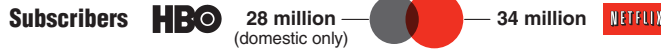


# Defining Television in the 21st Century

Netflix recently jumped ahead of HBO with a spike in subscribers due in large part to its new content offerings and the increasing ease of streaming content. Both companies have developed new delivery and content strategies in the race to redefine the business model.



## The evolution of HBO's "Appointment TV" model

## How did they get there?

## The evolution of Netflix's "Binge TV" model

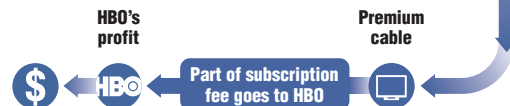
### OLD SCHOOL

HBO—Home Box Office—got its start as a cable television channel that brought uncut movies and sporting events to home viewers. It quickly became a part of the pipeline connecting studios and the content they create to the audiences that consume them.



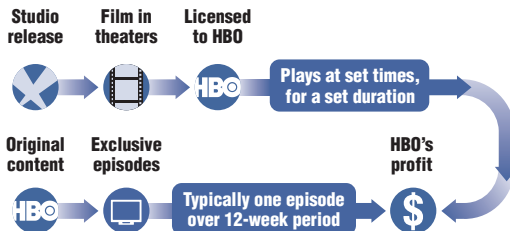
### THE FINANCIALS

In this model HBO makes money when viewers subscribe to the HBO channel through the purchase of a premium cable package or "bundle" of television channels.



### THE "APPOINTMENT TV" MODEL

In their new model, HBO adds their own content to the mix in the form of unique series. Following a television-based model, HBO releases episodes on a weekly basis, and in seasons that appear at intervals. They call this "appointment" television.



### OLD SCHOOL

Netflix also started out as a middleman: it displaced the old model of the video store (remember those—where you actually went and picked out a VHS tape or DVD for rental?) by bringing rental services online.



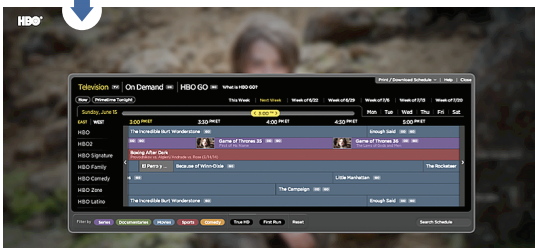
Subscribers select up to 3 DVDs online, keeps them for as long as they want, cannot rent more until those have been returned.

### THE FINANCIALS



### THE "BINGE TV" MODEL

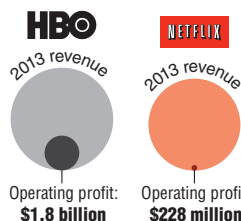
Netflix licenses content, streams it for downloading. Shows on original TV. Films in theaters. Film, TV releases.



HBO's lineup in menu system ▲

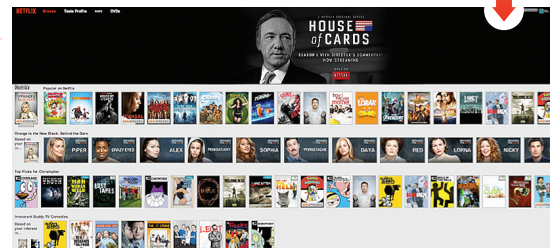
### THE NEW FINANCIALS

The licensing model for movies shown on HBO remains the same as in the original model, but as content creators, HBO pays for creation and production and reaps the revenues exclusively. Since they've been in the business for a while and have an international audience, the revenues by now far outweigh the costs to them.



500,000

Number of Netflix subscribers who "binge watched" the entire second season of *House of Cards* within 3 days of its release



▲ THE NETFLIX web page

### THE NEW FINANCIALS

The licensing model for movies shown on Netflix remains the same as in the original model, but as content creators, like HBO, Netflix pays for creation and production and reaps the revenues exclusively. But unlike HBO, because Netflix releases its content all at once rather than at set times, viewers can at least in theory consume much more since there are no limits to how much they watch. But since Netflix's model is relatively new, it is currently spending more in investments than it is making in profits.