

## Netflix looks to hook subscribers with 'Arrested'

May 24 2013, by Michael Liedtke

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(AP)—Netflix is hoping this weekend's release of the resurrected TV series "Arrested Development" will draw more subscribers to its Internet video service.

The award-winning show about the dysfunctional Bluth family returns Sunday, seven years after Fox cancelled the series. The revival coincides with Netflix's own resounding comeback from a customer backlash over price increases and shareholders' worries about rising expenses. The adversity had raised doubts about the company's management and future.

Now, Netflix is winning back [subscribers](#) and investors with a bold attempt to establish its \$8-per-month service as a home entertainment powerhouse that rivals the broadcast television networks and premium [cable channels](#) such as HBO.

"Arrested Development," a comedy that won six Emmy awards during a critically acclaimed three-year run, is the third exclusive series from [Netflix Inc.](#) this year. It's part of Netflix's effort to add more original programming to a selection that consists primarily of old TV series and movies.

With 29.2 million U.S. subscribers—far more than the 21.9 million TV subscribers that leading [cable provider Comcast Corp.](#) has—Netflix has already reshaped home entertainment. Netflix has also expanded to several European countries in recent years.

The service is encouraging more people to forego cable and satellite TV service and rely on Netflix to watch popular TV series a year or more after they originally were shown. Netflix also is empowering viewers to watch an entire season of a TV series in a matter of days instead of months.

Netflix CEO Reed Hastings isn't done disrupting things yet. He is spending more than \$2 billion annually, including about \$200 million to finance original programming that can be watched on traditional computers, smartphones, tablets, video game consoles and Internet-connected TVs.

By expanding its library of content, Netflix is hoping people will decide to spend their idle time on its Internet [video service](#) rather than play video games, fraternize on Facebook, surf cable or satellite TV or watch a DVD. (Netflix started out as a DVD-by-mail rental service, but it is phasing that out in favor of Internet streaming.)

"We want our members to choose Netflix in these moments of truth," Hastings wrote in a recent essay outlining Netflix's philosophy.

By bringing back "Arrested Development" this weekend, Netflix is also trying to prove that people still want to see quality entertainment even when the weather is getting nicer and the days are growing longer. That runs counter to the philosophy of broadcast TV networks, which for decades have typically started the new seasons of their top TV series in September and stopped showing new episodes just before the Memorial Day holiday weekend in the U.S.

BTIG Research analyst Rich Greenfield believes the scarcity of compelling choices on broadcast TV at this time of year is bound to help Netflix draw more viewers to "Arrested Development." In a recent analysis posted on BTIG's blog, Greenfield predicted that the total

number of hours watched on Netflix in June might even surpass the Fox broadcast network for the first time.

If that were to happen, it would be an ironic twist, given that Fox canceled "Arrested Development" in 2006 over the protest of the series' fervent fans. "Arrested Development" had low ratings during its run, but the viewers who did watch loved it. Others discovered the show later on DVD or Internet streaming—both of which have been available through Netflix.

The first three seasons of "Arrested Development" were being watched by so many subscribers that Netflix knew another season would be well-received by its existing audience and would likely lure new subscribers, too.

Like Netflix's previous series, all 15 new episodes of "Arrested Development" will be released simultaneously to allow viewers to watch the show as if they were perusing a book and deciding how many chapters to pore through in a single sitting. "Arrested Development" is scheduled to be available at 3:01 a.m. EDT Sunday (0701 GMT), meaning Netflix subscribers could conceivably devour the entire season.

Netflix's departure from TV's traditional one-episode-per-week strategy has been well received by subscribers who have watched the service's previous forays into original programming.

February's release of "House of Cards," a political drama that stars Oscar-winning actor Kevin Spacey, helped Netflix add 2 million more U.S. subscribers during the first three months of the year, more than analysts anticipated. "Hemlock Grove," a quirky horror series, attracted additional viewers during the first weekend after its mid-April release, according to Netflix, although the company hasn't provided specific numbers.

It's difficult to quantify how many subscribers joined Netflix to watch "House of Cards" and then decided to stick with the service after seeing all the other material available. That's because "House of Cards" debuted during a winter period that is traditionally one of the service's prime times. For instance, Netflix added 1.74 million subscribers in the first three months of 2012. The difference between the two years could be an indication that "House of Cards" generated an additional 250,000 subscribers, although there is no way of knowing for sure.

In any case, "Arrested Development" is expected to attract even more new subscribers than "House of Cards" because of its built-in fan base and the success that several of its cast members have enjoyed since the show's cancellation. The original cast, including Jason Bateman, Michael Cera and Will Arnett, is returning to the zany series revolving around a family whose opulent lifestyle was torn apart by the arrest of a corrupt patriarch played by Jeffrey Tambor.

In the new episodes, viewers will get updates on the characters, one by one. Although that was done because of difficulties booking the actors all at once, it ended up allowing for a non-traditional viewing experience, one more fitting on Netflix than a traditional network. Viewers, for instance, will be able to pause an episode on one character to watch the same scene from another character's vantage point.

The long-awaited return of "Arrested Development" prompted Netflix to be more optimistic about subscriber growth during the traditionally sluggish April-to-June period, Hastings told The Associated Press in a recent interview. The California company predicted that it could gain as many 880,000 U.S. Internet streaming subscribers during the second quarter. Without the series, Hastings said, the projected increase probably wouldn't have exceeded 530,000, the growth it had during the same period a year ago.

If "Arrested Development" does as well as Hastings hopes, it will mark another triumph for a company that had fallen out of favor with subscribers and investors less than two years ago. Netflix infuriated customers in July 2011 when it announced price increases of as much as 60 percent for people who wanted to rent DVDs by mail and stream Internet video. Then, Hastings unleashed even more outrage by outlining plans to spin off the DVD-by-mail option into a separate service called Qwikster.

Netflix didn't waver on its new pricing system, even though it resulted in the loss of 800,000 customers at the time. But Hastings scrapped the Qwikster concept amid the backlash. The DVD-by-mail service, which has lost 6 million customers in the past 18 months and now has 8 million, is being allowed to slowly fade away.

While Netflix subscribers were howling, shareholders were dumping their stock. Investors feared the company wouldn't be able to attract enough subscribers to cover the steadily rising fees for licensing video rights.

Those worries have dissipated now that Netflix is growing rapidly again, something that Hastings had promised would eventually happen after apologizing for the Qwikster mistake and the way he handled the price increase.

After hitting a high of nearly \$305 in July 2011 and then falling to below \$53 last August, Netflix's stock is trading around \$225.

"I don't have a sense of 'I told you so,' or something," Hastings told the AP last month. "I have a sense of satisfaction that we are doing what we do best, which is steadily improving our service."

**More information:** [www.netflix.com/ArrestedDevelopment](http://www.netflix.com/ArrestedDevelopment)

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