

Free video services nibble at Netflix's consumer base

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It's too early to tell how well baseball's New York Mets will do this season, but for Mets fans, it's easy to go online and relive the glory days of the team's last World Series-winning year, back in 1986 - without having to pay anything for it.

All one needs to do is visit the website of Snagfilms to view what some might call the infamous "Let's Go Mets!" promotional film that features Mets stars like Dwight "Doc" Gooden, Mookie Wilson and Gary Carter mostly doing all kinds of hilarious antics set against a typically synthesizer-heavy 1980s soundtrack. To top it off, "Let's Go Mets!" is hosted by Joe Piscopo, who at the time was two years removed from his tenure on "Saturday Night Live."

A viewer could be forgiven for seeing little more than a time capsule of '80s cheesiness. But for Damian Benders, Snagfilms' [senior vice president](#) of marketing and programming, providing access to a movie like "Let's Go Mets!" is a central part of the ad-supported video-streaming company's business strategy.

"Our overall mission has been to enable filmmakers and give them access to the widest possible audience," Benders said. "We sell ads around the videos because doing a download and having people pay to rent wasn't the way to go."

Snagfilms, which specializes in independent and documentary films, is one of a small-but-growing number of video-streaming services that,

instead of hitting subscribers with monthly fees, have decided that success can be found by taking a page out of the advertising model that has served traditional TV for decades.

No one will confuse a company like Snagfilms with an industry behemoth such as [Netflix Inc.](#), but with a library of 4,000 films and 6 million unique visitors in the fourth quarter of last year, Snagfilms has found a plan that works for its audience.

"We believe that there is a broad opportunity for us," Benders said. "Because [consumer behavior](#) is changing so much, and viewing times are getting longer, there really is room for multiple players with a distinct area of focus."

Led by the likes of Netflix, Hulu and Amazon.com Inc., the market for services that stream movies and TV shows is booming. Much of this is because of a growing range of devices, such as tablets, Web-connected TVs and devices like Roku and Apple TV, that can employ apps from these services.

In the fourth quarter of 2012, Netflix alone counted more than 33 million video-streaming subscribers worldwide, a 41.4 percent increase over the same period in 2011. In addition to offering movies and many international programs, Hulu lets its subscribers watch shows from three of the four major U.S. TV networks almost as soon as those programs finish their initial airing. Subscribers must pay \$7.99 a month for HuluPlus in order to view programs on any other device. And Amazon, which offers subscribers to its Prime two-day delivery service free access to its library of videos, has shown it means business, too, by recently signing exclusive streaming deals for shows such as PBS's hit "Downton Abbey" and FX's "Justified."

The numbers of viewers watching all that content isn't about to decline

any time soon. Forrester Research estimates that the number of U.S. viewers of online videos will grow from 177 million this year, to 198 million in 2015, and reach 217 million by 2017.

But while the video-streaming market is ruled by services that rely on subscriber fees for their revenue, ad-driven video streaming from companies like Snagfilms, Popcornflix and Crackle has eked out a small-but-notable piece of the market.

"How do we carve a place in the market? We don't see anybody as competition," said Gary Delfiner, president of digital distribution of Screen Media Ventures, the video distribution company that runs Popcornflix. "Facebook has a billion people (on it). I don't need nearly that many. The audience is so new every day, and new viewers come around every day."

And there have been enough new viewers coming around that in March, Delfiner said, Popcornflix served 30 million minutes of viewing. That number dwarfed the 200,000 minutes for the same month a year ago, when the service was only available on the Web though desktop computers.

Popcornflix was added to the Roku set-top box in March 2012. Delfiner said there have been more than 1 million downloads of the Popcornflix app, which he created, since it was first released a year ago.

"People pick where they're going to get their entertainment, and it's no different than how they get their news," Delfiner said. "People who like to get their entertainment from Netflix go to Netflix. And other people want their entertainment from us."

But the services are hardly equivalent in terms of quality content. For instance, Netflix and Amazon just added the 2012 blockbuster "The

Hunger Games" to their services. Netflix also recently announced an expanded, multiyear kids programming agreement with Hasbro and on May 26 will debut the long-awaited fourth season of the cult-hit TV show "Arrested Development."

A visit to Popcornflix's website shows newly added releases that include "Across the Tracks", a Brad Pitt-Rick Schroeder vehicle from 1990, and several "direct-to-video" movies with titles like "Cougar Hunting" and "Women in Trouble."

"From what I've seen of Popcornflix and Crackle, I associate them with them most closely with the bargain bin at Wal-Mart," said Andy Hargreaves, an analyst who covers Netflix for Pacific Crest Securities. "That is, a place to monetize content that isn't particularly highly demanded."

Mike McGuire, research vice president with Gartner Inc., said of the ad-supported video sites, "I don't know that they are driving as much revenue as a Netflix, and I think we can safely agree that many don't have the top-tier movies, or even the most-recent catalogs, but the bottom line is that there's an insatiable need (for content) based on people's likes and interests."

Hargreaves said it's hard to determine how to gauge the success of such free, ad-supported sites. He notes that data from Web information company Alexa Internet suggests Crackle gets about 1/10 of Hulu's traffic and 1/10 of Netflix's traffic.

That doesn't matter to Eric Berger, executive vice president of digital networks at Sony Television and general manager of Crackle. Sony owns Crackle and provides about 50 percent of its content.

Berger says the 12 million users who spend about 100 minutes a month

watch movies and TV shows on the service, which is also available on devices like Microsoft Corp.'s Xbox videogame console, have made it a viable "over the top" video network.

"On the content side, it's like a network," Berger said. "It's not just an aggregated site like other sites. It's programmed like a network to a targeted demographic, with content curated by our editorial team. And we have original content, too."

In addition to a mix of well-known and second-run movies and TV shows, Crackle offers original programming, such as the six-episode series "Chosen" starring Milo Ventimiglia, and Jerry Seinfeld's "Comedians in Cars Getting Coffee," in which Seinfeld picks up a different comedian or actor in a different car in each episode and they then, as the title says, get coffee. After an initial run of 10 episodes, Seinfeld has signed up for 24 more episodes on Crackle.

Berger said that Crackle is "a big believer in the ad-supported model" for video streaming, which usually involves a commercial being played before a program's start, then a few more ads sprinkled in through the length of the video. The company is also looking at new ways of getting viewers interested in its advertisers with C-Roll, a new ad environment on connected TVs. C-Roll lets a viewer click on an ad and get more information about the product in the ad before returning to where they left off in the program they were watching.

Berger said such methods are a sign of how free video services can hold their own in the video-streaming market.

"Brands love it when you can interact with an ad unit," Berger said. "This whole new world is a living room. It's everywhere, and there are lots of choices. One of the mistakes is assuming that only one player can win."

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