THE BIG PICTURE / PATRICK GOLDSTEIN

Leveling the field, a rental at a time

PATRICK GOLDSTEIN

PHILIP DELL’ISOLA is a fan of all things Irish, especially any movie with Colm Meaney in it. Even so, he was only vaguely familiar with “Intermission,” an obscure Irish film that featured Meaney and a host of other great Irish actors until he noticed that a friend had recommended it on Netflix, America’s favorite online movie rental site.

“When I saw it, I loved it,” recalls Dell’Isola, a 37-year-old marketing executive for Boating magazine who’s been a Netflix subscriber for two years. “In fact, it’s so good I can’t imagine why it didn’t do better at the box office. I guess I’m one of the reasons because I didn’t go see it, but I probably didn’t even know it was playing in a theater here. If it wasn’t for Netflix I would’ve never seen it.”

"Intermission" was easy to miss. It played in theaters only for a few weeks in the spring of 2004. It never played on more than 69 screens, which means that if you live outside of America’s biggest cities, you couldn’t see it in a theater at all. But at Netflix, if a movie has passionate fans, even a tiny indie film can compete with studio behemoths backed by $40-million marketing campaigns.

In fact, thanks to a surge of Oscar-related interest, “Crash,” which barely cracked the Top 50 grossing movies of 2005, is poised to become Netflix’s most rented movie of all time.

“Hotel Rwanda,” which made only $23 million in theaters, is one of Netflix’s top five all-time rentals. The documentary “Born Into Brothels” has racked up 500,000 rentals, while “Oldboy,” a cult Korean action thriller, has done nearly 50% of its rental business through Netflix.

"What we do is ‘slivercasting,’" says Ted Sarandos, Netflix’s chief content officer. "In an era where there are so many homogenized films trying to reach every quadrant of the audience, we can help a great little movie find as big an audience as a big mediocre one. In most video stores, I’d be lucky to find one copy of [the Werner Herzog documentary] ‘Grizzly Man,’ but on our site, it finds its way, in a very democratic manner, to the front of the new releases pool. If TiVo had helped people free themselves from a linear TV schedule, then we’re helping free people from the Top 100 commercial movie model."

Launched in 1998 by Reed Hastings, a one-time Peace Corps math teacher who made his money in Silicon Valley, Netflix has 4.2 million subscribers with access to 55,000 DVD titles. For a $17.99 monthly subscription fee, members can rent three DVDs at a time, with no limits and no late fees. (The Bay area-based company has nine subscription plans in all, including those for more casual or serious film fans.) After members watch a movie, they send it back in a pre-addressed, postage-paid envelope. The company ships an eye-popping 1.4 million DVDs each day, generally by one-day delivery.

Although most of the media coverage about Netflix has treated it as a Wall Street success story, its real effect is cultural. It has created a business model, very much like XM Satellite Radio, that provides an alternative to the deluge of dumbed-down entertainment that has swamped our pop culture. In terrestrial radio, a station playing a gifted but little-known singer like Neko Case can’t compete with a station spotlighting big sellers like Mariah Carey — to the highest-rated station go the advertising spoils. But on XM, with its 150 channels of music, bluegrass, Latin jazz or hard-core punk has just as much sway as Top 40.

Netflix offers a similar model. Because it relies on subscriber ratings and recommendations, and can offer an almost limitless array of product, it creates a level playing field, allowing a tiny indie film to compete with a multiplex monster. It’s a great example of what Wired magazine’s Chris Anderson calls the Long Tail. Put simply, our culture is increasingly being shaped not by the biggest hits, but by a huge number of niches in the tail. If you go to a movie theater or a Blockbuster, the vast majority of business comes from a few dozen films. But at Netflix you can see the Long Tail in action — its subscribers rent more than 95% of its 55,000 titles every quarter.

Netflix subscribers keep a “queue” of movies they want to rent. The beauty of this system, as Sarandos describes it, is that it "archives the impulse." The bane of movie marketers has been the gap between getting a customer’s attention and getting them to act on it. With a queue, subscribers can log in a movie they’ve just heard good buzz about, even if it isn’t
out on DVD yet.

It's the ratings that make Netflix such a uniquely participatory environment. In the studio-dominated world of first-run movies, marketing is all powerful. At Netflix, the power is in a trust network of movie fans who have provided 1 billion movie ratings. The company processes these ratings using a complex form of algorithm-style data crunching that enables it to create a personalized home page for each subscriber, based on likes and dislikes culled from their ratings and rental history.

In fact, visiting Netflix isn't so different from scrolling around MySpace.com, the popular youth culture website. Each site is an oasis of connectivity, a sprawling community of people eager to share their enthusiasms. The common denominator is personalization. Each site harbors a fierce resistance to mass marketing — everyone wants to discover their own bands or their own movies. On MySpace you can read people's online journals and view their pictures and friends' lists. At Netflix, one of the most popular features is a friends section, where anyone can share movie recommendations or view one another's film queues.

You can also see local favorites, so you can compare the movies that are most highly rated in Santa Cruz (which are as varied as "Wes Craven's New Nightmare" and "Belle de Jour") and Wentzville, Mo., ("Boo!," "King Arthur" and "Cheaper by the Dozen"). With such a specific database, Netflix has become a partner with studio specialty divisions in various promotional deals. When Sony Pictures Classics was opening "Kung Fu Hustle" last year, Netflix sent out e-mail blasts to subscribers who were fans of similar martial-arts films who lived within five miles of the theaters playing "Hustle."

"It was incredibly effective," says Sony Classics co-chief Tom Bernard. "Even if people don't see the movie in a theater, they put it in their queue to rent. We did $30 million worth of video business on 'Hustle' and while you can't totally quantify it, we figure that a really big chunk of that came from Netflix."

According to Sarandos, 75% of the movies that subscribers put in their queues are inspired by some facet of the Netflix ratings system. "Little Miss Sunshine," a film that Fox Searchlight bought at Sundance in January, has been rated by 44 people, even though it won't be in theaters until summer — and on DVD until the end of the year. The ratings are incredibly transparent, in the sense that you not only know who gave "Sunshine" a five-star rating, but you can also see what other movies they rated highly, encouraging you to compare their movie tastes with your own.

Netflix isn't perfect. Even though it has been the No. 1 rated website for consumer satisfaction for two years running, it recently got a black eye for a practice known as "throttling" after a legal fight revealed that the company had in some instances delayed shipments to heavy users while shipping films more quickly to subscribers who rented fewer films. Like XM, the company will need continued growth to keep Wall Street analysts happy. Netflix projects that it will have at least 5.9 million members by the year's end, but it will face increased competition, especially when movie fans begin downloading films directly to their home entertainment systems.

But in an era when the dominance of studio marketing had threatened to marginalize quality films, Netflix has become a key element in the democratization of the medium. "It's like MySpace without the dirty words," says ThinkFilm's theatrical chief Mark Urman. "Before they were around, my company could get great reviews for a film, but it couldn't open on 3,000 screens or be on the shelf at every Blockbuster. With Netflix, not only is our movie completely available, but the consumer gets this wonderful curatorial assistance. They're told — 'If you like that, you're really going to like this.' That builds the best kind of word of mouth, from people you trust."

As for Dell' Isola, he says he's not only watching more movies than he did before, but also a wider range of films. He just added a film by the late master Indian filmmaker Satyajit Ray to his queue after it got great ratings from fellow subscribers. Call it cinema consciousness-raising. As Dell' Isola put it: "I wouldn't doubt that five years from now we'll read a story about some hip new film director who'll say, 'My film school was Netflix."

"The Big Picture" runs Tuesdays in Calendar. E-mail questions or criticism to Patrick .Goldstein @latimes.com.

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