New Distribution In A Digital Age*

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The American Stance Of Neutrality

Net Neutrality – The principle that Internet service providers treat all data on the internet equally and not discriminate or charge differently by user, content, website, platform, application, attached equipment, or method of communication.[1]

The idea that someone could instantaneously download a 4-megabyte song from across the country, or send and receive emails to someone across the ocean is mind blowing. When the internet was built however, no one could imagine that we'd start shooting 3-gigabyte HD video (an equivalent to 750 4-megabyte songs) through cables around the world. The problem with the increased file sizes is that the underground cables that run across countries and states are only capable of transferring so much data, and "the cloud" is not a magical thing in a quantum realm. Everything is stored on physical servers, and transferred via these large cables, which cost billions to maintain and update.

The companies that own these cables are called ISPs (Internet Service Providers). You pay "last mile" ISPs to deliver content from the bigger ISPs (which carry internet traffic longer distances). Back when the internet was first started, peering agreements were set up saying that internet providers would not have to pay each other for use of services (if person x used AOL, and sent an email to person y, who used Earthlink, and then sent an email back to person x, AOL would not have to pay Earthlink and vice versa because it cost about the same to send 1-megabyte of data both ways). The problem with today's content is that it's costing ISPs a fortune to consistently upgrade their cables. What has happened is the FCC (as of January 2017) has repealed net neutrality, which means there are no rules regulating content flow.[2]

What people are concerned about is that ISPs can now give preferential access to specific sites, or block them all together, which would mean the internet would be sold as a package (much like cable TV). Theoretically, if you purchased your internet from provider X, then you'd get websites sigma, tau, and xi, but not beta, alpha, or gamma; and sites or services rho and epsilon would buffer at slower speeds. The concern is that industry giants and the super wealthy would have an unfair advantage on the internet, leaving everyone else using slower internet.[3, 4]

It remains to be seen what will come of this; as of when this book was written, it was too early to see the effects on the internet, specifically that of media distribution. There are also several campaigns to restore net neutrality, so these next few years will be critical in seeing how net neutrality (or the absence thereof) effects the globe.

The Internet As A Terminal For Multiple Networks
YouTube, Netflix, And All That Jazz

On the 23rd of April, 2005, a video was uploaded onto the internet. Titled "Me at the zoo,"[5] this video was the start of what would become the worldwide phenomenon YouTube. Today, an average of 400 hours of video are uploaded to YouTube every minute (2018 statistic), and collectively view over 1 billion hours of YouTube a day (about 700,000 hours a minute) of which over half of those views come from mobile devices.[6] The amount of content is staggering, mind-blowing comparative to what was imagined when dial-up connection was introduced.

YouTubers (content creators) were able to make money by monetizing their videos with ads, and getting sponsorships from companies such as Nature Box, Blue Apron, or Audible.

Of the top 50 subscribed channels of YouTube (which aren't YouTube-created channels), there are 9 channels which are gaming channels (PewDiePie currently at the number 1 spot of total subscribers at 71 million, projected to be overtaken by T-Series in 2018/early 2019[7]), 17 music, 15 entertainment/comedy, 3 education, 3 how-to, 2 news, and 1 sports channel (WWE).[8]

The video streaming mogul has since expanded to compete with streaming services such as Netflix, Hulu, iTunes, Amazon, and Spotify. Launching services such as YouTube Red, YouTube Go, and YouTube Music, the site is looking towards subscription services to generate revenue beyond the standard monetization of YouTube videos. YouTube premium costs $12 per month, and with that, users get YouTube Originals (content created specifically for YouTube by pre-existing content creators), ad-free viewing, YouTube Music Premium, and offline viewing amongst a slew of other benefits.[9]

Making money on YouTube has changed drastically. While content creators initially needed 10,000 views total to join the monetization program (videos populated with ads, so for every 30-seconds watched or every click on an ad, the content creator makes money), recent changes as of 2018 have made it so creators now need 1,000 subscribers and 4,000 hours of view time in order to make money off of videos. This enables YouTube a higher amount of control over which channels are getting paid, ideally so consistent and popular uploaders get paid rather than random one-hit wonders.[10] The "anyone can make a video and publish it" attitude still exists, however it has become increasingly harder to distribute just any video.

For example, the trending tab on YouTube is supposedly supposed to feature popular videos with a high-view count[11] (whether it be an increasing rate of clicks per hour, or number of clicks within a day is unknown as YouTube is famously non-transparent with how their algorithms work[12]). Essentially though, a video is recommended locally (videos created in Tempe will be recommended to Phoenix/Arizona-based users); and if the video gains popularity from a local population, then it will trend nationally (the US). If the video attracts enough views in the US, and starts to spread out, then that video may go viral internationally.[13]

The idea is that videos which appeal to a wide audience (whether that be content, language, or thumbnail) will rise in the YouTube charts more than a video that only has a niche audience. What has since happened is an onslaught of "clickbait" titles of videos where the trending tab is no longer just the most popular film trailers and most recent let's plays; but also a place where videos such as slime videos, "strip Fortnite" (like strip poker), and finding a suicide victim in a forest (which turned out not to be actual clickbait, but ran as a clickbait title).[14]

Where once "Me At The Zoo," a wholesome home video, might have been the start of an incredible video distribution service, the way in which YouTube has changed its distribution and monetization practices have led to attention-grabbing content. This has made many old content creators frustrated, as they feel the community of YouTube has become less community and more an individual "get rich quick" platform.[15] The same dreams that draw actors, directors, and writers to the film industry have now infiltrated user-generated content sites such as YouTube, Instagram, and Vine (which is now Tik Tok).

Netflix started in 1998 as a simple idea: instead of going out to Blockbuster (which may not have a video in stock) you could hop online and rent a DVD to have it delivered right to your door (and if a certain DVD is out of stock, you get put on a wait list). In 2007, Netflix launched its streaming service[16] which now has 137 million subscribers (58.5m US subscribers, and 78.6m

International) and is projected to reach over 140 million by the end of 2018.[17] Not only does it rent titles, but it also produces its own content. In 2018 alone, Netflix is prepared to spend 10+ billion dollars, release 80 new films, and premiere 700 new television shows.[18]

One of the main factors that played into Netflix's success is how its streaming service operates. Not only does it offer exclusive content, only available on Netflix servers, but it also creates its own content. In 2013, the first season of *House Of Cards* was released to major success. Not only had they outbid cable Television, but they were releasing the entire season in a block as an exclusive. You had to have Netflix in order to watch *House of Cards*, and because of how well rated the show was, and the star power within the show, 86% of current subscribers said the show mad them less likely to cancel their subscription plan[19]; and subscriptions rose approximately 10 million in the year to follow.[20]

This content creation model has grown to include popular Netflix series, as well as original films and documentaries. They consistently outbid competition in order to get exclusive rights to stream specific film and shows, and can release different content in specific regions (for example, *Grey's Anatomy* is available in the US, but not available in the UK; while episodes of *Riverdale* update on a yearly basis in the US, but are uploaded as they air in other parts of the globe).[21]

So how is Netflix rating its shows? There are two answers; the first is an answer to what the public think of the content, and the second is how many views a film/show on Netflix receives. Netflix operates on a user-based rating system: thumbs up, or thumbs down (it used to ask for a rating out of 5)[22]. From there, it will recommend content based on what you've rated previous content you enjoyed. If you liked science fiction films and tv shows, Netflix's algorithm will recommend more titles (popular and niche) that it thinks you might enjoy.

The second is a bit more complicated. Traditional TV shows are rated in the Neilson ratings (how many views a show gets at what times). While the Neilson company has claimed they have accurate data for Netflix and online shows, Netflix has denounced these readings, and have said they are mostly inaccurate. The problem with how Neilson tries to give a rating to online content is that it relies on audio recording software on mobile devices. What happens is that the software only picks up audio from TV sets. Since more online content is watched from mobile devices (as seen with YouTube but againe, who watches YouTube on a 55" TV unless you're a high college student), the software doesn't detect what people are watching on their phones and tablets. The other problem is that it has no way of tracking what demographic has their software or not; so if 80 percent of people tracked watch only science fiction shows, then the data is skewed towards science fiction content on Netflix.[23]

The truth of the matter is no one outside of Netflix knows how many views their content gets and from what demographic. This is a marketing/distribution technique that allows Netflix a leg up over its competition from Amazon Prime, HBO, and soon to be Disney. The other problem is that the shows (especially the shows Netflix produces) reach a niche audience, so while a show may not reach as many viewers as the season finale of *Grey's Anatomy*, a Netflix show may be successful in its own way, reaching its own niche demographic.[24] Netflix relies on niche audiences to distribute and create its content, understanding that *The Ranch* may only be popular among (say) 10% of its subscribers, but *Stranger Things* will be watched by (say) 60%.

Other streaming services such as Amazon Prime Video and Hulu are currently the top competitors of Netflix in the US. Jeff Bezos recently announced Amazon Prime has over 100 million subscribers worldwide[25] (90 million of which are projected to be US subscribers), and

Hulu currently has over 20 million subscribers (Hulu is only available in the US)[26]. Reportedly, Hulu's subscriptions are up 3 million from the start of 2018 and growing, which could be a product of Hulu's packaging campaign (Hulu is available with Spotify for free, and its 2018 Black Friday deal of 1 year's subscription for $12)[27]. Another factor might be that Hulu's recently-added live TV offer for $40 dollars a month, which offers sports, news, and 50+ live TV channels[28] (YouTube offers a similar deal). And of course, Hulu produces its own original content, exclusive to its own streaming site (of which include Emmy-award winners).

What's interesting about Amazon that's different from Hulu and Netflix is that, while it does produce its own mini distribution ecosystem, it's so much more than just TV and film. Amazon relies on grabbing customers with not just a streaming service, but also free shipping, Prime music (not Amazon Music Unlimited), Whole Foods benefits, Prime Restaurant, Unlimited Photo storage, Audible e-books, and a whole slew of other options[29]. For $99 a year, Amazon offers not just a streaming service, but an entire lifestyle; a suite of apps designed to get the consumer to purchase more from Amazon companies.

The one thing that these three moguls compete for is control over the "best" (popular, and most-watched) content. Bidding wars are fierce (Amazon spent $250 million to purchase the Lord of the Rings franchise, Netflix purchases more content than its competitors (originals and syndicated), and Hulu strives to be the replacement for all TV). There is one other service however, that is just coming about that will change the landscape of these sites (especially Hulu and Netflix): Disney+.

Disney+ is the overlord's response to Netflix and other streaming services. Why lease their content (when they own an overwhelming amount of content) to other services when they can just have their own site and make more money off of it? As of the end of 2018, 21st Century Fox, The Walt Disney Company, and Comcast (NBCUniversal) own an average 30% stake in Hulu.[31] With Disney's acquisition of 21st Century Fox (when it goes through) The Walt Disney Company will own 60% (about 2/3) of Hulu. This makes it less likely that Comcast and other content owners will sell its content to Hulu.[32] While it's uncertain as of now, what many are projecting might happen is that Hulu becomes converted to Disney+, The Walt Disney Company buying out the rest of the shares. Disney could also just shut down the service after media rights expire on Hulu's original content, or keep Hulu open as another source of revenue with more-adult fare. However it's uncertain at the moment, as neither Disney+ nor Disney's acquisition of 21st Century Fox has yet to go through.

Planned content on the Disney+ app include new content (*Star Wars,* Marvel, etc), all of Disney's theatrical releases (Marvel, *Star Wars*, Pixar…), and National Geographic content. Supposedly, this all includes library podcasts and behind-the-scenes documentaries[33].

In addition, tech mogul Apple has also announced plans for a TV streaming service[34]. Similar to Amazon's subscription services (customers can pay an extra amount per month to get access to cable channels such as HBO or Starz), Apple would allow users to pay a bundled monthly fee to access specific channels. It will be interesting to see how many people pick up this service over Hulu or YouTube TV, and how Apple plans to compete with the emerging Disney service.

It's important to draw a distinction between new media and new forms of media distribution. New media is defined by the following traits: numerical representation, modularity, automation, variability, and transcoding[35]. For example, video games are a form of new media, as they exist in numerical representation, have modular elements, allows users to modify media objects (automation), have variability (there are several ways to play a video game scene), and can be transcoded to different mediums[36]. Social media is another example of this, meaning content created on Snapchat, Instagram, Facebook, or even YouTube, are examples of new media content. New media distribution relies more on niche audiences, and filling one large thing (services) with many options (streaming services).

What these sites are offering is a new way to experience media content: a more convenient and comfortable method. They offer choice and a variety of content that becomes increasingly tailored to your personal tastes the more you watch and rate. Media news has become faster; subscribers binge a show, and hype only lasts for about a week (maybe two) until the next season announces and releases. No longer do studios need to rely on theatrical success, or television ratings, when they can create content for a niche audience and have it succeed everywhere at any given time.[37, 38]

Footnotes and Sources

*New Distribution In A Digital Age was written in the Fall of 2018 for Professor Gregory Bernstein, as contribution to the second edition of his textbook: Understanding The Business of Media Entertainment: The Legal and Business Essentials All Filmmakers Should Know.

Net Neutrality

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