

Hulu launches \$10 video subscription service

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In this Nov. 11, 2009 file screen grab, the home page of Hulu.com, is shown. Online video site Hulu has launched a \$9.99-per-month paid section, under pressure to generate a profit from its media company parents.(AP Photo/Hulu)

(AP) -- Online video site Hulu, under pressure from its media company parents to generate a bigger profit, launched a subscription service Tuesday with complete access to back episodes of popular television shows.

For \$9.99 a month, subscribers can get the entire current season of "Glee," "The Office," "House" and other shows from broadcasters ABC, Fox and NBC, as well as all the past seasons of several series. The popular, ad-supported website will continue to have a few recent episodes for free online.

In a surprise move, however, paying subscribers will get the same number of ads as users of the free website.

Hulu Chief Executive Jason Kilar said keeping ads was necessary to help keep the subscription price low.

"Certainly there was an opportunity for us to offer an ad-free service at a higher price," Kilar told The Associated Press. "But we heard loud and clear from consumers that they would prefer to have a lower price in a way that advertising helps lower the cost."

The new site is initially available by invitation only on computers and through special applications designed for Apple Inc.'s iPad and iPhones and certain Samsung Blu-ray players and TVs - the first time Hulu is available off desktop and laptop computers.

It's coming soon to Sony Corp.'s PlayStation 3 and some of its TVs and Blu-ray players, and there are plans to launch on Microsoft Corp.'s Xbox early next year.

"More wherever. More whenever. Than ever," the company says in new marketing materials.

The long-awaited move should be a boon to Hulu's corporate parents: News Corp., General Electric Co.'s NBC Universal, The Walt Disney Co. and Providence Equity Partners.

Hulu, which launched fully to the public in March 2008, has said that it took in more than \$100 million in revenue in 2009 and has posted a net income, the most stringent measure of profitability, in the past two quarters. It expects a third quarter of net income in the three months through June. Hulu would not provide specifics on how much it earned.

Kilar also said the company will meet its forecast to exceed its 2009 revenues by some time this summer, while Hulu Plus will "be accretive on top of the Hulu business," adding to profits and revenue.

While the paid section will show the same number of ads to viewers as on the free site, it will have more content available. In the rush to launch, Hulu cut new deals with only about half of its 200 content partners, and for a time, not all of the free content will be available on Hulu Plus.

Paying subscribers can also watch shows in high definition - at up to 720p, compared with 480p for free. Hulu didn't go all the way to 1080p, the maximum resolution for many TVs, mainly to maintain a good viewing experience given the average consumer's broadband Internet bandwidth.

Automaker Nissan Motor Co. and Anheuser-Busch InBev SA are advertising partners for the launch.

Analysts questioned whether Hulu could gain enough paying subscribers without launching an ad-free service.

"There'll be some pushback if there's the exact same number of ads, free or paid," said eMarketer senior analyst David Hallerman.

Dan Rayburn, principal analyst of digital media at research firm Frost & Sullivan, called the dual revenue model "a bit greedy" but unavoidable to keep Hulu's media company owners happy.

"Do I think it'll be wildly successful? No," he said. "Do I think they'll get a percentage of Hulu users to use this? Yes."

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