our show" discourse to promote Hulu's fan-friendly model and place power with audiences. First, I broadly survey Netflix and Hulu's sequels, prequels, and extensions. This is followed by how SVODs construct and promote their own definition of acceptable fan practices, and a case study of social media discourse around Hulu saving *Mindy*.

Both Netflix and Hulu primarily rely on programming that already has been pre-sold and appeals to what are perceived to be largely "built-in" audiences. Their respective slates are heavy on sequels, prequels, and extensions of ongoing motion pictures and television series, similar to linear TV's enduring spinoff strategy. For example, *Wet Hot American Summer: First Day of Camp* (2015) is a case of Netflix distributing content based on the known appeal and established reputation of existing franchises.[39] *Wet Hot American Summer*, the 2001 film, already had built a strong cult audience before Netflix ordered it to series in 2014. The original film previously appeared to stream on Netflix, so the company had existing data on the film and its stars, which implied its potential prequel appeal. The film, which spoofed teenage sex comedies such as *Meatballs* (1979) and *Little Darlings* (1980), was neither a financial nor critical success but it developed a cult following. Many of its stars (including Paul Rudd, Amy Poehler, and Bradley Cooper) became popular Hollywood film and television stars following the film's release. In May 2014, Netflix announced an eight-episode prequel series chronicling the camp

[39] Jackson McHenry, "Why A 'Wet Hot' Revival Exemplifies Netflix's Streaming Strategy," *Forbes*, July 31, 2015, http://www.forbes.com/sites/jacksonmchenry/2015/07/31/why-a-wet-hot-revival-exemplifies-netflixs-streaming-strategy/#7db28ac77672.

day leading up to the film's setting. *First Day of Camp* features the original cast, director, and writer (David Wain and Michael Showalter).

Netflix's list of spin-offs and extensions include many other shows as well, including new seasons of *Arrested Development* (2003-), *The Killing* (2011-2014)8*,* *Fuller House* (2016-), and a four-part season of *Gilmore Girls* (2016). The aforementioned shows were part of Netflix's streaming library, testing their popularity with existing users. While *The Killing* demonstrates the platform picking up a show in (almost) real time,[40] consistent with a traditional cable television calendar, with regard to the other original series listed here, a considerable amount of time elapsed between their airdates and Netflix's efforts to revive them. Hulu's acquisition of *The Mindy Project,* happening closely after its public cancellation announcement, creates a causal narrative, where the company is explicitly constructed as the central agent. Here Hulu is the savior, though *The Mindy Project* aired on one of Hulu's parent companies' broadcast networks, Fox. In contrast, Netflix's reboots, sequels, prequels, and extensions are more drawn out over time and Netflix's status is less of a savior and more of an added benefit and/or nostalgic indulgence. In contrast to the narrative of Hulu as savior, the narrative built around Netflix is that the company offers more – namely, more content. The time elapsed between the original airdates for Netflix's series and the arrival of new episodes allows the streaming platform to assess its existing data and then evaluate the show's potential success based on that data as well as the audiences it wishes to appeal to. Picking up the

[40] AMC cancelled *The Killing* in September 2013. A month later, Netflix announced its revival. James Hibberd, "'The Killing' Shock: Netflix Revives Twice-Canceled Show for Final Season," *Entertainment Weekly*, November 13, 2013, http://www.ew.com/article/2013/11/15/the-killing-netflix-4/.

show must have seemed like a safe bet to the company, again exemplifying their publicized reliance on big data. This brand strategy ultimately portrays the message that the company understands and caters to its subscriber base. As *Forbes* writer Jackson McHenry observes, “These buys are typically based less on viewing numbers than creating a comfortable, comprehensive user experience.”[41] An experience, I argue, based on engagement and appeasing proven audience groups, fans in particular.

Social Media Engagement: Cultivating Acceptable Fan Practices

Demonstrated through the *Chuck* “save our show” campaigns and in the issues of fan/industry relationships theorized by Bertha Chin and Matthias Stork, particular fan practices and communities are increasingly mainstream and entangled with industry. While first-wave fan scholars such as Henry Jenkins and Camille Bacon-Smith focused on resistant reading practices,[42] which are valuable in discovering the breadth of fan practices, it is important to note that many examples of current fan production, such as creating memes and gifs that quote canonical scenes, are not resistant in relation to the dominant positions offered by the original texts. Industries privilege fans that engage and create within the official canon. As theorized by Joli Jensen, fans have been linked to conceptions of “excessive” consumption, pathologized, or considered obsessed by industry and the press. That perspective is acknowledged in the aforementioned Netflix advertisement, when Gervais wants to participate in Netflix’s original series narratives.

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[41] Ibid.

[42] Henry Jenkins, *Textual Poachers: Television Fans & Participatory Culture* (New York: Routledge, 1992). Camille Bacon-Smith, *Enterprising Women: Television Fandom and the Creation of the Popular Myth* (Philadelphia: University of Pennsylvania Press, 1992).

While the Gervais example promotes this pathology, Netflix and Hulu social media campaigns complicate it. Both companies have twisted these excessive portrayals of fandom into something more positive, a marketing and branding strategy for their businesses. Such an approach is in keeping with the growing economic and cultural valuation of fans by the media industries. And, since Netflix both admonishes fans for being "superfans" like Gervais, and awards them for participating on Twitter, it reveals the indistinct, subjective relationship between industry and audience.

Both streaming services encourage viewers to consume more programs in the interest of helping subscribers perceive the value of maintaining their monthly subscription. Particular fan behaviors (sharing on social media, word-of-mouth marketing, watching content) that promote these goals are valued by video-on-demand industries. SVOD platforms seek to appeal to viewers in a variety of ways, including through their content libraries, promotional materials, and with original programming. The platforms create an environment purposefully catering to *their* conception of fans – viewers with sustained love for a media text and, consequently, that text's distribution platform. While Netflix's end goal is to appeal to all audiences with a range of content, catering to a particular audience segment – fans – may seem counterintuitive. Simultaneously, Netflix also seeks to reduce churn. Netflix's appeal to fans and watching behaviors is part of the latter, maintaining subscriber numbers. Hulu appeals to fans through their library of reruns, encouraging active engagement on social media (modeled through advertisements and marketing documents), and saving *The Mindy Project*. Netflix explicitly encourages excessive watching (binge-watching) in order to create and sustain a loyal subscription base, akin to producing a loyal fan community, but with a decidedly industrial bent.

The media industries generally, and SVOD services such as Netflix and Hulu in particular, reclaim and reconfigure behaviors once portrayed as pathological. Both conceal their business motives (turning a profit) by marketing excessive watching and acceptable fan practices (remaining within the show's canon) sincerely. In the process, they build their legitimacy by poaching communication methods previously customary to fan cultures. The platforms share digital marketing materials (memes, videos, and gifs) on their social media platforms (Twitter, Facebook, and Tumblr), betting on the fact that their audiences will be familiar with other forms of online culture like social media websites. Also, since these streaming services are relatively young, they are able to experiment with new ways of advertising and promoting shows both within their platforms and beyond them in order to find what works, in the process setting a precedent for future SVOD original programming and marketing practices.

Netflix and Hulu's Social Media Practices

Figure 4: *The Mindy Project*'s Official Webpage on Fox.com[43]

The Mindy Project's online presence for seasons one through three was visible through an official webpage on Fox.com. The website remained publicly available even after the show moved to Hulu. The page highlights visually oriented posts, providing options for viewers to reply, retweet, or favorite posts. When *Mindy* moved to Hulu, social media posts were similarly visual, but branded with the Hulu logo, showing the norms of social media practices in the television industry. *The Mindy Project*'s official

[43] "The Mindy Project," *Fox*, May 19, 2015. http://www.fox.com/the-mindy-project.

Fox page circulated screenshots from the show, along with gifs, promotional images, quizzes, and behind-the-scenes stories about the production of individual episodes. All of these items are attributed to Fox. Fox's most recent post on the page (and last post before the move to Hulu) is a copy of a tweet from *The Mindy Project*'s official Twitter page, "We love #TheMindyProject anywhere we can get it! Watch Season 3 here before Mindy moves to @hulu."[44] Viewers replied to the post, calling the network on its contradictory remark by replying, "if @FOXTV actually loved it then you would never have canceled it!!...Thank goodness for @hulu @huluplus #saviour" and, "um maybe don't cancel the show next time, Fox. #protip."

While certain viewers may not acknowledge the case-specific, complicated considerations that factor into renewing or cancelling a show (such as how time slots influence a show's performance, how a show fits with other programming on the channel, audience viewership numbers, and more), it is clear the promotional materials and trade press influenced the narrative that Hulu "saved" the show and swayed some fans to disbelieve Fox. Apart from this discourse, it is important to reiterate that Fox is a corporate owner of Hulu. Even though *Mindy* fans discredited Fox, in the end Fox maintained distribution of the show, just through a different medium.

By calling Hulu and its subscription service Hulu Plus a "#saviour," audiences of *The Mindy Project* are positioned to see Fox as the bad guy and Hulu as the good guy, or more broadly, to view (linear, old) broadcast networks as negative and (nonlinear, new)

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[44] The Mindy Project, Twitter post, May 19, 2015, 1:15 p.m., https://twitter.com/TheMindyProject/status/600756752145981441.

VOD services as positive. This increases Hulu's branded image as audience-friendly. The narrative presented by trade press and TV critics continues the "Hulu as savior" rhetoric. For example, *Deadline* reported in August 2015, "Hulu stepped in to save the series…"[45] A May 2015 headline from *Wired* claimed, "Proof that Fans Rule TV Now: Hulu Saves The Mindy Project," and continues, "Thank the Internet. The real winner here is you."[46] While this is only a small sample of headlines, these few represent a general popular narrative circulated at the time. By picking up a show with an existing fan base, Hulu wisely burnished its image as catering to its subscribers – "smart fans" – and showed itself to be playing the hero. The service encouraged *The Mindy Project*'s pre-existing fan community to flock to Hulu Plus for a subscription – the only way to access season four – and pay for what they might have watched "for free" (broadcast) before. This rhetoric is employed for branding purposes; to increase audiences positive associations with Hulu and to advertise where audiences can find *Mindy* season four. It is also an example of an SVOD platform using "save our show" rhetoric to boost their branded image. Many VOD platforms are behaving similarly by positioning themselves as saviors to cancelled shows (e.g., Netflix's renewals and Yahoo saving *Community*). As these platforms begin to develop more original television programming, this turn to pre-sold content is a safe programming strategy and a very savvy branding choice to gain subscribers and allies

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45 Ross A Lincoln, "Mindy Kaling 'Grateful,' 'Really Emotional' That Hulu Saved 'The Mindy Project,'" *Deadline*, August 9, 2015, http://deadline.com/2015/08/the-mindy-projectmindy-kaling-hulu-tca-1201496274/.

46 Julia Greenberg, "Proof That Fans Rule TV Now: Hulu Saves 'The Mindy Project,'" *Wired*, May 15, 2015, http://www.wired.com/2015/05/proof-fans-rule-tv-now-hulu-saves-mindyproject/.

with press and viewers. Platforms are building trust, introducing new products while maintaining previously vetted audience favorites.

Hulu's official promotional materials for *The Mindy Project* included Facebook and Twitter social media feeds – perhaps in an attempt to cater to a desired demographic, millennials. *The Mindy Project*'s latest episodes are housed on hulu.com, but primarily the hulu.com space provides official episode descriptions and makes other television/film suggestions catered to the user's watching habits. Hulu's official social media feeds on Twitter and Facebook share promotional materials, similar to the aforementioned Fox page. Occasionally, the Hulu Twitter page retweets a fan's photo of an official *Mindy Project* promotional item. *The Mindy Project*'s official promotional materials draw use official hashtags and contain jokes from particular scenes to continue discussion of the show throughout the week. These promotional materials explicitly belong to Hulu and *The Mindy Project*, conveyed through the logos on the images/gifs/videos.

In November 2015, after it had appeared on Hulu for one month, *The Mindy Project* was a People's Choice Awards finalist for the second-ever Favorite Streaming Series award. The show was nominated against three Netflix shows and one Amazon show – *Orange is the New Black*, *House of Cards*, *Transparent*, and *Unbreakable Kimmy Schmidt*. To show appreciation and solicit votes, *The Mindy Project*'s Facebook page post first thanked the "#MindyOnHulu" fans, then linked to the voting website, and included a gif of Mindy covering her face with the caption "Are you kidding?"[47] By

[47] The Mindy Project, Facebook post, November 23, 2015, 1:19 p.m. https://www.facebook.com/TheMindyProject/.

directly thanking fans and including this particular gif, the official page talks like Hulu's ideally constructed viewer: using the beloved text itself to communicate gratitude. Gifs are frequently used in fan communities to convey something beyond words, with the image of a character and line from the show corresponding to everyday life. The clash of real life and fictional show meet when conversing with gifs, or using gifs to enhance communication, showing the user's mastery of the text. Thus, *The Mindy Project*'s Facebook account, using a gif from its show and thanking its fans, shows sincerity and authenticity by modeling ideal styles of communication.

Similarly, Netflix encourages and models ideal styles of communication to engage with their target audiences and promote their brand identity through specific original content. The official *Orange is the New Black* (*OITNB*) Twitter page hosts a weekly hashtag called "On Wednesdays We Wear Orange" (#OnWednesdaysWeWearOrange). The hashtag encourages viewers to publicly display their love of the show by wearing a piece of orange clothing or finding an orange object, taking a photo, and post it on social media with the hashtag. The official Twitter page retweets a few of these photos every Wednesday, ranging from orange pens, orange cats, orange nails, or orange *OITNB* t-shirts. Most of the photos retweeted by the account feature more than an orange object, also showing the user doing something related to *OITNB* such as watching the show in the background, wearing fan-made clothing items, listening to the *OITNB* official album, or mentioning a line from the show in the tweet. One *OITNB* fan participated by creating her own fingernail polish art on a background of orange. Details of the intricate nail art include allusions to Alex Vause's glasses and the prison uniform worn on the show. The acknowledgement to these practices that comes from the official Twitter page means this type of digital, industry-constructed fannish production (creatively incorporating the show into one's daily life) is favored.

This weekly Twitter campaign serves to promote the show throughout the year. This helps counter the unique marketing challenge posed by Netflix's binge model of distribution. Instead of week-to-week gradual building of an audience, Netflix must work to maintain hype for the show. #OnWednesdaysWeWearOrange is key to sustaining the hype year-round, while also modeling engagement practices that directly relate to the show. The hashtag encourages fans to keep thinking about *OITNB* every week, not just during the days after it airs or the weeks after new seasons are made available by the service. This shows Netflix's struggle as it simultaneously tries to break from the weekly broadcast television model and attempts to recreate it online through continuous, weekly social media engagement strategies.

While the aforementioned campaigns, official hashtags, and promotional materials developed by Netflix have, overall, been successful, a particular attempt at engaging audiences did not translate as positively. Over Labor Day 2015, Facebook promotional posts encouraged viewers to "Get locked up with #OITNB this Labor Day Weekend."[48] A corresponding video on Facebook showed a clip from the series involving part of the cast watching television in the prison's recreation room. Instead of the television show watched in that particular episode, there is a photoshopped image of

[48] Orange is the New Black, Facebook post, September 3, 2015, https://www.facebook.com/OITNB/videos/406947932835315/.

"Netflix Labor Day Weekend." The commercial shows a drawing (Figure 5) of one of the main characters, Alex, dressed up as Rosie the Riveter. Alex/Rosie is drawn saying, "3 days, 3 seasons. You can do it!"

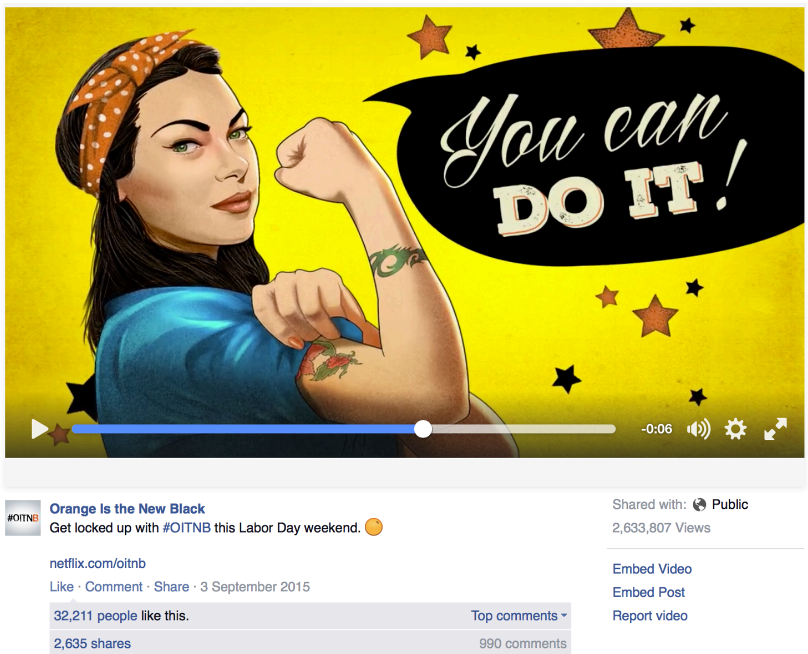

Figure 5: *OITNB* Labor Day Binge Advertising Campaign[49]

From this commercial, Netflix is trying to either encourage rewatching of the seasons or build new viewers who will watch all of *OITNB* while they have a few days off of work. However, since this Labor Day binge was promoted on their own social media platforms, new (or potential) Netflix users or non-subscribers probably were unaware of the promotional campaign. While this campaign tried to cater to audiences – in particular, fans as defined by Netflix – who were willing to spend their long weekend binging the show and presumably watching the seasons again, top commenters on the

[49] Ibid.

post revealed something else. Before watching the video, many Facebook users thought the "Get locked up with #OITNB" subtitle was referring to season four being leaked early. Other commenters claimed, "anyone that watches Orange has already watched season 3 the first 2 days it was out," and "They were already streaming on Netflix lol." Commenters on Netflix's own site wanted new seasons – and when mislead to believe there were new seasons available – rewatching previous seasons became less appealing, an inadequate substitute. The "locked up" tagline and "excessive watching event" were not effective for existing *OITNB* fans that simply wanted to watch new material. Those who posted on the site felt this event underestimated their dedication to the show, commenting to prove that they watched season three as soon as it premiered.

With this example, Netflix wanted to promote conversation during *OINTB*'s off-season. However, the campaign showed their misunderstanding of fan viewing behaviors and engagement. At least based on the comments posed on the site, Netflix's actions adversely affected an established relationship, fracturing their appeal to fannish viewing behaviors. *The Mindy Project* "save our show" example and resulting social media campaign demonstrates the potential of co-opting social media strategies traditionally ascribed to fans to build fan engagement – and, through *OITNB*'s Labor Day commercial, their potential to backfire as well. It shows the difficulties that can emerge when a company's imagined conception of fans or a particular audience does not align with the actual viewers' complex means of engaging with the content.

CONCLUSION

A few key themes emerge from these case studies of advertisements, social media posts, and public narratives of content acquisition. These case studies allow for a greater understanding of how the companies' business models translate into particular branding and programming strategies. Netflix and Hulu both link engagement with subscription retention. This is part of a larger industrial narrative that engagement practices, traditionally linked to fan groups, are helpful in maintaining audiences and building affective relationships. Ultimately, brand strategies seek to concretize and grow engagement, subscriptions, and affect. Though how truly affective these strategies are, for Netflix and Hulu, remains hidden.

Secondly, marketing content and advertisements from Hulu and Netflix reveal stakeholder influence. The two companies draw from legacy industry business models and marketing practices, privileging certain types of imagined fan audiences and engagement behaviors in the service of building and sustaining brands. Hulu exists amid old Hollywood legacy media companies, advertisers, and new technology. Netflix, though influenced by new technology, partially relies on practices (creating trailers, focusing on sequels and extensions, weekly Twitter events) common to linear television and a larger media industry.

Conclusion

The Netflix Switch. Make your own. Share your ideas.[1]

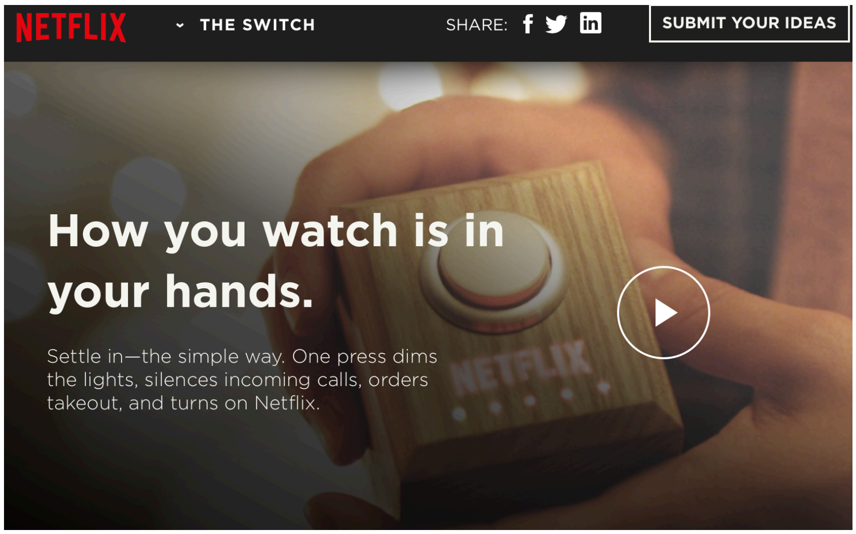

Figure 6: The Netflix Switch[2]

One of Netflix's official webpages, Makeit.netflix.com, lists two real, Netflix-related technical crafts. The website serves as a genuine do-it-yourself, Netflix-affiliated project page, beginning with a company prototype for "The Netflix Switch." When a Netflix subscriber is ready for a night in, the Netflix Switch prepares the subscriber's living room with ideal lighting, silences phone notifications, orders takeout, and turns on Netflix. The website includes authentic, detailed instructions to make one's own Netflix Switch: system diagrams, materials, and schematics. While the original Netflix Switch encourages users to create a distraction-free environment, get comfortable on the couch,

[1] Netflix US & Canada, "The Netflix Switch," *YouTube*, September 28, 2015, https://www.youtube.com/watch?v=TTlIGdlbTy4.

[2] "The Switch," *Netflix*, accessed April 28, 2016, http://makeit.netflix.com/the-switch.

and prepare themselves to watch Netflix for hours, the website also urges users to "think bold" and create a unique switch for their own purposes. Netflix's suggestions include, "Something that allows you to queue episodes from different tv shows, then play them in that order, like a 'Thursday Night Lineup' option. If Netflix gave me a little positive affirmation when I'm home alone on a Friday night binge watching House of Cards. [sic]"[3] Their brand strategy encourages network TV-style scheduling (Thursday night lineups, or at least, dedicated weekly viewing patterns), SVOD binge watching, subscriber-platform interaction, and user personalization. Though the page encourages personalization, it also places limits on watching behaviors and strongly suggests ideal watching habits.

The Netflix Switch's cross-section of technology, television, excessive/personalized viewership, and interaction gets at the heart of Netflix's publicly constructed business model. The Netflix Switch constructs a certain mode of ideal viewing, while revealing Netflix's tech-based stakeholders and business model's priorities: do-it-yourself watching, influenced by Netflix's branded content, and within Netflix-determined boundaries. It incites a type of crafty, fan-influenced (building prototypes) engagement with their brand.

The Netflix Switch, among other examples listed in chapter three, reveals company goals and desired audience relationships. One goal of this thesis was to survey and further understand the business practices of two popular SVOD companies that began distributing original content in the 2010s: Netflix and Hulu. Both Netflix and Hulu are

[3] Ibid.

considered SVODs, though these two companies are owned and operated quite differently. The differences between them impact how they consider their audiences, with Hulu catering to advertisers and Netflix pleasing shareholders. The content these companies have chosen to distribute, analyzed alongside advertising and marketing practices, also marks differences between them.

Netflix continues to associate its brand with a new, technology influenced start-up. It emphasizes big data to brand itself as personalizing its service to individual users. However, since the company is so secretive about its numbers, their utilization of "big data" is carefully chosen to promote "guaranteed success" for its original content and content as "perfectly customized" to its subscribers. In reality, its broad range of content and emphasis on creating loyal or power users enables its strong brand, thus increasing audiences' tendencies to identify the brand itself – watching Netflix. The "binge" model promotes excessive watching behaviors through modeled advertisements and content release schedules. All of these attributes help differentiate its product from linear broadcasting. To be sure, linear, legacy television companies have influenced Netflix. For example, Netflix continues to draw from the same talent pool as the television industry, it competes and works with television companies to bid for its original content, its television shows are formatted like broadcast and cable television (though watched differently over time and not interrupted by advertisements), the company inserts itself within the television industry to compete for the same awards, and has cited broadcast and cable networks as competition (as detailed in chapter one).

In comparison, Hulu's brand, content, stakeholders, and target audiences are more varied. This is largely due to the number of groups and interests it is attempting to satisfy. The company remains situated in between legacy and new television industries, as it is owned by three of the major media conglomerates but also competes with streaming television content, and includes a subscription option without commercials. Hulu appeals to a broad audience, though some of its original content and advertisements are aimed specifically at millennials. Hulu values engagement, while also promoting and attempting to enforce linear television viewing patterns with its episodes airing weekly, interrupted by commercials.

Within my analysis of Hulu and Netflix's discourse, larger cultural and industrial questions emerge. These include first, how do new technologies and, thus, new business models and emergent strategies, threaten legacy companies? As a case study, Hulu reveals legacy companies' attempts to engage with new technologies: its in-between status is the product of these relationships and dynamics. Netflix's discourse as direct competition (seen through NBC's audience ratings discourse about Netflix in chapter two's section "How Competitors Define Viewership") shows the surrounding legacy media companies' anxieties about SVODs. Second, how does the industry – as their anxieties are expressed through the trades, popular discourse, and corporate reports – create and group audiences accordingly? Seen through Netflix and Hulu's strategies, there is an increased focus on engagement in the interest of maintaining subscribers. This heightened focus on engagement proliferates throughout the industry. Audiences are grouped based on engagement, and data attempts to quantify engagement, valuing it more highly than viewership. Third and finally, how do these practices create larger cultural narratives about television? Industry, trade, and popular trade press work alongside – and respond to – Netflix and Hulu's brand strategies to add to our cultural understandings of television. The emphasis on SVODs disrupting linear television, creating quality, personalized, and diverse original programming creates a particular narrative in the 2010s.

By examining industry corporate documents, promotional advertisements, social media feeds, and trade press articles, this study has been designed to parse industry rhetoric. Over the past several years, both academics and popular press journalists have written about the potentiality of both companies to disrupt the broadcast network and cable television business models.[4] Overall, however, I found both companies are upholding and challenging broadcast and cable television. Netflix has been perceived primarily as distributor of quality original content, while Hulu has been portrayed as trailing behind Netflix in its efforts to build its own originals library. As Netflix and Hulu continue to build their own original content libraries, Hulu caters to advertising and weekly release schedules. Netflix has the most potential to disrupt the legacy television industry, though acquiring reruns of past TV seasons continues to be a major part of its content library.

In considering both Netflix and Hulu's ties to television networks, this study has enabled me to look past the rhetoric of disruption as it surrounds two mainstream

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[4] Lotz, *The Television Will Be Revolutionized*. Alan Wolk, *Over the Top: How the Internet Is (Slowly But Surely) Changing the Television Industry* (Lexington, KY: Independent Publishing, 2016).

streaming services. Instead of claiming to forecast the future of these companies, this thesis ultimately has sought to dig through their pasts, tracking their business structures and original content origins. Netflix and Hulu's business models and relationships with legacy companies are critical in setting up predictions. Setting up these foundations, surveying business models, and understanding stakeholders enables future studies to further analyze these two companies.

Studying contemporary media distribution services means confronting a constant influx of new material to research. As these companies develop new programming, acquire fresh content, and move into new markets, there are new issues to analyze. Thus, there are many paths to follow for future studies. Upcoming original content lineups from Netflix and Hulu, for example, show potential for future research. In particular, Netflix's forthcoming talk show, *Chelsea*, hosted by comedian Chelsea Handler, offers the potential to complicate our understandings of SVOD original television and consumption patterns. The show, scheduled to premiere May 2016, will air thirty-minute episodes with no commercials three days a week (Wednesdays, Thursdays, and Fridays) on the streaming service.[5] In Handler's *Chelsea* announcement, she wrote that past episodes will continue to be saved and available for Netflix users. This is different from how content is made available on Hulu or broadcast/cable TV websites, where only the past few episodes are publicly accessible. *Chelsea* will be the first Netflix show released with weekly episodes. While audiences have the potential to binge watch (waiting a few

[5] Patrick Hipes, "Chelsea Handler's Netflix Talk Show to Debut May 11," *Deadline*, March 16, 2016, http://deadline.com/2016/03/chelsea-handler-netflix-talk-show-debut-date-1201721395/.

weeks, then catching up with *Chelsea*), the concept of *Chelsea* rejects standard generic trait of the talk show format – time sensitive segments on current events and celebrities promoting upcoming movies, books, or TV shows. I wonder how *Chelsea* will react to and exploit the Netflix format and, potentially, contribute to the creation of talk show segments less dependent on when a viewer watches the episode. I am also curious to see how audiences watch *Chelsea*, and especially, how Netflix advertises and markets ideal watching habits in relation to this show.

Meanwhile, Hulu's slate of upcoming or recently launched original programs includes *The Path* (an hour long drama, starring Aaron Paul of *Breaking Bad*), *Chance* (a drama series based on a book, starring Hugh Laurie and directed by *Room*'s Lenny Abrahamson, ordered for two seasons[6]), and *Shut Eye* (a drama series, starring Jeffrey Donovan). After one Golden Globe nomination for Hulu Original *Casual*, I am curious to see how the 2016-2017 award season plays out in terms of Hulu, Netflix, and Amazon Prime's original content rivalry, and how the trade press pins the three against each other and legacy companies. As the three services continue to invest in original content distribution, how will cable and broadcast television respond?

Future research might also Netflix's international context, specifically, how the company promotes, distributes, and labels original content across the globe. Netflix has plans to distribute and expand original content for an international/transnational context [see *Club de Cuervos* (2015-), *Narcos* (2015-), and *Marseille* (2016-)]. Hulu, at this time,

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[6] Nellie Andreeva, "'Chance' Drama Series Starring Hugh Laurie Lands 2-Season Order At Hulu," *Deadline*, January 6, 2016, http://deadline.com/2016/01/chance-seriesg-hugh-laurie-star-hulu-1201676912/.

remains solely a U.S.-based platform. If Hulu decides to expand and offer access or subscriptions to other countries, it could reach higher subscription numbers and boost its perceived popularity and success. Studying comparable platforms around the world and surveying national responses to the Netflix's expansion are important to consider going forward. Additionally, studying other platforms' original content distributions strategies is necessary to expand my argument that owners, shareholders, and company higher-ups contribute to the SVOD decision-making process. Amazon Prime is, arguably, an equally important player in the SVOD landscape and has an interesting background. Its video service is a perk packaged alongside their free shipping model. Once a bookstore, then an "everything store," Amazon sells individual TV episodes and films, and features a streaming library for subscribers. Amazon Studios began acquiring and then streaming original content on the website in 2010. Much of its original content, including *Transparent* (2014-), *Red Oaks* (2014-), *Mozart in the Jungle* (2014-), and *Man in the High Castle* (2015-), is critically acclaimed, vying for awards alongside Hulu and Netflix.

Also of interest is YouTube's move into a paid subscription service. In 2014, YouTube began their YouTube Red subscription service; the company began distributing original content exclusively available to subscribers in 2015. YouTube subscription perks include ad-free streaming as well as exclusive films and series that (generally) star YouTube personalities, including horror/reality series *Scare PewDiePie* (2016-) and sci-fi comedy film *Lazer Team* (2015).[7] Joining Amazon, Netflix, Hulu, and YouTube, in 2016

[7] Julia Greenberg, "With Its New Original Series Youtube Asks: 'What Netflix?,'" *Wired*, February 10, 2016, http://www.wired.com/2016/02/youtube-red-originals-netflix/.

Apple announced plans for an unscripted series about the mobile app economy.[8] While critics pointed out the promotional spin of the show and its ties to branded content, it will be interesting to see how Apple promotes and distributes the show, how the content will be available to consumers, and if the content is purely promotional for the Apple App Store.[9] In addition to original television shows, Netflix, YouTube, and Amazon Prime have distributed original-branded films [*Beasts of No Nation* (Netflix, 2015) and *Chi-Raq* (Amazon, 2015)], comedy specials [*Hannibal Buress: Comedy Camisado* (Netflix, 2016)], and documentaries [*Tig* (Netflix, 2015) and *A Trip to Unicorn Island* (YouTube, 2016)]. A study of their different distribution process, business plans, criteria for success, and audience goals should be conducted in relation to film industry practices.

Regretfully, thus far there has been little research on the perception of Netflix and Hulu from audience perspectives. I am interested in future studies researching how audiences imagine and engage with these platforms. I think this is important work in that it grants agency to audiences; attempts to understand complex watching patterns; actively seeks to make sense of the ways audiences engage with, reproduce, critique, and modify the platforms and their original content; and tries to comprehend how audiences conceptualize the similarities and differences between platforms (i.e., if they subscribe multiple services, what do they use each platform for, do they engage in different viewing practices with each platform, etc.). Future studies could also examine fan productions and

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[8] Emily Steel, "Apple's First Foray Into Original TV Is a Series About Apps," *The New York Times*, March 24, 2016, http://www.nytimes.com/2016/03/25/business/media/apples-first-foray-into-original-tv-is-a-series-about-apps.html?_r=0.

[9] Ibid.

audience interactions with platforms and programs' official social media accounts, investigating if and/or how audiences are performing the types of "acceptable" engagement that Netflix and Hulu promote – and when and how they are doing something different than the platforms prescribe.

Since its inception, television content, technologies, and viewership have been in flux. Statistically, as of 2016, there are more shows on television than ever before, more ways to access these shows, and more people engaging with and/or watching programming. This is an exciting time to study television, as we are at a moment of both technological transition and perpetuation – as cable, satellite, and broadcast continue to be relevant. The business decisions made by Netflix and Hulu – and how they convey these decisions through their corporate documents and engagements with the press – influence and contribute to specific cultural narratives. This is why it is important to start with studies, such as this one, that look into the foundations of an emergent industry sector. It is critical to understand how companies such as Netflix both build on and set new precedents, how they differentiate themselves in relation to established media companies and a larger media system, and how they continue to grow and engage with the public.

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