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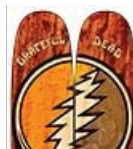
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# Original Series Help Netflix Turn a Tidy Profit

## Proliferation of homegrown content is moving the needle for streaming services

By Maura McGowan

cited in Minority Television Project, Inc. v. F.C.C. No. 11-55016 archived on December 12, 2013

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Following its first foray into original programming, Netflix put up first-quarter numbers that exceeded Wall Street's expectations. Thanks in part to the success of its \$100 million David Fincher potboiler, **House of Cards**, the company generated a profit of \$31.8 million—up appreciably from an operating loss of \$1.9 million in the year-ago period.

Just days after its Feb. 1 release, Netflix reported that House of Cards became the **most-watched piece of content** in the history of the streaming service. Despite earning **generally lousy reviews**, the latest Netflix series, Eli Roth's Hemlock Grove, has delivered even more viewers than Cards.

Netflix in Q1 gained 2.03 million new subscribers, outperforming Barclays Equity Research's earlier projection of 1.8 million adds.

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on its new cache of Arrested Development episodes. Netflix CEO Reed Hastings told investors that he expects the cult comedy will prove to be an “absolutely spectacular phenomenon,” adding that series creator Mitch Hurwitz and a cast that includes Will Arnett, Jason Bateman, David Cross and Jessica Walter “have done just a remarkable job” with the new material.

As they compete for consumers, Netflix and other over-the-top distributors are imitating HBO’s model of original content production. As Netflix chief financial officer David Wells explained, subscribers will perceive a higher value in the subscription if it includes exclusive content.

Meanwhile, one of Netflix’s top streaming rivals also reported first-quarter gains, as Amazon moves into the original content business. On Friday, Amazon posted 14 original pilots, soliciting user feedback as to which shows it should grant full-series orders. On Monday, Amazon announced that the pilots—eight comedies and six kids shows—were the weekend’s most-watched TV programs on Amazon Instant.

According to Amazon, 80 percent of the reviews were four- and five-star ratings.

Hastings allowed that while Amazon was a viable competitor, he sees challenges from a number of players. “Certainly all the sellers of content want to have many active bidders, so they are approaching everybody (Redbox, Google, the cable networks) in order to get competitive bids,” he said.

In contrast to Netflix’s pricey House of Cards, the Amazon pilots are largely low-budget affairs. Amazon wants to impress a generation raised on YouTube videos and cheapo Adult Swim cartoons, so it willingly sacrifices production values in exchange for youth-friendly concepts.

These days, you can’t swing a dead cat without grazing a digital distributor who is expanding into original content creation. Under former CBS exec Nancy Tellem, Microsoft’s new Xbox Entertainment Studios division is **looking to revive the defunct NBC show Heroes**. And satellite-TV operator DirecTV has jumped into the game, **ordering a new original series** from In the Company of Men director Neil LaBute. The streaming service Redbox Instant last week also announced plans to create original programming, making this perhaps the busiest **development season** in recent memory.

For all that, don’t expect any of the streaming content providers to take much of a bite out of TV budgets. While **broadcasters are not likely to outearn the 2012-13 upfront**, the spring bazaar should still generate some \$9.75 billion in advance commitments.

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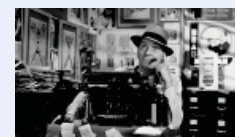
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## About the Author

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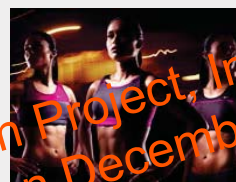
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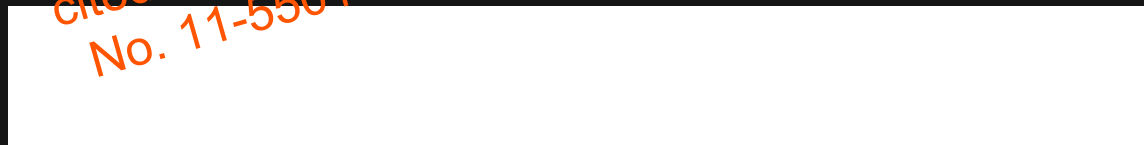


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