Abstract

In their exploration of the digital media space, Internet-based companies such as Amazon challenge the traditional paths of media production, distribution, and exhibition through their unique approach to creative development. Catering to the expansion of an active viewership and an increasingly fragmented market, Amazon’s model appropriates Hollywood risk mitigation strategies, social networks, marketing campaigns, and transmedia storytelling techniques for the digital media age. In doing so, they popularize new standards of contemporary media culture and the evolution of the consumer-producer relationship. This project will explore such trends as a byproduct of digital media integration among Internet-based companies and its impact on the industry’s creative output.
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Introduction

Sophisticated sound systems, over-salted popcorn, and soft leather chairs introduce audiences to the magic of the movies. Every shot appears larger than life, clad in the pristine façade of artificial light and meticulous staging. Nostalgia for the experience occasionally draws consumers to the theater, but still box office sales decline under market pressures from competing distributors. Once relegated to darkened movie theaters and rigid television schedules, digital media companies utilize technological advances to personalize the viewing experience and thus reach unprecedented mass distribution. Technetronic in nature but creative in execution, the success of Amazon Studios epitomizes the disruptive trends of the evolving media landscape.

Once solely confined to the development of hardware, software, chip manufacture, and the like, members of the technology industry now seek diversification of their businesses into the digital media space. Software companies experiment in video game production, digital design consultancies try their hand at computer-generated imaging, and internet-based companies take advantage of their online presence to introduce alternative distribution channels for media content. Recognizing the value of entertainment as both a lucrative source of revenue generation and an area in dire need of technological intervention, these companies bring their unique resources to the forefront of media innovation. Their unprecedented entry into an industry well known for their high barriers to entry nevertheless led to exceptional success that significantly influences the industry dynamics fixed in Hollywood since the studio era.

The permeation of electronic entertainment such as streaming and downloads into mainstream consumption culture offers a lucrative opportunity for technological companies in pursuit of diversification. In fact, Americans will pay more for electronic entertainment than physical rentals or purchases for the first time in 2015 and outpace box office revenues by 2017 (Tietjen). Within the next five years, financial analysts expect the industry to nearly double from $15.3 billion to $30.3 billion. Considering a quarter of all daily television views occur online, such a prediction does not lie far outside the realm of possibility, but it poses a serious threat for legacy media companies unfamiliar with those distribution channels (McGrath). As the industry grows at a phenomenal rate, the pressure to understand and adapt the technological capabilities of their competitors increases significantly.

FX Chief Executive Officer John Landgraf labels the trend the “peak television era,” citing the 409 original scripted series available in the United States across broadcast, cable, and digital outlets in 2015 (Littleton). Up 8.7% from 376 series the previous year, much of that growth emerges from the digital arena rather than traditional channels. While basic cable grew 7.1% and broadcast grew 1.4% over the past year, streaming services Netflix, Amazon Studios, Hulu, Crackle, and Yahoo collectively grew 63% in the same time period. The wide diffusion of content mirrors the cable boom of 2010-2011, in which the number of basic cable series grew 47.2% at its peak. The rising competition instigated by the entrance of digital media companies both increases costs and thins the talent pool for legacy media companies, lending the advantage to those with the preferred platform. Digital distribution channels hold that honor for their convenience and suitability with contemporary consumption behavior.

Internet-based technological companies, also referred to as digital media and online distributors thenceforth, diversified into entertainment precisely when consumption behaviors and other economic factors most supported their competitive advantage. In other words, the very technology that internet-based companies such as Amazon Studios use to differentiate themselves from their competitors appeals to contemporary audiences more so now than ever before. Hollywood often attempts to mimic their technological superiors by exploring digital
channels, but they lack the resources necessary to successfully execute those strategies. They are thus classified as legacy media companies, fundamentally situated in the traditional Hollywood business and creative models fine-tuned under the conglomerate system.

Legacy media companies operate under a unique infrastructure designed to capture the mass audience of mainstream culture. As a functioning oligopoly, Hollywood studios utilize vertical integration to consolidate their control over the production, distribution, and exhibition of their creative content (Schatz 46). Although such practices have since faced legal action for their arguably anticompetitive functionality, both the Reagan administration’s free market policies and Clinton’s Telecommunications Act of 1996 served to support the media industry’s right to essentially retain their holdings over all revenue sources (47). The resulting rise of the media conglomerate imposed higher barriers to entry in an industry already known as exclusive because of its high capital costs and rigid social hierarchy of talent.

The vertically integrated system heralds a necessary shift in distribution strategy: studios heavily rely on high consumption to achieve economies of scale, and therefore profitability. In order to mitigate risk and capture those large audiences, then, legacy media often resorts to “visually spectacular, narratively straightforward, stylistically innocuous” blockbusters that follow strict genre conventions (51). They then capitalize on their most popular content through like-minded franchises and ancillary markets that, rather than infuse the market with new innovations, build off existing momentum until it finally grows stale. While profitable, vertical integration necessitates constraints that drive legacy studios’ business strategies, and thus lowers their willingness to undertake creative risks.

Furthermore, the value of mass audiences to the contemporary legacy media landscape positions distribution as the most lucrative revenue source for major studios and television networks. Copyrights alone account for $300 billion of annual industry revenues across the United States and Europe (Mann 32). The theatrical release acts as a loss leader for exploitation windows such as DVD and pay-per-view, from which studios collect high licensing fees for sharing their films with third party services. Similarly, television networks profit not only from the advertising associated with the debut of new programming, but also the syndication of shows through other distribution streams. At the introduction of digital distribution channels such as Netflix and Amazon Studios, legacy media formed similar licensing agreements in order to monetize their subscriber base. In fact, 75% of post-exhibition revenue now comes from online distributors. However, although this practice preserves their bottom line, legacy media suffers from reduced control over their audiences.

The entrance of technological companies into the digital media space thus challenges Hollywood’s control over their lucrative distribution networks. In syndicating content from multiple sources, including both independent and mainstream producers, digital platforms ensure diversity of choice (Küng 22). Content aggregation of this sort avoids third party distribution and licensing fees contingent on viewer volume in favor of a direct subscription service with the viewers themselves. Revenues, then, depend not on a mass audience, but rather on a collection of individual viewers. In essence, online distributors avoid the limitations of legacy media’s attachment to the mass audience, and therefore offer more distinctive and revolutionary content that serves as a profitable counterculture to Hollywood fare.

In order to properly analyze such subtle shifts in the contemporary media industry, the following thesis draws upon extensive secondary research that constructs the industrial context of both legacy media and internet-based technological companies. Those theories directed my approach to content analyses of news outlets and trade journals that charted the growing
reputation of digital platforms in Hollywood. I then ascertained audience response to changes in the entertainment industry with respect to new programming and distribution options by perusing social networking sites such as Twitter, Facebook, Hollywonk, and the Commissary Forum. To the same effect, I also analyzed viewer comments and reviews of Amazon Studios’ original programming. By examining the two perspectives in tandem, the thesis explores the consumer-producer relationship that developed following the introduction of digital media.

In fact, I spoke personally with Collective Digital Studios chief operating officer Phil Ranta about the role of the feedback loop when developing projects intended for digital distribution. Subsequent interviews and office visits with Netflix producer Charles Schlissel, Amazon Studios head of production John Lynch, and an anonymous Amazon Studios producer expanded upon Ranta’s insight by describing the application of those strategies at their respective companies. Moreover, Amazon data scientist Dave Schultz’s lecture about their company-wide utilization of data provided supplementary details about the impact the role of technology in the creative development process. In contrast, HBO executives Robert Roth and Jay Roewe underscored vastly different business and creative approaches to their innovative digital distribution arm HBO Now. Finally, I analyzed box office receipts, ratings, legal documents, and company reports that verified the fiscal impact of those divergent policies.

Building from the precedent established under the disruptive introduction of television and home video to the entertainment industry, the first chapter analyzes the market conditions that incentivized internet-based companies such as Amazon Studios to diversify into digital media. Their online distribution practices antiquate the original fragmentation of audiences in accordance with demographics or residence location, instead niche-targeting viewers’ general interests. Online content aggregation and distribution thus monetize the fragmented market with greater success, and so internet-based companies utilize their technological infrastructure to take advantage of the opportunity. In order to sustain their business, they have expanded into original productions and developed recommendation systems that differentiate their digital platform from traditional windows for the convenience of the modern, tech-savvy consumer.

The second chapter investigates the reasons why the Hollywood studios’ approach to risk mitigation has not yet adapted to the contemporary media consumer. One such example of risk mitigation is the social network between producers, distributors, talent agencies, law firms, and the like within Los Angeles. The social hierarchy cultivated under those relationships often dictates negotiations and green-lighting agreements, to the detriment of the studios’ creative output. Their rather generic content follows a narrative formula, driven by franchises and stars, that struggles to attribute unique value to any one title. Internet-based companies such as Amazon Studios, on the other hand, have access to both consumption data as well as the specialists necessary to decipher that information. Employing objective data rather than socially validated intuition to make green-lighting decisions, they achieve legitimacy through critical acclaim.

As seen in the third chapter, the digital media business model also relies heavily on the consumer-producer relationship when strategizing the production of their original programming. Unrestricted by theater times or prime time scheduling, the introduction of the interactive screen cultivated active audiences that now have the opportunity to watch their favorite content at their convenience. The aggregation of information sourced from such delayed viewership come together through online fan communities valued highly by technological companies, but often ignored by legacy media. Amazon Studios, for instance, builds relationships with aficionados in order to measure levels of audience engagement, direct promotional efforts through transmedia
storytelling, and ultimately determine the creative direction of their original series. Responding directly to the consumer in such a manner builds a loyal consumer base that draws viewers away from traditional distribution windows in favor of digital platforms.

The fourth chapter accrues the cumulative logic of the previous chapters in order to study the impact of the aforementioned phenomena with respect to Amazon Studios. Their creative development process operates much differently than that of the major studios; much differently, in fact, than online distributors such as Netflix and Hulu. Financed by their e-retailing parent company, they produce all of their original content in-house. Consequentially, they manage to both retain creative control as well as subvert the traditional narrative structure in favor of more controversial content. Utilizing powerful feedback-driven strategies, films such as *Chi-Raq* (2015) and television series such as *Transparent* (2013—) illustrate the powerful impact of renegade creative development processes.

Finally, the conclusion analyzes how the divergent strategies of legacy and digital media actually work together in the entertainment industry. The overwhelming competition does not necessarily indicate that the technological companies will ultimately drive the major studios out of business. Rather, the two must collaborate in order to achieve maximum profitability. Legacy media utilize digital platforms to distribute their content to larger audiences, while digital media poaches talent from Los Angeles to better execute their ideas. Although the technology industry has unique advantages to effectively monetize the modern consumer, and will therefore enjoy higher market share, still legacy media has a place in the entertainment ecosystem.

The amalgamation of research suggests that internet-based technological companies such as Amazon Studios have the resources to mitigate the risks that destabilize the entertainment industry. They therefore have the financial protection to explore new approaches to creative development unprecedented under pre-internet market conditions. Digital media thus monetizes the oft-ignored fragmented marketplace via personalization techniques refined under their technological infrastructures. The resulting reduction in risk diminishes the importance of strict gatekeeper mechanism and ineffectual pull marketing strategies prevalent in legacy media’s business models. Online distributors free themselves, then, to devote their resources to their viewers, forming formidable consumer-producer relationships through transmedia storytelling. As seen in Amazon Studios’ original programming, such market forces incentivize digital media’s inevitable departure from traditional creative development models in favor of unique narrative structures.
Chapter One: Opportunities in the Fragmented Marketplace

The rise of new technologies in the form of television in the 1950s and home video in the 1980s disrupted the entertainment industry in similar ways to the recent introduction of digital distribution. Television networks monetized the fragmented audience, setting the precedent for niche-targeted programming that eliminated the need for blockbuster hits. Home video stores introduced content categorization systems appropriated by online recommendation algorithms that introduce consumers to new content. The following chapter draws parallels between those innovative strategies and the market conditions that incentivized internet-based companies such as Amazon Studios to diversify into digital media. In fact, their technological infrastructure amplifies the impact of those disruptive models, financing the expansion of their digital media libraries from third party licensing agreements into original productions. That content, so different from traditional fare, ultimately increases their independence from the Hollywood oligarchy and establishes them as legitimate production companies.

As such, technological companies currently share a similar competitive relationship with legacy media as television networks once did with film studios. Although television broadcasting initially suffered from limited bandwidth, for instance, its popularity accelerated adoption from 9% to 86% over the course of the 1950s (Cunningham 59). The new technology’s promise of convenience, however, threatened Hollywood’s exhibition holdings, cutting cinema admissions by 45% over the same time period (60). Recognizing the opportunity to diversify, the major studios quickly sought to acquire major television networks, only to suffer under the enforcement of antitrust laws that limited the horizontal reach of vertically integrated divisions. Unable to control the widely popular medium, the studios thought to abstain from the new market entirely, threatening not to syndicate films. In actuality, their threats incentivized original programming that ultimately strengthened the networks, attracting sponsors with deep pockets.

Online distribution centers now borrow similar practices to commission and produce their own content as a source of financial independence from the major studios. Appropriating typical television conventions with respect to genre and serialization, they leverage the success of that programming as both a bargaining chip in licensing negotiations with legacy media as well as a source of differentiation from their competitors. Online subscription services thus adapt the television industry’s business models for their new medium, even charging fees on a monthly basis much like the average cable company (Christian 343). Such crossover between the industries herald an era of convergence, in which many technological companies move or adapt popular television content for digital distribution (Murphy 26).

Even the digital platform’s content aggregation model mimics that of television, which, in providing multiple channels, separated mass audiences into niche markets (Johnson 59). In fact, television marked the first transition from mass audiences and scarce programming to niche audiences and widely available programming (Christian 342). In the absence of a physical exhibition space, both television and the online distributor offer cross-demographic content that appeals to a fragmented viewership no longer constrained by geographic location (Jackson 133). Audience appeal by location carry little influence in either medium, for the collection of individual viewers build ratings more so than the dominant preferences of a physical community. The networks’ approach to determining if a suitable market exists, then, depends not on mass acceptance of the proposed content, but on the niche interests of targeted audiences.

Because of television’s effective monetization of fragmented audiences, films unprofitable in theaters found success through syndication and series adaptations. Debuting to only $2 million in box office profits over a 16-week run in 972 theaters, The Shawshank
Redemption (1994) ultimately ranked one of the highest valued feature films in Time Warner’s extensive library of 6,000 titles (Adams). Broadcast on 15 basic cable networks since 1997, the prison drama accounted for 151 hours of basic cable air time in 2013, tied with Scarface (1983) and second only to Mrs. Doubtfire (1993) (Pallotta). In 2014 alone, The Shawshank Redemption generated $1.5 billion in television syndication and $2.2 billion in home video and electronic delivery (Adams). Passed on seven Oscar nominations, it now leads IMDb’s Top 250 Movies of All Time according to their user ratings (IMDb). The startling success of The Shawshank Redemption and others in syndication exemplifies the financial advantages of post-theatrical exhibition, a profitable niche-targeting practice shared by both television networks and technological companies.

Benefiting from that same access to fragmented markets, online distributors also engage in adaptation. Amazon Studios, for instance, announced plans to revive the cult film Barbarella (1968) and box office flop The Last Tycoon (1976) into television series, each with an all-star cast and showrunners. Labeled a “special kind of mess” bursting with “hard-breathing, sadistic thrashings, mainly at the expense of…women” by the New York Times and “sub-adolescent junk, bereft of redeeming social or artistic importance” by the Film Quarterly, Barbarella quickly succumbed to the antagonism of leading critics (Adler). Amazon Studios’ revival, on the other hand, begins with a pilot script by Skyfall (2012) writers Neal Purvis and Robert Wade under Gaumont International Television, the company behind the widely acclaimed Hemlock Grove (2013-2015), Hannibal (2013-2015), and Narcos (2015—, Andreeva). Similarly, Amazon Studios intends to turn a profit on the $3.6 million box office loss of The Last Tycoon with the help of Golden Globe and five-time Emmy winner Kelsey Grammer. Amazon Studios reduces the financial risks of reviving these works by catering to the fragmented market, profiting where others failed.

Despite the large overlap between television and digital media strategies, however, the technology industry revised elements of the television model for the contemporary audience. For instance, networks produce copious quantities of premium content, but their bundling practices with subpar programming reduce their value in the eyes of the consumer (Anderson 195-6). They conceal that devaluation through artificially high prices that ultimately place them at a cost disadvantage against the abundance of online content also provided at lower prices (197). Released from the physical confines and costs of shelf space, such distributors have an advantage in their ability to hold larger libraries, and therefore appeal to more niche audiences (Herbert 6). In essence, television only has the power to niche-target via the network, whereas digital platforms niche-target diversifying tastes via content from multiple sources, thus utilizing the size of their media library to increase the perceived value of their service (Van Eijck 82).

A revealing content analysis by TIME in April 2015 illustrates the stark differences in these niche-targeting strategies through the availability of top-grossing movies, all-time classics, and independent films on the cable service HBO as opposed to digital distributors Netflix, Hulu, and Amazon (Luckerson). Although HBO leads in top-grossing movies, 24% of which contribute to their media library, Netflix and Amazon lead both in the American Film Institute’s Top 100 of All Time at 17% and 10%, respectively, as well as the 30 top-grossing independent films at 18% and 11%, respectively. Even Hulu’s measly 6% of the classics in their Criterion Collection outweighs that of HBO. As such, HBO appreciates the financial advantages of mass distribution, but prioritizing the limited programming windows of their television channels over their digital platform constricts that content to films with proven mainstream popularity.
Digital distributors unlimited in screen time fill that void to great effect; understanding that legacy media cannot profitably distribute fringe content, they actively seek indie titles in order to differentiate themselves from their competitors. At the 2016 Sundance Festival, for instance, Amazon Studios, outbid legacy distributors Fox Searchlight and Focus Features for Kenneth Lonergan’s *Manchester by the Sea* for $10 million (Lang). The drama received a standing ovation at screening, and insiders promise that Amazon Studios will advocate heavily for an Oscar in 2017. Their aggressive acquisition contrasts heavily with legacy media’s timidity; box office flops such as the $196,000 opening weekend and $6.7 million total domestic gross of critically acclaimed *Me and Earl and the Dying Girl* (2015) warn Hollywood of the dangers of unconventional content (Box Office Mojo). And so digital media brings niche quality to the screen, ensuring the distribution of esteemed titles regardless of blockbuster value.

Much like television, home video also laid the foundation for the innovative nature of digital media business models. The medium first introduced the concept of partial ownership, in which viewers could essentially own creative content for a limited time (Wasser 17). Such a practice threatened the studios because the films lost their novelty, and therefore value, upon consumption without the producers receiving payment for every viewing (10). Once again, Hollywood lost their monetization over distribution, the most lucrative leg of their supply chain. Once home video rentals outpaced the theatrical box office in 1987, the studios had no choice but to adapt to the changing media landscape (Herbert 17). They decided to promote theatrical releases as film showcases, the exhibition space acting as a loss leader in order to capture ancillary sales once the content transferred to video (Wasser 11).

The technology industry’s foray into media distribution followed a similar pattern. The conventional video rental store offered wide selections categorized by genre, deviating from limited theatrical releases and television programming schedules (Herbert 1). Designed for the unique individual more so than the average viewer, such a system supported delayed viewership of mediated content that reflected the divergent, but popular, tastes of the time (24). More so than simply abolish the artificial scarcity of content, online distributors mimic video rental stores’ organization of content through digital recommendation systems that offer personalized suggestions to their subscribers. In this way, their technological infrastructure improves upon the organization and recommendation systems originally designed by the home video rental store.

Television and home video set a precedent upon which the evolving media landscape propagated new incentives for internet-based companies to enter the market. For instance, technological advances increased amateur accessibility to the tools of production, thus lowering start-up capital costs for independent filmmakers to cheaply produce content (Anderson 54). Similarly, the rise of alternate media channels such as streaming services and mobile applications lowered distribution costs, allowing such producers to bypass the studio-controlled distribution network and therefore retain full control over the circulation of their content. Online distributors altered their revenue structures to match their cost structure, offering an entire library of titles at a constant price regardless of the quantity of content consumed (Küng 21). The resulting influx of high-quality amateur content flooded the once concentrated market and introduced intense competition from alternative producers.

The strength of the vertically integrated conglomerate Hollywood poses significant competitive barriers to entry, such as high capital costs and exclusive social networks, that once precluded such independence. Nevertheless, the internet gave technological companies a platform that side-steps costly distribution negotiations and partnerships, and therefore overcomes those barriers to entry. They quickly monetized a stable subscriber base, and now
operate on an unprecedented level of competition with the well-established studios. Without the appropriate financial incentives, companies with a competitive advantage in software, hardware, or ecommerce would hardly consider challenging incumbents in the digital media space. Rather, the precedence established in the introduction and ultimate convergence of television and home video molded the appropriate environment for technological companies such as Amazon to enter the realm of entertainment as well.

The triumph of internet-based companies in this respect resides in their infrastructure; they already have the technology in place to move into the media space without incurring the same competitive barriers to entry as traditional producers and distributors (Jackson 147). Access to engineers and web designers that understand the new medium contributes to a cohesive user experience without the need to outsource technically advanced work (Montgomery 135). For instance, Amazon Studios regularly monitors consumption patterns through web flow diagrams and click counts (Ranta). Mining consumption data in real time identifies the rise and fall in popularity of licensed content, accurately informing executives’ valuation of their digital media libraries. Amazon Studios then exercises their strategic advantage in marketing knowledge when acquiring new content via licensing negotiations, thus achieving the flexibility to balance the supply and demand for particular titles and genres at the best possible price.

With respect to original programming, Amazon Studios also utilizes consumption data and qualitative online reviews to inform their green-lighting and renewal decisions. When testing original pilots in the first step of their feedback process, for instance, their business intelligence team takes twenty different viewership metrics into account (Sharma). The diversity of those data sets and statistics provide creative development teams with insight into their pilot’s success on multiple levels. For instance, they have access to information about not only how many consumers watched the pilot, but also exactly when they decided to pause the screening or exit the window entirely. Amazon Studios could then pinpoint the exact scenes that contributed to the pilot’s overall reception and either adjust the following episodes accordingly or halt further production of the series. They therefore have the opportunity to preserve their high-quality branding and save production costs by eliminating unpopular titles as soon as possible.

Lacking such specific data in their own endeavors, legacy media companies remain at the mercy of retailers who will only sell content that can generate enough demand to turn a profit. Those retailers rely on high volume sales to compensate for the low profit margins meant to appease price-sensitive customers, and pass on that financial pressure to their wholesalers. In order to combat that bias, Hollywood tends to produce content that appeals to the largest possible demographic, largely at the expense of equally viable, if smaller, markets. Therefore, bottlenecks inherent to physical distribution centers such as inventory capacity, variable overhead costs, and turnover limits the production of non-mainstream content in both stores and theaters (Anderson 53). Online distributors fulfill that unmet demand, targeting oft ignored niche markets.

The subsequent increase in consumer demand via online content aggregation accelerates the development of a fragmented marketplace characterized by distinctive tastes. Social media networks reinforce those preferences through the connective power of online communities. That new consumption culture proves particularly conducive to the technological business model, solidifying their competitive advantage in the digital media space. Where once industry professionals assumed that 20% of films accounted for 80% of sales, negligible marginal costs of large online media libraries capitalize on niche tastes to obtain additional revenues from non-mainstream content (Anderson 131). Their low-cost structure incentivizes online distributors to curate as much content as possible regardless of sales volume for each title, encouraging users to
explore new avenues (132). Blockbusters alone cannot fulfill demand for entertainment, and so, with the proper attention and placement, online distributors monetize fringe content on virtual shelves (129).

As consumers gravitate towards the seemingly endless mass of accessible entertainment, and new players flood the market with non-mainstream content, online distributors increasingly promote those titles as an active revenue source (Franklin 110). They do so via recommendation systems that suggest fringe content based on subscriber tastes in genre, form, themes, and other creative elements rather than the media provider from which that content originated. Inspired by the organization of the home video rental store, such a model first attracts large audiences to the platform, then micro-segments them into niche categories (Anderson 123). Digital marketplaces, then, prioritize the preferences of individual consumers over mainstream appeal or management objectives (De Vriendt 237). Introducing consumers to niche content they may not otherwise directly explore encourages search beyond the mainstream into highly individualized tastes personalized for each consumer.

Collaborative filtering algorithms, the most common recommendation system among online distributors, liken each user’s consumption to those with similar preferences, simplifying the complexity of sprawling titles into concrete choices. For example, Amazon’s item-to-item algorithm customizes recommendations based on each consumer’s browsing history, past purchases, virtual shopping cart, rated items, and the like (Mangalindan). Pulling data from both the Prime Instant Video entertainment subsection and the e-retailing site, Amazon’s algorithm also quickly identifies their users’ demographics to better make personalized recommendations. After first introducing their completed algorithm in 2012, they experienced a 29% sales increase to $12.83 billion in the following quarter, up from $9.9 billion over the same time period the previous year. Analysts estimate that consumers watch approximately 60% of Prime Instant Video recommendations, well above the 80-20 rule often attributed to Hollywood studios.

The very nature of digital platforms also offers online distributors a lucrative advantage almost impossible to replicate with the same accuracy outside of the digital media space. Legacy media companies rely heavily on self-reported, and therefore potentially inaccurate, marketing research to understand the general preferences of the mass audience (Lotz 102). Film companies do not have records of actual consumption behavior until after they’ve released their content, and could no longer recoup their sunk costs. Even television networks must arrange their schedules around the collection of Nielsen data released seasonally in November, February, May, and July. Moreover, their commitments to advertising agencies lowers the potency of delayed viewership statistics that may give a more accurate picture of content reception, prioritizing business relationships over the consumer as a result (Littleton).

As the final destination for exhibition through streaming services, online distributors generate a plethora of behavioral research that informs their recommendation systems (Lotz 78). Incredibly accurate, they have direct access to raw data about their subscribers’ consumption behavior. Moreover, they already have analytics teams in place to arrange and interpret that data in the way that would best inform their business and creative strategies. Especially as digital platforms diversify into original programming, the trends recognized under the collaborative filtering system direct their creative development. Identifying gaps where consumers have an obvious interest, but not much of the available content caters to that interest, generates opportunities uniquely limited in risk. The algorithms then serve another purpose in this case, offering a no-cost advertising campaign for their in-house productions (Anderson 110).
Therefore, online distributors utilize their technological infrastructure to better target niche demographics with unconventional content. Access to individuals’ tastes and preferences through data analytics personalizes recommendations according to their previous consumption behavior, a convenient service that monetizes fringe titles. Such tools exemplify the creative freedom of Amazon Studios from the influence of the mass audience or the blockbuster: the success of any one film or series matters little when measuring the value of their media library in gratuity (Schlissel). Adapting the disruptive business models introduced by television and home video for the contemporary media landscape, Amazon Studios utilizes their technological resources to cater to the fragmented marketplace of niche tastes in direct competition with Hollywood.
Chapter Two: Industry Dynamics of Risk Mitigation

The previous chapter discussed the entrance of internet-based companies into the digital media space through their monetization of the increasingly fragmented marketplace. This chapter builds upon that logic to examine why the legacy media approach to production and marketing limits its ability to compete with digital media’s niche content. Hollywood risk mitigation strategies such as rigid social networks that dictate negotiations as well as generalizations about the mainstream audience ensure the longevity of generic narrative tropes. Technological companies, on the other hand, replace speculation with objective observation of consumption data through their digital platform. Behavioral insights, rather than socially validated intuition, drive creative decision-making. In order to legitimize their innovative methods, digital media lobbies heavily for critical acclaim, ensuring the positive reception of their content among both audiences and industry insiders alike.

Built on the aforementioned superficial social and narrative structures in order to best capture the mass audience, fragmentation significantly lessens the efficacy of the Hollywood conglomerate business model. Unable to adjust to the changing marketplace, they respond to market pressures against their traditional industry practices through risk mitigation strategies, policies that counter the uncertainty of demand forecasting at the expense of inventiveness and creativity. Fortifying their rigid social structure and implementing antiquated mass marketing techniques, legacy media resists the competition through reinforcement of their own core competencies rather than adjust to the shifting media landscape. As Amazon Studios’ head of marketing and distribution claimed in a recent interview with Variety, “the way it was going was not sustainable. There were fewer buyers; the budgets were being cut. Everybody was being really risk averse” (Lang). Seizing the opportunity, Amazon Studios provided the creative alternatives so lacking in Hollywood.

Rather than change creative development structures that cannot withstand the new competition, Hollywood manages risk by cutting overhead costs and investing in marketing generic films. For example, 21st Century Fox now offers a generous benefit package in exchange for resignation in their plans to reduce staff overhead by $250 million by July 2017 (Littleton). In doing so, they reduce their talent without lowering the costs of business, detracting resources rather than gaining a competitive advantage. Furthermore, marketing costs grew from $12.4 million per studio film in 1980 to $36 million in 2007 in order to convince audiences to adhere to traditional distribution windows, but theaters report lower viewership each year (McClintock). Although on the surface that strategy mimics online distributors’ low-cost structure, they do not have access to the same technologies that contribute to profitability. Hollywood must therefore compensate for the financial risks of production that diversifying industries need not consider.

Technological companies greatly benefit from this release of commercial pressures on their creative decision-making. The very nature of the internet as an open platform lowers the cost of entry for smaller production companies that could then compete with the major studios on their quality of content, rather than their budget and advertising capabilities (Ellingsen 109). The utilization of other revenue sources to finance production frees them from the restrictive risk mitigation strategies often associated with the high capital costs of Hollywood productions. Amazon Studios, for example, feeds profits from its parent e-retailer department into media production investment. In doing so, they spread fixed costs across a large membership base, creating economies of scale even as they diversify their businesses. As a result, their creative development teams work within a flexible budget that lessens the restrictive nature of pragmatic considerations on creative the creative development process.
As such, the low-cost and data-driven infrastructure of technological companies highly incentivizes creative risks. The potentially infinite size of online media libraries, for example, provide a safety net through licensing fees that compensate for the high sunk costs of production (Havens 19). Much like the golden age of television, in which mass distribution significantly lowered marginal costs, online distributors allocate that cost advantage to creative exploration (Lotz 149). Whereas legacy media cable company HBO spent $2 billion on content in 2015, Netflix announced plans to invest $6 billion in 2016 (Salapa). Data analytics further inform those endeavors, shaping the themes and genres of original projects in accordance with consumer tastes and accurate demand forecasting (Franklin 105). That insistence on deviation from the Hollywood narrative standard imparts their content with novelty that ultimately contributes to their incredible popularity.

Conversely, legacy media companies operate under commercial pressures imposed because of their reliance on the mass audience for profitability. In order to combat those financial risks, they cultivated rigid social networks that guide their creative processes. For instance, creative professionals such as screenwriters must first acquire a talent agent that represents their work to major studio executives. Otherwise, their legitimacy is compromised and their work often passed over. The relationships developed between talent agencies and studio executives thus often dictate which projects receive the most attention. Within the studios themselves, green-lighting discussions operate within the parameters set by hierarchies of command across both creative and business departments (Caldwell 135). The crossover results in a power struggle of creative and financial priorities that complicates the green-lighting process.

In the case of film in particular, studios follow a militarized routine in which the social hierarchy rules the advocacy and opposition to incoming projects. Because much of that authority resides with above-the-line executives rather than below-the-line technical workers, the financial prospects of potential scripts rules the green-lighting process. Creative personnel such as the director and cinematographer essentially act as the narrative architects, executing the visions of business professionals unversed in exploratory creative practices (Schatz 50). Their input thus only contributes to the project as an enhancement of a pre-established story and overall market strategy (51). The creative power driving Hollywood productions, then, remains stagnant in the traditional methods imposed under high-ranking executives.

As such, legacy media remains firmly rooted in the gatekeeper framework, in which key marketing executives determine the economic viability of incoming scripts through third party market research and dialogues with various distributors and exhibitors through the supply chain (Franklin 103). However, much of that data originates from self-reported behavior tracked along non-standard metrics, jumpstarting potentially invalid insights that misrepresent the true nature of the market. Even when interpreted correctly, social distance between Hollywood departments limits their influence on the final production (Wasser 25). As a result, studio heads often oversee production and operations with little understanding of the green-lighting process or the vision of business professionals. Such lack of valid research and coordination between departments often destroy the creative merits of promising scripts to achieve profitable distribution.

For instance, the prolific George Clooney’s $180 million live-action, science fiction film *Tomorrowland* (2015) opened Memorial Day weekend to $33 million at the domestic box office, but fell a whopping 60% the following weekend for a total haul of $63 million (Box Office Mojo). After splitting revenues with theaters, the film failed to break even at $209,000 in total profit over a 17-week theatrical run, ultimately convincing producer Walt Disney Company to halt production on a similarly promoted franchise, *Tron* (Ford). Because the legacy studio only
has access to box office receipts, third party ratings, and critical reception in order to determine the success of their works, they cannot pinpoint the key variable in their content’s unprofitability. Anxious about the growing competition in the entertainment industry, they regularly revert to traditional models in the face of uncertainty.

The embodiment of such standards in the entertainment industry does not restrict itself to the conglomerate. The social hierarchy extends beyond production facilities to corporate offices, talent agencies, post-production services, brand consultancies, and even law firms (Ortner 176). The convoluted network of relationships governs the creative development process and exposes the auteur system, in which marketing executives constrain recognition of creative professionals to only the well-known in order to increase mainstream appeal without overwhelming audiences with information (Sullivan 39). Hollywood, then, treats their auteurs as marketing gimmicks to present a more unified image of the production process to the public, often masking the efforts of technical workers in the process. In this manner, the legacy media industry depends on social rigidity to maintain its façade as the origin of artistic and passionate visions when, in fact, economic viability always remains the primary priority (Caldwell 146).

Built upon the complex social infrastructures of the entertainment industry, Los Angeles amasses the social networks of creative professionals, production studios, and talent agencies within a 7 ½ mile radius from Hollywood (Scott 192-4). That concentration of talent limits communication of ideas to those operating within the region, attracting even digital media companies such as Amazon Studios and Hulu. However, the imbalance of power within Los Angeles fosters the groupthink phenomenon, in which like-minded thinkers corroborate each other’s views and reject alternative possibilities because they do not conform to the collectively agreed upon ideology (Zafirau 195). Industry-specific language through trade journals and publications only exacerbate the social distance between those producers and their audiences. Nevertheless, executives fuel their popularity in order to maintain the public perception of Hollywood magic.

Well-established online distributors, on the other hand, poach key talent from Los Angeles, but headquarter themselves in remote locations that ultimately change the quality and diversity of their workforce (Christian 347). Liberation from the media-centric city contributes to their unconventional approach to creative development and business practices. For example, Netflix’s Los Gatos location is 335 miles away from Hollywood, and YouTube’s San Bruno headquarters 370 miles away. That distance frees them from a highly specialized locale, thus integrating their work process with new perspectives cultivated by other industries. They exercise the flexibility of their cross-brand reach, eluding network-affiliate conflicts of interest when transitioning into new distribution windows (Lotz 141). They therefore evade the business of relationships and enter the business of creative exploration in a revitalized approach to creative development.

Amazon Studios occupies a unique middle ground between the accessible talent in Los Angeles and the diversity of perspective outside the city’s borders. The bulk of their creative development team resides in Sherman Oaks, within 15 miles of Hollywood. Moreover, much of their production work takes place in the region; author Michael Connelly actually insisted that Amazon Studios shoot all ten episodes of their series adaptation Bosch (2014—) in Los Angeles (Jarvey). As competition for top creative talent intensifies in the era of peak television, that location offers a strategic advantage in hiring experienced show-runners and casting talented actors. Their unique creative approach and efficiency, discussed further in chapter four, attracts those weary of Hollywood bureaucracy. Legacy media companies recognize that intrusion,
casting directors even publically bemoaning the competition in an exclusive with the *Hollywood Reporter* in March 2016 (Goldberg).

However, those creative professionals operate under a small division of the conglomerate Amazon, which is headquartered in Seattle. Transmedia operations that require communication between Amazon Studios and other departments, discussed further in chapters three and four, facilitates the flow of information throughout the organization. As ideas move through the corporate hierarchy, commentary from a diverse range of perspectives reduce the impact of groupthink on projects originating from Amazon Studios’ Los Angeles offices. Creative endeavors thus evolve to reflect their national consumer base more so than the regional preferences of the entertainment capital. Therefore, Amazon Studios’ residence in Sherman Oaks provides access to high quality creative resources and talent without the disadvantages of groupthink.

Whereas Hollywood scripts often disappear in bureaucratic attempts at risk mitigation, technological companies maximize the efficiency of their green-lighting process through data analysis that directs and supports team discussions (Christian 346). Because they accumulate raw data tracking actual consumption behavior directly via their digital platform, they derive original insights based on company-standard metrics that ultimately increase the viability of their conclusions (Schultz). Rather than search for data that supports a particular script, creative development teams pitch ideas that build off markets already identified in the existing data (Anderson 107). In doing so, they avoid subjective evaluation of scripts according to traditional narrative structures in favor of an objective determination of key opportunities and the creative direction that most fulfills them.

Such a seemingly objective process depends heavily on data-driven evaluation of niche cultures, identifying gaps in content that appeal to overlooked subgroups of consumers. The focus shifts, then, from succumbing to commercial pressures and standardized form to providing content in accordance with viewer preferences (Christian 346). Identifying key opportunity gaps between available content and exhibited interests, digital platforms fill that detected void with original programming (Havens 132). Contrary to popular belief among legacy media insiders, that attention to fringe preferences does not impose constraints on consumption levels. Audience analytics not only indicate the formal structures and themes most appealing to viewers, but also forecasts the number of current subscribers that fall under that category of interest. As such, digital platforms shape their content for the largest possible niche audience, actually increasing consumption through their acceptance of well-informed, calculated risks.

For instance, many television critics hastened to label Amazon Studios’ original series *Mozart in the Jungle* (2014—) as niche because of its premise on the classical music industry (Nededog). The unconventional focus did little to dampen interest; the first season accumulated over 30,000 reviews, 73% of which rated the series with five stars (Amazon). In fact, consumers often celebrated the originality of the supposedly non-mainstream series. Those with experience as musicians described their passion for the orchestra, indicative of Amazon Studios’ accuracy in assessing consumer tastes prior to production. Nevertheless, review comments such as “classical music is very hip it seems” and “now everyone will want to be an oboe player” actually suggest that the series has inspired viewers with new interests. The point of relevance, then, depends not on the premise, but on a properly executed story with universal themes.

Lacking the raw consumption data of online distributors, legacy media companies must mitigate the risks of inaccurate demand forecasting through alternative methods. The dominant strategy of conglomerate Hollywood utilizes mass marketing techniques to intentionally
overproduce content in an effort to inflate prices and capitalize on volume (Havens 133). They then advertise heavily for the loss-leading theatrical release with the expectation of substantial returns from ancillary markets in the long run (Christian 342). Promoting their content through branded merchandise rather than theaters, then, legacy media monetizes their creative endeavors through brand recognition more so than the quality of the content itself.

Such a promotional strategy actively disseminates information about a particular product at the point of purchase rather than responds to current market conditions. In the case of the entertainment industry, push marketing most overtly devotes itself to the franchise blockbuster, despite the diminishing marginal returns of each subsequent film. The widely popular Hunger Games (2012), for example, grossed an astounding $408 million for a 523% return on investment for Lionsgate (Box Office Mojo). The sequel Catching Fire (2013), however, came to the screen with a 40% larger budget, but an 11% drop in profit. Still, the studio chose to lengthen the trilogy into four films, resulting in a 77% drop in profits despite a 51% increase in budget over the course of the franchise. Although profitable, each subsequent film suffered from substantially lower returns on investment that would be better allocated elsewhere.

The franchise continued not for the theatrical release, then, but in pursuit of merchandise revenues. In 2013 alone, the film and television merchandise industry hit $51.4 billion with royalties hitting a peak of $2.66 billion (Cunningham). Lionsgate capitalized on those gains in partnership with manufacturer National Entertainment Collectables Association and retailer Hot Topic to release licensed Hunger Games merchandise (Carpenter). Building on the symbolism from first film and the pre-existing book series, which sold 26 million copies in 47 languages, that merchandise reached an audience much larger than those seen at the box office. The success of the Hunger Games franchise in ancillary markets even pressed Lionsgate to add thirty new merchandising partners after the first installment, the largest deal of its kind ever handled by their internal consumer products team (McNary).

Recognizing the resounding success of the first film, the studio’s strategy in continuing the franchise balances the highly predictable, albeit lesser, returns from the sequels over the riskiness of a novel production. And so they increase each sequel’s budget and expand into merchandising to compensate for diminishing interest as the franchise continues past its initial popularity into the realm of cliché. In fact, not only did the final film in the Hunger Games franchise perform the poorest at the box office, but it also garnered a significant decrease in mentions on social networking sites Facebook and Twitter in comparison to its predecessors (Lang). Nevertheless, Hollywood’s tendency to mitigate risk through the loss-leading theatrical release and profitable ancillary markets ensured the continuation of the redundant franchise to its bitter end, arguably at a severe loss to the quality of content currently available through Hollywood producers.

Legacy media also perpetuates the push marketing strategy through their star system, typecasting actors in order to signal the overall tone and quality of upcoming films or television series (Havens 127). Even the standard high-concept pitch often casts stars to ground the plot in the recognizable style imparted at the very mention of celebrity brands (McDonald 108). The balance of power in Hollywood, then, often tilts in favor of the coveted star, both inflating their salaries to the detriment of production budgets as well as placing unnecessary pressure on the studio to maintain the celebrity’s public image in accordance with their screen presence (33). Such high costs and risks distract studios from creative development, allocating scarce resources to their stars rather than the potency of their medium.
However, such overreliance on the star system often works to their detriment. Chris Hemsworth of franchise fame in *Thor* (2011), *The Avengers* (2012), *The Dark World* (2013), and *Age of Ultron* (2015), for example, failed dismally at the box office when participating in other endeavors (Robehmed). His starring role in *Blackhat* (2015) grossed $8 million, an 88.6% profit loss from $70 million in production costs alone (Box Office Mojo). Nevertheless, studios attempted to capitalize on his star power to promote $100 million *In the Heart of the Sea* (2015), disappointed to find an opening weekend gross of $11 million in 3,103 theaters and average ticket revenue of only $3,562 per theater. Financial analysts attributed the severe loss to disinterest from younger audiences; CinemaScore exit polls indicate that over 45% of the film’s moviegoers were over the age of 50 (McClintock). Such a generation gap illustrates how the consumption behavior of younger audiences reduces the potency of star power as an effective marketing tool.

Whereas legacy media relies heavily on typecasting creative professionals such as directors and writers to better communicate the tone of upcoming films or series, the digital media industry cultivates celebrities rather than cast successful stars. Doing so lowers their costs and places the focus of creative development not on the branded performance style of the star, but on the artistic progression of the content itself (McDonald 11). Amazon Studios, for example, democratized the creative process when it began accepting amateur submissions not yet represented through a talent agency. In fact, their FAQ page promises that although they do not provide their talent with an agent or manager directly, they work to “help talented writers and filmmakers get the attention of the Hollywood community,” which ultimately develops a “financially lucrative learning process” (Anonymous Producer). Consequentially, they value their employees’ performance much more so than their social capital, prioritizing the intentions of the original script over any single professional’s style or reputation.

Technological companies thus look to critical acclaim to perform the same marketing function as Hollywood’s star system. Awards considered the arbiter of quality within the entertainment industry lend their original programming credibility unattainable through other means. In the case of films, the standard subscription model of online distributors precludes the public from ascertaining the financial gains of any individual title. In the case of television series, most technological companies abstain from publishing ratings or other figures that point to the popularity of a particular show, citing that the size of the audience rarely denotes the quality of the content. Because film critics are notoriously inconsistent, often providing mixed reviews, digital media caters to the Golden Globes, Oscars, SAG Awards, and Emmys to provide legitimacy to their productions.

Online distributors recently declared their intentions regarding critical acclaim through their amended distribution strategy for original films. The Academy of Motion Picture Arts and Sciences do not accept film submissions for an academy award unless it first completes the traditional theatrical run (Kilday). Because critical acclaim so contributes to digital distributors’ credibility as producers, they grant a limited release for their films at the box office despite lukewarm financial gains. Netflix film *Beasts of No Nation* (2015), for example, grossed only $51,000 on opening weekend because most theaters refused to show a film with a simultaneous streaming debut. However, Chief Content Officer Ted Sarandos revealed that it attracted three million North American streaming viewers. Designed for the niche audience, Netflix did not expect to profit from ticket revenues, but nevertheless chose to distribute in theaters in order to qualify for awards. Their gamble ultimately proved successful, beating out films from popular
producers Fox Searchlight, Weinstein Co., and Focus Features for the 2015 SAG Award nomination for best ensemble (Setoodeh).

Technological companies reap the rewards for their efforts, Netflix leading the 2015 Golden Globe Nominations with eight total, overtaking incumbent HBO’s 14-year winning streak for the largest number of nominations (Hibberd). In fact, four of the six nominees for best comedy or musical series originated from streaming services, including Amazon Studios’ _Mozart in the Jungle_ (2014—) and _Transparent_ (2014—), Netflix’s _Orange is the New Black_ (2013—), and Hulu’s _Casual_ (2015—) (D’Addario). Moreover, a third of all television nominations credited the three aforementioned streaming services, the remaining two thirds allocated to the a total of twelve other networks. In other words, streaming services averaged nearly five nominations apiece, more than double legacy media companies’ average of two nominations apiece.

Although Netflix jumpstarted digital media ambitions for critical acclaim, other online distributors also recently captured the attention of the Emmys. Amazon Studios’ _Transparent_ garnered 11 nominations, the most of any comedy series in 2015 (Littleton). They went on to win five Emmys in comparison to Netflix’s four, whereas in 2014 they received no nominations in comparison to Netflix’s whopping 31 nominations (Huddleston). As such, Amazon Studios surpassed Netflix in Emmys within the space of a single year, despite the fact that they had a third the nominations of their competitor. The rising quality and critical acclaim of other online distributors establish the technology industry as a fully integrated, legitimate component of the contemporary entertainment industry.

The legitimization of technological companies through authoritative bodies governed by Hollywood breaks the social barriers so characteristic of the entertainment industry. Now fully considered dominant competitors to legacy media, online distributors have the chance to poach creative talent once reserved only for the major studios (Lynch). Legacy media companies recognize the competition; 20th Century Fox TV casting director Sharon Klein claiming in a fit of passion, “If I hear one more time that so-and-so has a straight-to-series offer for a Netflix show, I’m going to shoot myself!” (Goldberg). ABC casting director Ayo Davis also lamented Idris Elba’s lack of availability during production of Netflix’s _Beasts of No Nation_ (2015). Therefore, the technology industry operates as a source of competition for both audiences’ screen time as well as Hollywood’s creative resources. Because digital media companies often operate independently of the studio system, their intrusions into the talent market limit the influence of the social hierarchy in risk mitigation.

As such, the industry dynamics between legacy and digital media dictate their divergent approaches to creative development and marketing strategies. Online distributors need not compensate for the same degree of financial risk as the major studios, and therefore devote their efforts to the monetization of overlooked niche audiences. Free from risk mitigation practices apparent in formulaic Hollywood narrative techniques, the technology industry differentiates itself in the competitive marketplace through creative risks that attract the attention of critics and consumers alike. That legitimization disables their amateur status, posing a significant threat to the antiquated business models of legacy media. Technological companies such as Amazon Studios thus herald a flexible and innovative approach to creative development and marketing strategies.
Chapter Three: The Feedback Loop

The previous chapters analyzed the market conditions and resulting business models that arose from the diversification of the technology industry into entertainment. Building upon that foundation, this chapter investigates the consequences of their presence on the consumer-producer relationship. The internet operates as a highly interactive medium, cultivating online fan communities that both watch and discuss media with fellow aficionados. Online distributors’ occupation of the internet guarantees the resources necessary to utilize that user-generated information as a feedback mechanism, as seen in Amazon Studios’ measurement of audience engagement and implementation of transmedia storytelling strategies. Responding directly to the consumer in such a manner builds a loyal consumer base that draws viewers away from traditional distribution windows in favor of digital platforms.

That preference stems from the differences in audience interaction with digital media content as opposed to traditional media content. The introduction of technological companies into the entertainment industry intensifies the active audience, in which consumers determine the manner by which they interact with media content. The development of user interfaces, recommendation algorithms, and review requests instituted on digital platforms all contribute to audience engagement that ultimately influences the creative process. Amazon Studios values that consumer-producer relationship so highly, in fact, that they refuse to green-light pilots for a full season until they have received substantial user feedback in favor of the series’ continuation. At their behest, viewers integrate themselves into the creative process, achieving gratification when the producer responds to their demands through their original programming.

Technological advances in digital media distribution and exhibition through internet streaming and online media libraries popularized an interface that allows users to interact and manipulate their media environment in accordance with their needs (Bakker 87). Viewers thus actively control the methods through which they access content, consciously making decisions that convert them into active shoppers (Herbert 3). An active audience, in that sense, participates heavily with the content at their disposal, creating a multi-dimensional flow of signals between the digital platform and the user. Although producers no longer dictate the discussion of popular content, that lack of control ironically presents an incredible opportunity to utilize consumer feedback.

Viewers often extend that active engagement with the content interface to a second screen, searching for information pertinent to the franchise or television series of interest. The result, multi-screen viewership, allows audiences to both watch digital media content and seek information about that content simultaneously (Phalen 144). This shift in shopping habits builds a new consumer-producer dynamic, in which studios no longer have the same influence over how target audiences come upon their works. Nor do they have control over the messaging associated with their own content, especially as consumers take full advantage of user-generated content and third party review sites such as Rotten Tomatoes and The AV Club. The growing popularity of those resources reduces the impact of legacy media marketing efforts such as TV guides and trailers in favor of a consumer-driven network. In the digital age, consumers have the power of search and, consequently, the power of choice.

However, that same phenomenon provides technological companies with a key advantage in that they could use the aforementioned online resources to direct consumers to their own digital platforms. In their occupation of the digital space, then, internet-based companies acquire control over users even as legacy media loses their hold on audiences (Schlissel). For instance, the digital distribution arm HBO Now requires a subscription to even access the user interface.
and browse their available programming. Amazon Studios, on the other hand, directs traffic from their e-retailing site to their streaming content. Because their recommendation algorithm works across departments, browsing non-media areas of the site may still instigate recommendations for their media content. Doing so places the power of search and choice in the hands of the consumer, while still drawing their attention to Amazon Originals.

As viewers gain access to more information, they grow entangled with the characters and storylines until they form an intimate connection with that content. Investment into the original story encourages further exploration into online fan communities that provide viewers with the chance to interact with characters, read interviews with actors, peruse production rumors, submit fan theories, and catch up on major plot points (Jenkins “Convergence” 118-9). Regardless of their degree of engagement, the social process of knowledge acquisition creates a dynamic and participatory community devoted to insightful discussion (54). A certain social validation and empowerment results from the connections developed between like-minded loyalists, and amplifies that emotional connection with the content itself.

That fan culture “encourages broad participation, grassroots creativity, and a bartering gift economy. This is what happens when consumers take media into their own hands” (Kozinets 208). Asynchronous participation in such a community eliminates the need to decode the content in real time, lending itself to the delayed viewership trends often associated with digital distribution channels. Viewers access content via their preferred platform, fully digest the information and its implications, then access the fan base for a more profound discussion of key points (Jenkins “Spreadable Media” 69). Not only does such a system feed into the displaced timing of video streaming services among popular digital media platforms, it also gives audiences the opportunity to archive the most pertinent information about the content at hand for ongoing analysis and commentary with new viewers.

Thus, the degree of engagement with series such as Doctor Who (2005—), Community (2009-2015), and The Walking Dead (2010—) reach the nation’s social consciousness through fervent fan cultures more so than high ratings. For example, CW renewed Supernatural (2005—) for its tenth season in 2015 despite attracting only 3 million viewers on average (Ulaby). Its continuation lies in the devotion of its fan base on social media networks, garnering almost as many likes on Facebook as NCIS (2003—), which boasts six times the audience. Moreover, leading men Jared Padalecki and Jensen Ackles inspire more Tumblr blog posts than any other actor, exempting Benedict Cumberbatch. Well-suited for fan fiction, the complicated plot lines and intricate details of Supernatural reign supreme as the second most popular television show on fan fiction’s largest website. The rise of online fan cultures places the power of direct consumer-producer interaction in the hands of digital media, able to perform the same function as the producers of Supernatural at lower cost and greater skill.

Legacy media, on the other hand, struggles to use their limited technological resources to harness an inherently technological phenomenon. Consequentially, their first response to the shift in audience dynamics was to erase online discussion forums under copyright laws, but their legal suits were quickly overruled under the first amendment (Jenkins “Convergence” 138). They then developed their own sites to disseminate little tidbits about their most popular shows, but existing fan communities already accomplished the same goal under a pre-instated network, and Hollywood simply could not break that social barrier. Ultimately, legacy media companies’ inability to understand the permeation and importance of online fan communities led them to largely ignore the trend (141). Restricted by standardized production and distribution models, they could not effectively adapt for the active viewer, to their detriment.
And so the doors opened for technological companies to enter the online fan culture space. Facing little competition from the misfit Hollywood, digital platforms initiated the shift from an appointment-based to an engagement-based measurement paradigm (Jenkins “Spreadable Media” 116). In other words, media companies now have the opportunity to not only refer to recorded data about the number of viewers through third parties such as Nielsen or Box Office Mojo, but to also measure those viewers’ levels of attachment to the content (Ranta). Technological companies have the key advantage in this regard because their infrastructure provides that much-needed data about online communities. Essentially, they have the ability to quantify, and thus analyze, the depth of feeling in their viewers by tracking their consumption and discussion behaviors.

Amazon Studios, for example, uses its collaborative filtering recommendation system to both personalize subscribers’ viewing experience as well as establish a collective user consensus about their content. Popular television series Bosch (2015) already garnered almost 72,000 total reviews, while the lesser known Catastrophe (2015) and first season of Mozart in the Jungle (2014) each still accumulated about 40,000 reviews between them (Amazon). Even the main interface provides key insights into the popularity of their programming, sorting reviews by the most helpful positive and/or critical comments. They break down those reviews still further by the percentage of users that rated it in each position. Their back-end data also includes browsing histories, wish lists, virtual shopping carts, and ongoing consumption behavior. Each component forms a concrete picture about their subscriber base, and Amazon Studios uses those trends to strategize the creative direction of their content.

An understanding of consumer engagement on this level allows them to look beyond the simple wayfarer and to pinpoint their loyalists, targeting viewers that most enjoy the content that they produce (Jenkins “Convergence” 63). Because fringe content tends to attract active viewers more so than passive viewers, technological companies that already support niche content aggregation are well positioned to take full advantage of their audience’s loyalty (Jenkins “Spreadable Media” 240). For instance, the exclusivity of non-mainstream content on a particular digital platform induces active viewers to have a higher willingness to pay for access to that content, and executives take that loyalty into account when developing their pricing frameworks. Implementing affective economics in this sense, technological companies utilize their detailed market research to direct their advertising campaigns, awards nominations, business models, and creative development.

Fan communities take an active role in promoting their favorite upcoming films and television shows, altering companies’ advertising models to include and even incentivize more user-generated content. After Fox cancelled critical darling Arrested Development (2003—) after only three seasons, the show’s cult following erupted in an uproar that ultimately convinced Netflix to produce a revival (Leitch). Note that the more technologically savvy Netflix, and not the original producer Fox, took heed of the fans’ demands because of their attunement and high valuation of loyal niche audiences. In response, fans broke out in excitement, citing Netflix as the ultimate destination to watch niche content that appeals to the modern consumer’s tastes.

The arrival of the cult favorite brought tentative fans of the original series to the platform, growing its subscriber base by 630,000 in the quarter following its debut (Lobosco). In total, 36% of all devices connected to Netflix watched at least part of one episode from Arrested Development during the weekend of its return, three times that watching House of Cards (2013—) when it debuted just four months earlier (Wallenstein). Of those, 10% binge-watched all fifteen episodes within that first weekend alone. The loyal fan base ultimately made the
Netflix acquisition of the cancelled television show a lucrative success, strengthening the platform in both engagement and numbers. The network effects of such a strong online presence rewards highly committed fans through social engagement while also encouraging passive viewers to more fully immerse themselves in the story (Jenkins “Spreadable Media” 143).

Similarly, Amazon Studios commissioned the third season of BBC Victorian crime drama Ripper Street (2012—) after its first cancellation in 2014, despite winning three Irish Film and Television Awards (Lawrence, IMDb). Attracting 8 million viewers when it first debuted in 2012, the second season averaged only 4.8 million viewers over eight episodes as their ratings declined (Osborn). Undeterred, the immediate outcry from its fervent fan community through an online petition with 10,000 names soon captured the attention of Amazon Studios. The first United Kingdom television show with an online broadcast revival, Ripper Street debuted on Prime Instant Video in November 2014 to break a streaming record for the service at the time (Berliner). Amazon Studios then committed to two more seasons, continuing the cancelled show to a full 37 episodes over five seasons (Tartagoline).

Positive press through online distribution channels such as social networking sites and fan blogs also bring attention to content previously overlooked by industry insiders, ultimately increasing its contention for critical acclaim. The struggling NBC comedy Community (2009-2015), for example, stumbled through low ratings but disproportionately high online engagement for three years before finally receiving the Emmy nomination for outstanding writing in a comedy series (Andreeva). Under rumors of cancellation, fans rallied around the campaign tagline “six seasons and a movie,” bringing attention to a show that garnered little in the past, legitimizing its quality through prestigious recognition that once appeared far beyond its reach. Thus, fan communities use their online networks to essentially place a social nomination for their favorite films or television shows, even if that content was not originally considered a serious contender by industry insiders.

Fan communities also provide a space for devoted loyalists to interact with their favorite celebrities. Subverting the Hollywood social hierarchy, digital media capitalizes on virtual interactions in place of corporate branding (Marshall 87). Considering 87% of Twitter users above the age of 13 state that the social media service influences their media choices, such methods prove rather effective, yet Hollywood studios rarely spend over $10 million annually on digital marketing of this sort (McClintock). That’s an incredibly small proportion in comparison to the average marketing budget of $40 million per film. Consequentially, celebrities are vital to fans’ authentic and organic connections with media content, a phenomenon that technological companies monetize that phenomenon most effectively.

In anticipation of their second season renewal for The Man in the High Castle (2014—), Amazon Studios held a Twitter forum in which fans could ask leading man Joel de la Fuente questions about his character Inspector Kido. In response to a promotion that garnered 126 likes and 37 retweets in two days, aficionados received a reply to their submitted questions from the actor himself in real time. For example, @dulcedulcevida asked “When Kido says to Frank ‘I am not a monster’ after he reveals that Frank’s [family is] dead, was he actually remorseful?” Fuente responded “As much as I would love to answer this, what’s most important is what *you* thought in that moment.” Fuente’s response teased information intended to spark fan discussion, incentivizing engagement with the content over the celebrity. Not only did the strategy increase the actor’s authenticity with loyal audiences, but it also served as an excellent promotional tool for the series’ renewal announcement less than two weeks later.
Information travelling through such a robust feedback loop becomes an essential archive of inspiration for the creative development team, oftentimes influencing subsequent episodes and sequels. The non-hierarchal social network of the technology industry accepts fervent loyalists as insiders even within the production space itself, exploiting fan culture as a self-sufficient marketing tool that influences their creative content (Ranta). By tapping into the collective intelligence of the fan communities that they cultivate, they create a powerful audience-producer dynamic that intensifies both the consumption and production processes (Jenkins “Convergence” 27). Within that relationship, consumers exert creative influence by offering endless commentary that producers occasionally reference in their creative process. Doing so ensures that subsequent content appeals to the most ardent viewers, consistently reaffirming the fan community’s engagement.

Because niche content depends more so on the intensity of engagement than the total number of viewers, its producers peruse online knowledge communities to ascertain its success over time. Regular access to viewers’ reactions to content, including specific deliberations into character arcs or plot points, gives the creative development team a unique chance to regularly update and improve their work in accordance with their highly engaged loyalists’ preferences and expectations (Ellingsen 111). Such forethought signals a push into social relevancy, as companies in tune with the online community speak to their sociocultural interests in order to garner both their viewership and their continued engagement (Jenkins “Convergence” 25). In doing so, they open the flow of information from audiences to producers who, consciously or unconsciously, integrate that analysis into their creative process.

In addition to producer response to fan commentary through creative development and output, marketing executives take advantage of the online archives of fan criticism to direct their promotional efforts. Online fan communities are a largely representative sample of the content’s most ardent viewers; they would not take the time to post their reactions online otherwise. And so marketing executives essentially use online information flows to treat their commentary as marketing focus groups that, in some ways, drive the production process (Murphy 70). The invaluable market research that results contributes to executives’ long-term marketing plans in much the same way that it influences the producer’s creative decisions, at a much lower cost than Hollywood’s tendency to outsource to third party agencies.

And so the interactions between consumers and producers creates a feedback loop, in which the producers design content with the intent of acting upon their audiences’ response. Intense fans fall so deeply into the story that they actively predict plot twists and turns under the collective intelligence of online communities, participating in an informal competition between the consumer and producer of who best analyzes the show’s premise (Jenkins “Convergence” 53). Doing so counters the expert paradigm held in such regard in Hollywood, in which the producer relies on their insider knowledge and outsourced market research to control the flow of content and its discussion. Now, under the direction of innovative technological companies, fans exercise their influence in the creative development process via a multi-directional discourse in a new era of digital media culture.

Online distributors respond to that active and engaged viewership by building cross-promotional campaigns through transmedia storytelling. Under the implementation of the aforementioned technique, audiences complement their viewing experience with supplemental content on multiple platforms (106). The complexity of multi-media consumption strengthens fan communities as they devise theories and revise alternative storylines that expand upon the original story. Transmedia content, then, inspires discussion that appropriates the original work
into a journey of discovery for aficionados (96). In this case, new media does not displace traditional media, but rather enhances it so that audiences consume the two in tandem (Lotz 18). They reinforce each other, incentivizing new interpretations of the original work on the part of the consumer.

Hollywood originally developed transmedia storytelling as an ancillary strategy intended for execution after box office receipts verified a sizable audience (Jenkins “Convergence” 107). As such, studios mitigate the risks of demand forecasting often associated with experience goods, investing in accordance with the film or show’s reception. Their efforts conserve fan fervor during the interlude between sequels of a lucrative franchise, countering the effects of slowing impetus. Doing so ultimately cultivates fan bases on multiple platforms, hyping future releases within a franchise. Hollywood implementation of transmedia storytelling strategies thus operates as a risk mitigation strategy, similarly to those discussed in chapter two. Rather than capitalize on consumer-producer interactions made possible through the technique, as seen among technological companies, they outsource the work to third parties.

Although legacy media companies conducted the first transmedia campaigns, the rising popularity of digital mediums reduces their ability to execute them effectively. They specialize in literature adaptations and partnerships with visual artists; online fan culture lies outside their expertise. For instance, transmedia consultancy 42 Entertainment produced Why So Serious, an alternative reality game played over fifteen months leading up to the release of Warner Bros.’ The Dark Knight (2008). The campaign identified the subset of individuals that most identified with the impending film, and encouraged them to share their interests at a grassroots level (42 Entertainment). In doing so, they engaged over 11 million unique participants from over 75 countries, hyping the sequel’s premiere among devoted fans of the Batman franchise. However, Warner Bros. did not develop the nuances of the transmedia strategy; rather, they outsourced the planning and execution to a technology-based consultancy. Although the campaign proved successful, Warner Bros. suffered from the high costs of hiring an external marketing team as well as the loss of creative control over the franchise in the interim between films.

Therefore, despite the minimal risk involved, most studios simply do not have the proper technological resources or market research to implement transmedia storytelling techniques to their full advantage. Often outsourced to third party vendors once ratings indicate the financial validity of the project, producers relinquish their creative freedom to the new life their work takes online (Jenkins “Convergence” 107). Especially because copyright protection is essential to retaining the exclusivity of their content and thus maintaining their consumers’ willingness to pay, that loss of control may devalue their work. The stories appear disconnected, the plot lines needlessly complicated, and the lack of transparency and collaboration between studios and their vendors exacerbates the confusion (121). The original intent to introduce supplementary information that both simplifies and adds depth to the content disappears into inconsistencies that fail to encourage audience engagement.

Ironically, Hollywood micromanagement of outsourced transmedia projects exacerbates this problem still further, pushing redundant messaging across platforms that reduces fan interest (107). In their efforts to retain as much creative control as possible, studios significantly limit third party vendors in what they release online. Much of the ancillary content does not expand the story, but rather constrains itself within the boundaries of the original work. Although the promotion of a well-developed canon that does not rely on niche content plays to their core competency, they lose many of the key advantages associated with their endeavor as a result (111). Such constrictions limit their access to viewer feedback that may improve the creative
development process, stilt the discussion that so fuels online engagement, and ultimately reduce their overall return on investment.

Legacy media’s treatment of books and comic books with pre-existing fan bases adapted for film or television follows similar trends. Walt Disney Company, in collaboration with Marvel, released blockbuster *The Avengers* (2012) to a domestic box office of $623 million with a production budget of $220 million, ranking the production as the top grossing superhero film since 1978 (Box Office Mojo). Its sequel *Age of Ultron* (2015) ranks third with $459 million gross, $191 million of which came from opening weekend alone. In contrast, ABC television spin-off *Agents of SHIELD* (2013—), their first foray outside the theater, averaged a modest 1.5 rating among the target demographic of adults aged 18-49 (O’Connell). Although their vertically integrated structure through Disney, Marvel, and ABC ensure creative synergy between the various mediums and distribution channels, *Agents of SHIELD* simply could not succeed without the transmedia franchise’s collective fan base. The overlap in marketing techniques, style, and form all diverged too greatly for the cohesion necessary to maintain interest.

In order to avoid falling into the aforementioned creative traps, technological companies utilize advanced data algorithms to better exploit Hollywood’s transmedia storytelling techniques on digital platforms (Havens 21). Because they do not suffer from the same risks associated with traditional distribution channels, their primary goal is to welcome new interpretations of their storylines and thus engage curious fans (115). Consumers’ input therefore operates as a testing ground for new ideas, experimenting with new ideas before the next installment of the original work. In developing supplementary content in-house, they encourage creative professionals already knowledgeable about the film or show at hand to explore those new perspectives. As such, they push the boundaries of the fictional world they created without destroying the standalone value of the original work until the “world is bigger than the film, bigger even than the franchise” (116).

In contrast to the Disney-Marvel-ABC partnership, Netflix struck a deal with Marvel to release *Daredevil* (2015) and *Jessica Jones* (2015), both of which follows different characters in the same fictional universe. The series hold independent plotlines and character arcs, but still intersect enough to capture the interest of Marvel loyalists. *Jessica Jones*, for example, is ranked as the tenth most talked about show on social media, with the second most followers of any new fall show in 2015 (Hollywood Reporter). Its trailer had 7.6 million views and 45,000 shares on Facebook alone. Netflix thus approaches the superhero genre much differently than their Hollywood counterpart, in accordance with its technological capabilities. As a smaller company with a nuanced understanding of the overlap between their own subscribers and online fan bases devoted to the original medium, they fully grasp the value of merging their original series. In fact, Netflix plans to culminate their Marvel partnership in the mini-series *The Defenders*, featuring characters and iconography from each of their original superhero shows to date.

Here, technological companies revive the feedback loop to capitalize on the cult value of transmedia storytelling. The release of supplementary content designed with intentional cultural references such as quotes, archetypes, and allusions perpetuates a distinctive fan culture that celebrates its individuality through community (Jenkins “Convergence” 100). The insider knowledge of heavily engaged fans thus separates them from the casual viewer, gratifying their involvement with the ability to holistically decipher the minute details of the film or show (101-3). Technological companies then monetize that interest, recruiting fans to promote upcoming features and instill their brand loyalty among their peers (175). When cultivated properly,
audience engagement through transmedia storytelling acts both as a creative development and revenue generation tool that significantly influences the content’s success over time.

Amazon Studios capitalized on that technique when promoting screenwriter Jay Levy’s feature film script Blackburn Burrow to ascertain audience interest before production. They recruited writer Ron Marz of Silver Surfer and illustrator Matthew Dow Smith of Doctor Who to design a digital comic of Levy’s script (Lunden). In September 2012, Amazon Studios released the comic in installments over a four month period, encouraging readers to share their reactions via a feedback survey upon completion (Barr). The most-downloaded free comic on Amazon’s Kindle store within a month, Blackburn Burrow was also available via social networking sites such as Facebook. The digital comic strip not only provided essential marketing data to Amazon Studios regarding audience interest, but also functioned as a transmedia tool that attracted the comic book audience to the screen.

The greatest advantage of internet-based companies’ execution of transmedia storytelling techniques arises in their relationships with other industries. Unlike the media-focused Netflix and Hulu, Amazon Studios’ streaming user interface integrates both original programming and their transmedia applications. For example, Amazon Studios optioned a sitcom that integrates meta-textual references to popular films that move the plot forward (Anonymous Producer). In pitching the series, the creator discussed the possibility of including links to films referenced in each episode as an invitation to explore more content on the site. That strategy ensures accessibility to meta references once relegated to the cinema intelligentsia, inviting the common user to share in the experience of cinephilia. In this manner, the supplemental content increases audience appreciation for the intricacies of the series even as it promotes similar titles that will ultimately increase the platform’s total viewership.

In taking one element of the original work and pushing it in many directions, emotions, and experiences online, producers experiment with complex storylines that transcend the traditional narrative (Jenkins “Spreadable Media” 134). They thus encourage viewers to interpret the film or show in an entirely different context, instilling new life into the existing work (Tryon 9). Without access to or investment into the same technological resources of their competitors, legacy media simply cannot execute digital strategies to the same degree of success. Online distributors entered the industry already well-informed on monetizing virtual interaction with consumers. At much lower cost and greater efficiency, technological companies use the insider advantage of their fan communities to inform their creative decision-making, ultimately changing the content that they produce to fit a much more inventive model than that seen under the leadership of Hollywood studios.
Chapter Four: Creative Development Models

The creative development practices of technological companies that diversified into the entertainment industry yield projects that diverge greatly from the generic content often attributed to mainstream media. Whereas Hollywood mitigates the risks associated with volatile audiences, the business model and industry culture of digital media endeavors to actually encourage creative experimentation. As their profit margins gradually decline from the onslaught of technological innovations, legacy media combats the rising competition by staying true to formulaic practices that simply no longer respond to the consumption patterns of the contemporary marketplace. Consequentially, the entrance of technological companies widens the quality gap between their experimental programming and the typical Hollywood blockbuster.

This chapter grounds the aforementioned phenomena in a specific context by studying their execution at Amazon Studios. Their unique creative development process not only embodies the characteristics of online distribution platforms, but also exploits them to a much greater extent. Financed by their e-retailing company, they capitalize on a flexible budget to produce highly unconventional content in-house. In order to ensure the profitability of their creative risks, they utilize the feedback loop to gather consumer data and audience response regularly throughout the development process. Doing so allows them to halt the development of unprofitable content before incurring high production costs. The creative output that results both achieves notable popularity and critical acclaim as well as introduces renegade content to an overly generic media market.

Amazon, first and foremost an e-retailer that sells products from multiple vendors online, exemplifies the aforementioned innovations in creative development practices and output as a technological company that entered the entertainment industry. Rather than vertically integrate from production into distribution as the legacy media conglomerates did in the post-studio era, digital distribution and exhibition services utilized their low cost structure to vertically integrate into production, and Amazon followed their lead. They first gathered data about the industry by acquiring the Internet Movie Database (IMDb) in April 1998; subsequent acquisitions included the video self-publishing platform CreateSpace, filmmaker-festival match service Withoutabox, and data aggregation platform Box Office Mojo (Cunningham 25).

More strategic than a passive exploration of the industry, those acquisitions laid the groundwork for Amazon to gather information about popular media content, design an attractive video streaming interface, and develop their analytics substructure to better inform creative decision-making in the future. The consumption data they received through IMDb and Withoutabox identified popular titles in the mainstream and indie space, respectively, while Box Office Mojo revealed their financial success. The fact that Box Office Mojo’s user base consists largely of creative professionals also informed Amazon Studios about industry gossip, easing its inevitable dialogues with the Hollywood social network. CreateSpace, on the other hand, performed the opposite function. As a self-publishing platform, it provided essential data about amateur content that later structured Amazon Studios’ crowdsourcing screenplay service. Furthermore, the amalgamation of those data sets informed their first recommendation algorithm for what came to be known as Prime Instant Video.

Amazon did not utilize the information gathered from their acquisitions until April 2006, when they released on-demand television programming within 24 hours of their premiere (Business Insights). The beta program, titled Unbox, preceded iTunes in offering media content compatible with personal computers, television screens, and Windows Media video portable devices for purchase or rental (Kirkpatrick). Their pricing structure accounted for the popularity
of each television show and movie, an a-la-carte service that priced according to quality rather than bundle titles like most cable providers. Such success convinced analysts that Amazon, in conjunction with Apple, would increase the video-on-demand market from $1.7 billion in 2006 to approximately $13 billion by 2010 (Business Insights).

Rebranded as Prime Instant Video with the introduction of streaming capabilities in 2011, Amazon inked deals with major networks Fox, CBS, ABC, and PBS to grow its media library from a 5,000 titles to nearly 13,000 over the course of a year (Mangalindan). Although Netflix offered nearly double the streaming content at 20,000 titles, Amazon also offered 90,000 titles available for purchase or rental retained from its beta service (Lieberman). After strong negotiations in 2012, Amazon differentiated its media library through a licensing deal with Warner Brothers that provided Fringe (2008-2013) and The West Wing (1999-2006) exclusively on Prime Instant Video for the summer (Lardinois). Reaching $1 billion in annual licensing fees, the remaining non-exclusive content and further agreements with ESPN, Epix, Paramount, and MGM boosted Amazon’s media library to 30,000 streaming titles and 145,000 available for purchase or rental (Perez).

A newcomer suffering from lack of bargaining power against Netflix and Hulu in their negotiations for exclusive Hollywood content, Amazon accelerated its investment into its newly formed creative development team in November 2010. Now actively sourcing content, they partnered with Warner Bros to solicit scripts via an unnamed crowd-sourcing platform (Vary). The open forum encouraged comments and critiques of submitted scripts, but third party industry insiders determined the $2.7 million in awards for films that “tell the best story,” rather than execute “the most visual polish.” Signing a first-look deal and co-production agreement with Warner Bros, Amazon Studios also offered $200,000 for green-lighted concepts and a $400,000 bonus for films that gross over $60 million after theatrical release in exchange for 18 months of exclusive rights to all submitted scripts (Fritz).

In partnering with a key industry player, but avoiding the signing bonuses of Hollywood stars, Amazon Studios entered the industry at almost no start-up cost and strategically acquired credibility. A Deadline article sparked quite a debate about the strategic move, online comments ranging from calling the collaboration a “vanity deal” to predicting that “Amazon may pay for their first one, lose all of their money, and never be heard again” (Deadline Hollywood). Perhaps in acknowledgement of the amateur status of submitted content, Warner Brothers never capitalized on their first look privileges. Amazon Studios, on the other hand, produced scripts such as the popular children’s series Gortimer Gibbon’s Life on Normal Street (2014—) to great acclaim. Insistent upon subverting traditional narrative tropes, Amazon Studios showed the industry a clear inclination to take creative risks with amateur content despite their concerns.

Although originally limited to feature films, adult comedy series, and children’s series, the crowdsourcing platform recently opened acceptance for scripts in any genre and for any audience (Thubron). The transition away from specialization in comedy to drama marks their readiness to seek critical acclaim in the more competitive category of drama. Their amendments also adjusted their legal contract for submissions so that members of the US Writers Guild of America and the Animation Guilds could submit materials despite their non-amateur status, vastly improving the quality of their submissions. In partnership with its technologically oriented divisions, they also launched Amazon Storywriter, a free, cloud-based screenwriting program with an integrated feature that submits completed projects directly to Amazon Studios. By no means a valid competitor with advanced programs such as Final Draft, still the program converts amateur writing to the proper formatting for democratic review.
In order to provide additional resources to their amateur writers, Amazon Studios also developed online writing communities where aspiring screenwriters collaborate and solicit feedback about their submitted works. Known as the Commissary Forum, the informal communications between writers range from pitching ideas, copyediting completed scripts, and mentoring partnerships to venting about rejection or analyzing other content from Amazon Studios. Members even respond directly to their press releases, such as the launch of Amazon Storyteller and the renewal of popular series *Transparent* (2014—) and *Mozart in the Jungle* (2014—). Now including over 1000 discussions, the Commissary Forum provides an excellent opportunity for undiscovered talent to pitch niche content to a producer financially capable of execution. Such a community provides the resources necessary to refine creative concepts before they arrive at Amazon Studios, streamlining the green-lighting process by ensuring that submissions are of high enough quality to justify executives’ time in reading them.

Despite the democratization of the script submission process through the crowd-sourcing platform, many writers disparage the legal contracts they must sign prior to application. Amazon Studios require all screenwriters to sign a submission agreement and account agreement, both of which restrict legal action against copyright infringement (Amazon Studios). In order to pursue legal action, the allegedly stolen content must be the verbatim equivalent of the submission; they consider all other similarities negligible. Furthermore, the agreements ensure that writers cannot hold Amazon Studios liable for third party copyright infringement due to accessibility via the Amazon Studios site. However, that caveat only applies to public profiles, which writers can make private at any time.

Such legal precautions are not particularly unfair, especially when contextualized within the technology, rather than the entertainment, industry. Social networking sites such as Twitter, Facebook, and Pinterest all include similar provisions in their terms of use agreements. Doing so protects those companies from futile, yet costly, copyright infringement claims surrounding user-generated content. Moreover, Amazon Studios balances their legal restrictions with unparalleled transparency. Both their submissions agreement and account agreement are posted publically online, often accompanied by footnotes and headers that justify their legal commitments. For instance, Amazon Studios points to the high probability of similar submissions to justify their copyright infringement provision. The clause also includes a direct link to the conditions of use, which outlines the exact procedures necessary to file a copyright infringement claim.

After establishing their credibility and gathering the information necessary to enter the production space, Amazon Studios expanded to include a fully functional, multi-divisional creative development team in late 2012 (Jarvey). Although they periodically review submissions to their open crowd-sourcing platform, Amazon Studios also forms industry contacts at key talent agencies to solicit scripts that already underwent a pre-approval process (Lynch). Doing so breaks Hollywood social barriers and provides Amazon Studios with access to some of the best talent in the industry. The creative development team reviews those scripts first, choosing whether or not to film a pilot or test video. If they choose to do so, they send the tangible, produced content to executives for feedback before making the final green-lighting decision. Presenting an actual illustration of the concept avoids the abstractions that so often complicate the high-concept legacy media approach, ultimately simplifying the collaboration between marketing-minded executives and creatively driven producers.

Converting the written script into a visual medium demonstrates the potency of the concept in its execution. Strong storytelling sets an excellent foundation, but the production team invokes a human element into the final product that foreshadows its full development. In fact,
Amazon Studios’ creative development teams often use visual aids such as Pinterest to brainstorm ideas, sharing their thoughts through a medium reflective of the end product (Jarvey). Hollywood narrative oversimplifies this process through formulaic creative structures; in reality, too many variables exist to pinpoint any one reason for success. The standard narrative may ensure mainstream acceptance, but at the cost of overly generic content. Amazon Studios overcomes that limitation through low-cost visual executions of the concept, such as pilots and test videos, avoiding miscommunications in team members’ independent visualizations of the end product.

Therefore, rather than green-light scripts soon after the first pitch, Amazon Studios develops the scripts they option into trial videos (Barr). In 2012, they took that practice a step further when they presented nine test movies not only to high-ranking executives, but also posted them to their streaming service to gather data about the marketability of their storylines before the development of even the pilot. Analyzing hundreds of thousands of viewings, they collected information on how much the test videos caught audience attention through consumption data, reviews, and comments. Amazon Studios then utilized that feedback to re-write scripts and cut their losses in anticipation of full production. Unlike Hollywood focus groups, then, Amazon Studios examines data very early on in the production process to determine the marketability of content prior to investment. Doing so intends to subvert the 80-20 rule, increasing their chances of developing profitable content over a sustainable period.

In order to generate as much feedback as possible, Amazon Studios took advantage of their technological resources to develop a graphic interface that integrates commentary into the viewing experience. When browsing for content, for example, holding the cursor over a program prominently reveals the customer rating directly below the series title. Similarly, the series page contains a billboard that includes the customer rating and IMDb rating before even the logline or cast. Holding the cursor over the rating provides more detailed information about the proportion of viewers who voted for each possible score as well as a direct link to detailed comments. Fully transparent about the reception of their content, the review page lists the most popular positive and critical reviews. Users even have the option to comment on others’ reviews, creating a dynamic discussion forum that mimics the fan communities examined in chapter three. As such, Amazon Studios utilizes their technological background to develop an invaluable source of feedback accessible to both creative development teams and the public.

Critics such as Marxist theories Christian Fuch claim that Amazon Studios’ monetization of consumer reviews in pursuit of corporate goals without distributing appropriate compensation to contributors is akin to exploitation (Jin 52). Once contextualized within the medium in which such exploitation takes place, however, it becomes increasingly apparent that is not the case. The social and collaborative nature of the internet ensures that audience input is made willingly and often without the expectation of payment. Rather, online reviews give consumers the chance to directly critique Amazon Studios and their programming. Those opinions often benefit them, if not through monetary compensation, then through higher quality content based on their recommendations. The commentary and user-generated content that distinguishes the Amazon Prime Instant Video viewing experience therefore benefits consumers in the long run.

From the perspective of the writer, Amazon Studios’ approach to the pitch process itself also differs significantly from the traditional studios’ methods. In the case of television, they do not require writers to establish the scope of their project prior to development (Anonymous Producer). Although that methodology allows the story to develop organically and maintain temporal relevancy, it also overemphasizes the pilot to the detriment of series sustainability. In
fact, Amazon Studios cancelled the highly successful drama *Mad Dogs* (2015) because the creators agreed that the story would lose its authenticity if stretched for a second season. However, the advantage of such an approach lies in Amazon Studios’ willingness to take risks that other producers would not consider. Regardless of *Mad Dogs*’ sustainability over multiple seasons, it attracted thousands of viewers to the platform in an overwhelming success for the digital platform.

Because of their open-minded attitude to submitted stories in the pitching process, they avoid unprofitable investments by gradually cutting their losses during the subsequent stages of script development and production. Assigned a producer that acts as a liaison between the writer and the studio, writers first submit an outline before Amazon Studios commissions a complete first draft. Unlike legacy studios that often send notes via gatekeeper executives primarily concerned with the financial implications of a particular script, the cinema education of Amazon Studios producers often ensure that notes are more creatively inclined (Cendrowski). The lack of deadlines also gives writers the time necessary to hone their script and maximize its potential. Once the script undergoes two sets of revisions and a final polish, Amazon Studios makes the final decision whether or not to shoot the pilot.

The purpose of the television pilot, then, differs between legacy media networks and Amazon Studios. Network executives often sift through hundreds of loglines before selecting two or three concepts for production (Curtin). Forming decisions based upon a couple of sentences places undue pressure on the intuition of those executives. Furthermore, that process assumes that the pilot would set the norm of the series, relegating each subsequent episode to nothing more than a variation of that norm. Such an assumption restricts the creative future of the series to the parameters set in the pilot, and yet executives accept pilots merely because of loglines and attached stars. Moreover, because their revenue depends on commercials, networks shape the pilot’s structure and aesthetic to attract advertising agencies to their platform. The target audiences for a legacy media pilot, then, are advertisers rather than consumers.

Without that same co-dependency on the advertising relationship, Amazon Studios takes a different approach. The pilot, as a fully executed introduction to the series, acts as the ultimate test marketing mechanism (Anonymous Producer). There is simply no other way to demonstrate the interactions between actors, editing choices, and overall cinematographic style of an concept except when it comes to fruition. By minimizing the costs of production to the pilot alone, Amazon Studios has the chance to ascertain the success of a series with much greater accuracy than Hollywood executives that intuit green-lighting decisions. Doing so increases the efficiency of their green-lighting decisions. Moreover, because most online distributors now release all episodes at once rather than on a weekly basis, pre-screening is especially important to judge the success of the full season (Cendrowski). Although on the surface such devotion to the pilot may appear unnecessary, it proves a valuable method to validate the creative risks Amazon Studios chooses to take before they enter full production.

Following the release of the pilot, Amazon Studios takes into account viewer feedback and critical response when considering green-lighting and renewal decisions. They solicit commentary through both the Development Slate, an online critiquing community specific to Amazon Studios development projects, and social networking sites such as Twitter. The Slate includes the full synopsis and initial scripts for every film and television show undergoing review. The reviewing function asks commenters to analyze the premise, story structure, character, dialogue, and emotion of preliminarily materials, in much the same way legacy media talent agencies perform script coverage before sponsoring screenwriting candidates. Each series
has its own forum, with the option to follow topics via email, intended for fans to grow emotionally attached to projects before they finally reach the screen. An external online panel constituting of film scholars and Amazon Studios aficionados, named Amazon Preview, also performs a similar function with more in-depth and regular feedback throughout the development process (Schneider).

Amazon Studios also incentivizes feedback through their Twitter account, posing questions such as “Have you watched #RedOaks yet? Tell us what you think!” after the release of the pilot and, later, “The fans have spoken. Have you watched #HighCastle yet?” following the announcement of full seasons and renewals. Even celebrities engage in the feedback loop, actor Ron Perlman beseeching his fans, “So…#Amazon is coming awful close to deciding on a season 2 of #HandofGod; if, like me, u r curious, well hey, let’s make some noise!” His tweet garnered 181 retweets and 371 likes since its posting in November 2015, signaling the desire of the social networking community to contribute to the green-lighting process. Amazon Studios collaborates with their stars in this regard, its account quoting his tweet and adding “You heard him! Make some noise if you want Season 2 of #HandofGod!”

It’s true that legacy media engages in similar practices, managing Twitter accounts and Facebook pages to garner audience interest. However, Amazon Studios distinguishes itself from their approach in that the very survival of their original programming hinges on viewer feedback. Because so much of their green-lighting strategy draws from their social and consumption data analytics, even lukewarm fans review content under the assumption that not doing so would halt further production of their favorite series. That practice further benefits Amazon Studios because they now have more feedback from which to approach their creative development. Furthermore, their request for reviews in particular increases the quality of that feedback; the constructive criticism of reviews provides more actionable information than random social media mentions online.

Therefore, Amazon Studios’ unique feedback program generates actionable insights from both industry insiders and viewers at every stage of the development process. Unlike objective analysis of consumption data alone, the discussions create a more sympathetic understanding of audience response. The information is not binary, limited to what consumers choose to watch or ignore; the feedback program provides justification for those choices so that Amazon Studios could improve its content offering. As Roy Price recognizes, “in the on-demand world, to watch the show people have to demand it, they have to search for it, find it, click it… you’re not just going to be sitting there and it’s the next show” (Bloomberg). Amazon Studios’ in-house creative development team therefore responds directly to consumers on an intimate level, identifying points of success and failure in their original programming and adjusting accordingly. Every other firm in the industry lacks that advantage; most online distributors outsource production while Hollywood studios rarely extend their market research capabilities to large audiences online.

Within the first year of the crowd-sourcing platform’s launch, 836 scripts were submitted, 576 trailers underwent audience testing, and 579 films were market-tested for financial viability (Cunningham 81). Of those, only 23 projects entered development and an additional 26 still await consideration. Amazon Studios’ first pilot season in April 2013 released fourteen pilots for review, five of which ultimately developed into full seasons (Crum). The review process even during the early stages garnered significant interest; Alpha House (2013—) became the most-watched show on Amazon during its weekend debut. Nearly a year later, Amazon Studios began its second pilot season, green-lighting half of the pilots they released, including their most-
watched original series *Bosch* (2014—) (Littleton). That season also marked the success of their first series originating from the crowd-sourcing platform, *Gortimer Gibbon’s Life on Normal Street*, which now boasts a 4.8 customer rating from 1036 users, 87% of which rated the children’s series five stars (Thubron).

Narrowing down their focus considerably, the following four pilot seasons all arrived six months apart rather than a year apart, signifying Amazon Studios’ refined production process and quick response to user feedback. Their current timeline green-lights projects in May and November in strategic dedication to efficiency (Anonymous Producer). Moreover, exempting the fifth pilot season, they green-lit at least half of their pilots for full production in recognition of the rising quality of their original programming. In fact, the fourth pilot season in January 2015 brought to screen the most watched pilot since the studio’s inception, *The Man in the High Castle* (2015—) (Spangler). To date, Amazon Studios released 49 pilots for review, 17 of which ultimately went to series, and nine of which still stream on Prime Instant Video (Littleton). As such, Amazon Studios quickly climbed the learning curve to provide content popular among their consumers.

However, not all scripts submitted through the crowd-sourcing program evolve into a pilot, and not all pilots enter development for a full season. Commonly known as “development hell,” the interlude between submission and acceptance recognizes writers’ difficulties as they wait for their ideas to come to fruition (Anonymous Producer). Unfortunately, Amazon Studios’ unique approach to the creative development process is not immune to the phenomenon. For example, Amazon Studios expressed interest in Adam Pachter’s science fiction script *Hiber* in April 2013 (Avery). He signed the development agreement within the month, and Amazon Studios promoted the progress of his script on their blog in June of the next year. Despite receiving a four star review average on the Development Slate, however, Amazon Studios dropped the script in late 2015.

Meanwhile, Pachter suffers from a declining return on investment. Amazon Studios paid $10,000 to option his script in April 2013, but the following two years of revisions and promises did not result in any additional monetary compensation. Pachter therefore waited two years in development hell, hoping for the $200,000 guaranteed should Amazon Studios choose to acquire full rights to the script. Their choice to option amateur scripts for years, but produce reputable professionals’ pitches within short time frames, conflicts with the illusionary democracy of their crowd-sourcing process. Nevertheless, Amazon Studios did give Pachter and other screenwriters an incredible opportunity to submit amateur work and receive invaluable feedback as they pursue other avenues. As Joel Michalak insists on the Commissary Forum, “Amazon is already doing you a huge favor just by looking at your unsolicited script for free…with no strings attached and free screenwriting software…each studio is a brand and your product needs to fit that brand.”

As a company with advanced resources to both gather and analyze data from consumers’ use of their site, Amazon holds a plethora of vital marketing information at their fingertips (Schultz). Therefore, when Amazon Studios chooses to release pilots and test videos on Prime Instant Video to gather consumption data, that intelligence informs creative development decisions thenceforth. That’s not to say that the experience and intuition of creative professionals do not play a part, but it certainly gives the team an edge in understanding the marketability of their work (Lynch). In this case, they use the data to forecast demand for ideas set forth by creative professionals more so than codify the creative process itself. Contrary to popular belief, data analytics from previously released content rarely informs green-lighting decisions in particular because Amazon Studios seeks to diverge from what the market already provides.
Overreliance on data analytics would only serve to limit their creative experimentation, much in the same way traditional narrative structure burdens Hollywood.

Essentially, the advantages of data analysis do not compensate for an evolving distribution industry in which consumers may switch to other platforms at any time. Amazon Studios watches those trends closely, and strategically positions themselves for future adjustment if necessary (Lynch). In late August 2015, for instance, they became the first and only subscription streaming service to offer offline viewing of both original and licensed content through downloads reminiscent of their Unbox beta program (Van Grove). Responding to expensive mobile data plans, the alternative distribution method ensures the portability of programming across devices regardless of immediate access to an internet connection. That immediate response to consumption trends exemplifies the flexibility necessary to maneuver the entertainment industry with speed and precision.

However, their disruption of subscription video on demand business models do not always respond to industry trends; rather, they anticipate them. For instance, Amazon Studios entered the live television market with Style Code Live (2016), despite the fact that the delayed viewership standard cultivated under digital distribution channels often devalues the time-relevancy of live events. In order to overcome that barrier, the interface plays with both live and delayed viewership, featuring a countdown to the next available episode while simultaneously recommending previous episodes. Furthermore, live viewers have the additional advantage of chatting and submitting questions to the hosts in real time (Kim). The series mimics YouTube makeup tutorials with fashion and beauty tips, featuring products available for purchase from the e-retailer on the episode page itself. The purpose of Style Code Live, then, is to defy expectations in both the consumption and monetization of Amazon Studios’ media content.

Amazon Studios takes a similar approach in the distribution of their feature films. Unlike Netflix, which received heavy criticism and limited distribution by simultaneously debuting their content in theaters and online, Amazon Studios commits to at least a thirty-day theatrical run before releasing their content on Prime Instant Video (Littleton). Rather than perceiving the theaters as competition to their digital distribution platform, Amazon Studios integrates them into their business strategy as marketing partners. The word of mouth and press generated from a theatrical release legitimizes their content more so than consumption ratings the company chooses not to release regardless (Lynch). Their diversion from the digital media strategies established under first-mover Netflix exemplifies unique goals independent of the industry: Amazon Studios values marketing power to an equal or even greater degree than their consumption analytics, prioritizing sustainable branding over short-term ratings.

In order to retain that innovative edge, Amazon Studios integrates the unique company culture often associated with technological companies within their production teams. Avoiding Hollywood social hierarchies, all meetings take place in conference rooms because executives do not have access to their own office space (Jarvey). Moreover, they minimize the size of creative teams for each project in order to ensure better coordination and thus clearer storylines in their work. Marginal intervention on the part of gatekeepers underscores the creative vision as the epicenter of the development and feedback processes. Fundamentally, then, executives act as critics and reviewers of their team’s progress, encouraging them to take creative risks that distinguishes Amazon Studios’ original programming.

Emphasizing strong storytelling above all, Amazon Studios utilizes the pull marketing approach to attract audiences with renegade content rather than push it to a mass audience of mainstream interests. Identifying points of relevance between industry dynamics and popular
culture, they “do something that people can’t get anywhere else, and with that [they] take a lot of chances” (Lynch). In fact, Amazon President Jeff Bezos refuses to release ratings because he finds high levels of engagement from niche audiences more informative about quality than the number of people who viewed that content (Jarvey). Although indicative of low ratings, that approach encourages his creative team to tackle controversial topics despite the potential financial risk, under the assumption that audiences will then engage more intimately with the content. As Amazon Studios head Roy Price commented, “if you have no doubts whatsoever about how it will be received, then it’s probably not very new and interesting” (Huddleston). It’s for that reason that Amazon Studios places such high value on audience feedback.

In 2014, Amazon Studios declared their ambitious goal to release a dozen films annually, beginning with a slated launch of production in 2015 (Annual Report 2014). They intend to first distribute in theaters to generate the industry buzz necessary to achieve the critical acclaim that will ultimately legitimize their endeavors, then exclusively release them to Prime Instant Video subscribers (Jarvey). They followed their statement with a $1.3 billion investment in their video service for both licensing agreements and original productions (Annual Report 2014). However, they operate at high efficiency in comparison to the industry standard, limiting film budgets at $5 million to $25 million and television budgets at $2 million to $4 million per episode (Jarvey). In conjunction with a price increase from the $79 annual membership fee to $99, Amazon clearly identified their entertainment endeavors as a key revenue generation mechanism (Business Insights).

Valued at $200 billion, the parent company and e-commerce site Amazon reached a phenomenal $88.99 billion in net sales in 2014 alone (Wilson). Despite the aforementioned price hike in annual membership fees, Amazon still experienced 53% of global growth in subscribers (Annual Report 2014). In fact, 13% of American households subscribe to Amazon Prime, an estimated 40 million members that surpass Netflix’s estimated base of 38 million according to Consumer Intelligence Research Partners (Nielsen). Critics claim that not all members take advantage of their access to Prime Instant Video, but company insiders insist that the majority does indeed interact with the service at least once (Lynch). Despite its role as an affiliate service to a bundle of membership perks, Prime Instant Video still exerts great influence over the Amazon Prime members integral to the success of the parent company’s business model.

The primary purpose of Amazon Prime memberships is to encourage users to purchase more of everything available through the e-retailer, across industries. The subscription package definitely succeeds in doing so; the average online expenditure of Amazon Prime members in the United States is $58 per transaction, as opposed to $41 for non-members (Wilson). The 29% difference in spending highly incentivizes Amazon to present their bundled membership as attractively as possible, and their entrance into the entertainment space through Prime Instant Video accomplishes exactly that (Jarvey). As Amazon Prime memberships continue to increase, the rise in consumer spending budgets the development of higher quality content on Prime Instant Video (Van Grove). And so the two entities, Amazon Studios and its parent e-retailer, reinforce each other in a cyclical success story of attracting new members that spend more across departments, increasing the cash flows to finance original programming.

A primary example of such collaboration in practice is Amazon’s utilization of its expertise in hardware development to distribute Amazon Studios’ licensed and original content via over-the-top devices, contributing to a 380% sales increase year-over-year (Perez). Amazon often favors its own devices when promoting such products on its retail website, supporting its production arm despite the potential losses in revenue from ignoring those with larger market
share (Sawers). Ironically, the recent financial failure of the Fire Phone freed the hardware team from entering telecommunications in favor of supporting its existing diversification into the entertainment industry (Pierce). In fact, BBC personality Jeremy Clarkson, set to produce 36 episodes of a new show with Amazon Studios in a $250 million deal, appeared in a commercial for the Fire TV Stick in October 2015 (Slater-Robins). The growing entertainment hardware ecosystem of the Kindle Fire HD Tablet, Fire TV Box, and Fire TV Stick all work together to corroborate Amazon Studios and its parent company’s collaboration structures.

Amazon Studios also partners with its parent company when developing new content, as seen in their recent pickup of ten 30-minute episodes of documentary series *The Fashion Fund* (Jarvey). Originally streamed on Hulu as one of their first original series in 2012, the show soon exchanged hands with Ovation in 2014 for two seasons before ultimately transferring to Amazon Studios in partnership with Amazon Fashion. The series follows the Council of Fashion Designers of America during Vogue’s annual design competition to name the most promising new designer. In a feat of transmedia storytelling across two distinct market segments, Prime Instant Video will stream the series in tandem with Amazon Fashion’s Spring 2016 collections from the 2015 series contestants. The transmedia retail experience thus coincides with the show itself, providing a platform for the designers to showcase their work as well as attracting new consumers for both Amazon Studios’ content and Amazon Fashion’s products.

Similarly, Amazon Studios partnered with the parent company’s music division to bundle their entertainment offerings into a single content ecosystem. Following five 50th anniversary shows that collectively grossed $52 million, Grateful Dead singer, guitarist, and co-founder Bob Weir agreed to develop a limited bio-series about the band with Amazon Studios (Pedersen). In collaboration with his contacts at Amazon Music, Weir will oversee the musical components of the series to ensure their authenticity. Connecting two distinctive divisions of Amazon bodes well for the show’s success, attracting both those invested in their instant video service as well as their music service. In this case, then, Amazon Studios capitalizes on the cross-over between different users’ interests across their platform as a whole, countering the dilution of their brand as solely an e-retailing service.

In this manner, transmedia storytelling across departments ensures the consistency of stories under the Amazon conglomerate as a cohesive distribution vehicle. Analysts claim, quite correctly, that “at a time where word-of-mouth spreads with the speed of 140 characters, all of the elements of a picture have to harmonize beautifully so reputation can build across social networks” (Lang). It’s no longer simply a matter of supplemental content, but of the introduction of diverse mediums that encourage new levels of immersion within the parameters of the existing work. That cohesion also attracts consumers of different interests to new services that Amazon offers. Much like Amazon Studios’ purpose in incentivizing consumers to purchase memberships through original programming, the perks of other departments encourage consumers to explore Prime Instant Video. Consumer pathways through the site, then, build overlapping user bases between departments to create an ecosystem at the intersection of entertainment and retail.

Because Amazon Studios’ cash flow comes from the retail industry, notably less volatile than the entertainment industry, their creative risks benefit from financial protection. Most other producers that utilize digital distribution channels, such as Netflix and Hulu, work under greater pressure to release content that appeals to their audiences (Lynch). However, that pressure builds boundaries that significantly limit their creative freedom. And therein lies Amazon Studios’ advantage: whereas their competition must still adhere to the blockbuster mentality, they have the opportunity to explore themes and stylistic devices rarely distributed to large audiences. The
differentiating factor that ensures their competitiveness in the marketplace, then, arises not only from their technological resources and business model, but also from the revolutionary content protected by the financial stability of the diversified conglomerate.

In order to ensure that their creative risks do indeed appeal to their current subscribers, technological companies infuse them with their core competencies. Whereas Hollywood always falls back on the immersive nature of their traditional narrative structure, digital media often develops content with intricate and open-ended storylines intended to spark discussion (Jenkins “Spreadable Media” 140). Doing so increases the likelihood of online fan community formation, through which they capitalize on multi-platform engagement in order to implement transmedia storytelling techniques and enrich their creative work. Aiming for higher levels of engagement from niche audiences blurs traditional conventions, breaking the mold of what’s acceptable to show onscreen (Lotz 141). The purpose of watching such content no longer lies in passing the time through an immersive medium, but in the depiction of complex and occasionally controversial themes that bypass federal censorship and act as a novelty in the entertainment world.

One such example of digital media’s subversion of the Hollywood narrative structure appears in the Amazon Studios and Spike Lee partnership for Chi-Raq (2015). Producing a film almost every year since 1986 for a total of 20 movies in his oeuvre, two of which received Oscar nominations, the auteur went to Amazon Studios because “they’re a great company. Also, everyone else said no” (Ford). Lee’s words place the creative risk-taking strategy of digital distributors in rather blunt terms. Because of their position as a technological powerhouse, Amazon Studios has the option to gamble potential losses at the box office in exchange for either critical acclaim or lucrative distribution. And so they find a niche in the entertainment market Hollywood refuses to embrace: controversy.

Inspired by the Greek comedy Lysistrata, the title conflates the American city of Chicago and war-torn Iraq in an overt social commentary on the impact of gun violence across the nation, an epidemic that killed more Americans in Chicago in the past fifteen years than the Iraq and Afghanistan wars combined (Chang). And yet, violence rarely unfolds onscreen, choosing to focus instead on the dialogue that solves the issue more so than the violence that usually attracts young audiences to the theater. Directly responding to the Black Lives Matter movement, the film presents an alternative view on racial relations by emphasizing the “self-inflicted genocide” of blacks killing blacks over the white privilege that so often inspires anger. The integration of a century’s worth of African American performance traditions ultimately overwhelms the adrenaline of hoisting the gun and pulling the trigger.

The first feature Amazon Studios fully financed, Chi-Raq successfully incorporated such relevant contemporary issues into its narrative and form because it followed an incredibly quick production timeline (Brooks). Filmed in its entirety within the month of July, Chi-Raq premiered in Chicago and New York only four months later, reaching peak distribution of 305 theaters in 75 markets in December. Unlike most premier parties, invitees celebrated the film’s completion through a protest against gun violence in order to further underscore the social relevancy of its controversial content. Greater than an insincere publicity stunt, the protest illuminated the true purpose of the film above the networking haven of traditional premier parties. Rather than shy away from its gray areas then, the filmmakers and producers involved encouraged others to discuss the film and its implications in the modern world.

That social commentary and activism only served to fuel the fire, inspiring audiences to engage with a matter of increasing social importance. The very content that so frightens
Hollywood because of its capability to alienate key viewer demographics, in fact attracted them in droves. Perhaps unsurprisingly, *Chi-Raq* performed best in Chicago, averaging over $15,000 per theater in 22 venues to rank as one of the top three grossing films in nearly every theater. Despite its streaming debut only two months later, it also enjoyed unexpected success on the national stage, grossing $1.2 million in its opening weekend alone for a $3,929 average per theater (Box Office Mojo). Amazon Studios thus benefitted from its arguably risky endeavor, capitalizing on its momentum by rescuing *Forgive Me* from the 2014 blacklist and renewing its third season of *Transparent* at the height of the LGBT movement (Jaafar).

In fact, *Transparent* was the first widely popular Amazon Studios original series, perhaps because of its revitalization of the television space. The family saga chronicles the effects of elderly father Mort Pfefferman’s announcement of his transgender identity and unraveling buried secrets in the process. The humanity of the moment, more so than the sensationalized drama often attributed to such a transition, grounds the series in an unexpectedly riveting tone unlike common network fare. In fact, creator Jill Soloway insists, “so often the tone is the first to leak out [of network shows]. It’s the victim of all the smallish political necessities [of] networks” (Lang). Breaking Hollywood genre rules, character development strategies, and non-controversial plotlines in favor of a re-imagination of quality programming, *Transparent* exemplifies the attractiveness of unconventional concepts to contemporary audiences.

The prolific Jill Soloway of hit shows *Grey’s Anatomy* (2005—), *United States of Tara* (2009-2011), and *Six Feet Under* (2001-2005), as well as Sundance darling *Afternoon Delight* (2013), wrote the series after her own father came out as transgender in 2011 at age 75 (Yuan). Wary of the slow bureaucracy of legacy media, she pitched the script to Amazon Studios when it only recently began to experiment in production. They compensated for her risk in doing so by guaranteeing the return of the series’ copyright to her if they choose not to green-light the pilot for a full series. Their respect for her creative freedom brought the script to life within a year; Soloway received funding to shoot the pilot in May 2013, production took place in October, and it debuted online in February 2014. By March, Amazon Studios decided that audience reception of the pilot warranted a full ten-episode series, which debuted on Prime Instant Video by late September that same year.

Although 11% of Americans acknowledge same-sex attraction and 8.2% engage in same-sex sexual behavior, only 4% of broadcast characters showcase those same characteristics and none appear on primetime programs (Gates, Connolly). Furthermore, a GLAAD content analysis discovered that those representations often reinforce harmful stereotypes about the LGBT community. However, the production of *Transparent* brings diversity to the forefront of Amazon Studios’ programming, introducing characters that appear more prevalently in daily life than in the fictionalized world of television. In doing so, they dispose of the heightened glamour of the fictionalized world in favor of a harsh commentary on the social realities of modern viewers. Even the comedic relief of dysfunctional characters brings little reprieve because of the inescapable relevancy of the series’ sociocultural message. Subtly addressed, but nevertheless powerful, those themes introduce much-needed multiplicity to contemporary programming.

Rather than alienate those that do not identify as a part of the targeted community, the arguably controversial subject matter of the series actually encourages them to reevaluate the social relevancy of the LGBT movement. For example, an anonymous reviewer described the “courageous series” as “sure to nudge the nation a little more towards accepting sexual diversity” (Amazon). Perhaps even more surprising, however, is that most viewers did not mention the unconventional premise at all; their point of relevancy with the series was the dysfunctional
family. The humanity of character relationships trumps the niche demographics that most networks shy away from, thus attracting a huge consumer base despite the intentionally targeted representation of a minority group. In fact, the series’ messaging proved potent enough to convince over 31,000 viewers to write a review for the first season alone.

The intentionally unconventional premise imbued the series with a social relevancy that soon caught the attention of the press. Inspired by its realistic portrayal of both the beauties and hardships of taking pride in their identity as social minorities, the LGBT movement brought the series into mainstream discussions on the sociopolitical stage. That recognition legitimized Amazon Studios’ efforts, directing critics’ attention to the more technical and aesthetic aspects of the series as well. In its further attempts to achieve credibility, Amazon Studios lobbied heavily for consideration at the 2015 Emmys, ultimately winning five of eleven nominations. It also won two Golden Globes that same year. Despite the series’ rather dramatic undertones and cringe-worthy situations, Amazon Studios arguably mislabeled Transparent as a comedy, a markedly less competitive category than drama. The thirty-minute run time and occasionally absurd situations broke genre conventions enough to warrant their argument, but the publicity stunt is what ultimately propelled Transparent into mainstream discussion.

Moreover, Amazon Studios rejects traditional narrative structure with respect to character development, replacing heroic protagonists with those acting in their own self-interest. Audience sympathy for their plight, then, arises more so from pity than any sort of intimate connection or point of identification with the character (Nussbaum). That approach eliminates the need to grant such narcissists moral retribution, and so they conquer their lives with the same determination as their heroic counterparts. Unlikable characters, in this case, infuse Transparent with a jaded tone uncharacteristic of a comedy. Rather, the overall story builds its foundation on the nuances of dysfunctional relationships between these characters, at once mesmerizing and distinctively original.

Occasionally, however, Amazon Studios releases television pilots for public feedback that do not enter production for a full season. Both consumer and critical reception of these pilots provide key insights into the Amazon Studios’ creative goals when making green-lighting decisions. Their satirical look at Los Angeles yoga culture in Down Dog (2015), for instance, enjoyed a 3.5 star rating from over 100 reviewers, 46% of whom gave the pilot five stars (Amazon). The decidedly average reception did not doom the series, but the tone of qualitative feedback certainly did. Negative reviews classified the show as “junk food tv” and “cartoonish.” Positive reviews reinforced that response in their lack of substance, often choosing to glorify the attractiveness of the lead actor without any further commentary on his acting ability.

For instance, an anonymous commentator’s response to negative reviews decried the elitism of those searching for quality television. He writes, “why do we watch TV…to laugh and get away from our own troubles for a little while. If I want serious, I will watch PBS! Please continue with the series… if this was on prime time, it would take off” (Amazon). Ironically, his positive review outlines the exact reasons Amazon Studios chose not to enter full production. Their purpose in developing television series is to bring alternative creative techniques to a mainstream platform. They have no desire to provide lowbrow fare on par with prime time television, instead allocating their resources to programs that promise originality.

Despite Hollywood insistence to the contrary, audiences still gather to enjoy the controversial themes of narratives that do not follow traditional formulas. Incongruity as a source of differentiation incentivizes producers to break common stereotypes in a seismic cultural shift. That discussion ultimately enters online fan communities as transmedia storytelling encourages
viewers to create their own hierarchies of artistic value. Real-time analysis accelerates popularity of content that acts as “fodder for conversations people are already having,” superseding water-cooler status to delve into the thematic details of the work (Jenkins “Spreadable Media” 199). Consequently, the financial motivation to take creative risks in the digital media space ultimately pushes creative professionals to produce high-quality programming that induces reflection and debate on the part of the audience.

Looking forward, Amazon Studios seeks to explore its technological core competencies still further as a fully integrated media service through hardware, website, and original content (Cunningham 82). Already their cloud-computing arm, Amazon Web Services, acquired the graphics-processing unit Elemental for roughly $500 million in the hopes of improving streaming performance (Vanian). In fact, even rival Netflix and the 2014 Winter Olympics both licensed Amazon’s cloud-computing infrastructure for their own distribution platforms. That technology, initially intended for Amazon Studios alone, now permeates 20% of the web’s cloud services in a huge boon for the company as a whole (Cunningham 80). Thus, even other technological divisions under Amazon contribute to the success of their media production and distribution department.

Nevertheless, many industry insiders express concerns about the dilution of Amazon Studios and Prime Instant Video’s brand equity under the $45.73 billion brand valuation of the conglomerate (Wilson). Despite the success of its critically acclaimed original programming and ambitious goals for the future, such an overwhelming force temporarily limits their credibility in the digital media space. In order to counter this impending problem, Amazon Studios has already taken strong steps to better educate users how to consume their content (Lynch). For instance, the aforementioned rebranding of Prime Instant Video speaks to its on-demand streaming capability. Moreover, the Prime Instant Video interface separates their content available for streaming from that available for rental or purchase in order to identify the two key components of their services, and thus reduce confusion among subscribers.

Amazon Studios benefits from a unique position in the digital media industry, capable of avoiding the financial risks of legacy media production financing through low-cost digital distribution practices, demand forecasting through data analytics, and partnerships with other departments. They therefore approach creative development with an innovative mindset, determined to create content that inspires fruitful discussion more so than mainstream acceptance. Throughout the creative process, they also utilize transmedia storytelling techniques as a feedback mechanism that informs their final productions. As such, Amazon Studios positions itself as a disruptive force against the traditional standards that once controlled the entertainment industry.
Conclusion

The financial advantage in propagating traditional narrative structures and rigid social hierarchies as pre-requisites for success is the creation of high barriers to competitive entry into the entertainment market. Vertically integrated studios monetize those creative development processes and social relationships throughout the value chain for maximum profitability. The technology industry, however, superseded those barriers by digitally collecting and responding to consumer behavior. In licensing content on their platforms, they normalized easy accessibility to previously exclusive legacy media content, thus devaluing Hollywood material. Concurrently, online distributors diversified into original programming in order to retain their independence form copyright-wielding studios. Doing so ultimately eliminated those financial advantages of the traditional narrative structure, opening creative development to experimental forms.

Therefore, Amazon Studios could take the risk in subverting traditional narrative structures because of the creative liberty granted them under their technological infrastructure and business model. Free from the time constraints of television programming blocks or box office attention spans and lacking third party interests such as powerful distributors or easily offended advertisers, they hold themselves accountable for the production and distribution of their own content (Sinha-Roy). Their business intelligence division also offer the means necessary to identify key categories of preferences through data analytics, recommend the content that would appeal most to them, and distribute that content to each niche market regardless of geographical location via digital distribution channels. Doing so personalizes the experience of media consumption, an uneasily imitable service that caters to today’s booming on-demand culture.

One such consumption trend that benefits technological companies over legacy media arises in the accelerating fragmentation of audience tastes. Unable to determine differences in preferences nor distribute relevant content to the appropriate subgroups with the same accuracy as their competitors, legacy media acts on the assumption that most viewers share homogenous perceptions of their programming. Holding unwavering assumptions about what the mass audience prefers to watch, they tend to believe that the costs of subverting traditional narrative standards outweigh the potential benefits of reaching untapped markets (Havens 137). They thus compensate for high production costs and inaccurate demand forecasting with routine creative practices regarding genre, casting, and post-production techniques that typify mainstream media (138).

Aided in their ability to target niche audiences at little to no extra cost, technological companies do not operate under the same commercial pressures, and so they approach creative development in a much different way. Rather than rely on rigid social hierarchies and executive decision-making to mitigate risk of new releases, they push new ideas directly through qualified creative development teams that determine the viability of the concept as quality programming. They then utilize data-driven techniques to forecast demand, identifying the niche groups that would most enjoy the developing content. In doing so, they implement pull marketing strategies that attract consumers to their platform without reliance on expensive promotional efforts such as trailers and posters.

Furthermore, technological companies distinguish themselves in their engagement with audiences online via the feedback loop, in which producers consider fan community commentary when approaching future segments of their work. Borrowing transmedia storytelling techniques from media conglomerates that expand their fantasy worlds into new mediums, technological companies monetize the model through their better understanding of digital channels and their
As viewers grow increasingly active in their analysis and commitment to various content, technological companies’ advantage in this regard grows more and more over time. At this point, not only do the changes in contemporary media consumption incentivize their entrance into the industry, but also sustains it.

Ultimately, their unique ability to bypass restrictive creative development models in a highly lucrative manner alters the content they bring to the screen. As seen through Amazon Studios, an influx of cash from their parent company in the retail industry budgets controversial content that rarely realizes distribution to such a large consumer base. Their unique business model eliminates the risk-averse approach to storytelling, monetizing content as a point of differentiation rather than a point of homogeneity. Access to unique technological resources such as the installation of a crowd-sourcing platform for scripts, encouraging reviews of original programming on their digital playback interface, and periodical review of data analytics informs their creative risks still further.

The unfortunate consequence of the power play between legacy media and online distributors in this regard, however, arises in that Hollywood’s devotion to the blockbuster framework and the technological industry’s targeting of niche audiences causes the polarized market to lose the middle ground (Von Rimscha 332). Production now follows two very distinctive creative development strategies dependent on the industry from which it originates. And so, the available content falls under the category of conventional or fringe, rarely blurring the lines between the mainstream and the indie. Regardless, both industries regularly make collaborative overtures in order to unite their business models and thus both glean the advantage each holds (Mann 31).

Amazon Studios, for instance, built its business model on the loss leader logic of legacy media’s theatrical window. Hollywood studios promoted large releases in theaters, only to reap the benefits of ancillary markets such as merchandising and DVD sales not long after. Their investment in the short-term almost always yielded long-run profits. Similarly, Amazon invests heavily in their creative development department because that media content converts viewers into consumers of other retail goods available on their site. Ironically, doing so necessitates partnerships with competitors to increase the value of their digital media library. The Streaming Partners Program, in which Amazon Prime subscribers have the option to increase their membership fee in exchange for access to 30 over-the-top streaming services such as Showtime and Starz, exemplifies that collaboration.

Nevertheless, in order to build their original programming development team, they poach industry professionals from Hollywood with a demonstrated interest in more controversial themes and artistic forms. As an auteur who prefers retaining control over his productions, often in conflict with the studio tendency to adjust scripts in accordance with mass market appeal, Woody Allen fits that archetype. In fact, after over fifty years away from television, Amazon Studios convinced Allen to return to production with a new series set for release in 2016. The same holds true for creative executives. Hollywood legend Roy Price, best known for his stint as the vice president of development and programming at Walt Disney Studios, came to Amazon with the introduction of its digital media library and streaming capabilities (Dickey). He now serves as the director of Amazon Studios.

Such connections with Hollywood ease the learning process for digital media companies as they develop their own production practices following an assessment of their collaborations with legacy media. In fact, no online distributor diversified into production without first consulting entertainment industry professionals or entering a partnership with them. Netflix
outsources much of their production work to independent teams with extreme autonomy once the
script passes the green-lighting process (Schlissel). Amazon Studios explored the entertainment
industry first through acquisitions of key data resources often referenced by Hollywood insiders,
such as Box Office Mojo and the International Movie Database (IMDb). They then explored the
production space through a first-look deal with studio major Warner Bros in conjunction with the
launch of their script crowd-sourcing program (Vary).

The success of such partnerships suggests that legacy media and technological business
models are not mutually exclusive. Legacy media taps into niche targeting through revenue-
sharing licensing agreements with digital media exhibition platforms, and those same digital
distributors rely on their collaboration to increase their media libraries (Jackson 149). The
shifting focus of technological companies to original programming does not negate the fact that
they still license most of their content from major studios (Spangler). In fact, Netflix invested
$3.2 billion in acquisitions and licensing agreements to increase their library of content, while
Amazon and Hulu contributed $6.8 billion in 2015 alone. As such, the inherently polarized
infrastructures of legacy and digital media incentivize divergent core competencies that each
hold a unique place in the evolution of the contemporary media industry. Paradoxically, both
reinforce the other in a surprisingly stable dynamic of creative diversity.

However, there is no indication that legacy media will ever convert to the business model
introduced by the technology industry. HBO executives, for example, treat their innovative
digital distribution arm HBO Now as simply another platform for distribution (Roewe). Much
like the VHS or the DVD, the primary purpose of HBO Now is to reach more consumers,
reinforcing their dedication to larger audiences despite evolving consumer trends. The creative
development team in particular never looks over the consumption data it provides, preferring to
rely on the intuition of decades of experience in the industry. Perhaps elitist in their view that
only experienced executives could possible know what consumers prefer to watch, HBO Now
only has 800,000 subscribers (Luckerson). Significantly behind competitors Netflix, Hulu, and
Amazon Studios, HBO illustrates the Hollywood tendency to adapt, but not adjust, to changes in
the entertainment industry.

The fostering competition pushes each industry to constantly innovate new strategies that
would best accomplish their goals, but technological companies nevertheless have the advantage
in the contemporary marketplace. As more and more consumers adopt online platforms as their
exhibition form of choice, the online distributors capitalizes on their resources in the digital
space to better serve them. That relationship transcends the blatant marketing efforts of legacy
blockbusters and social barriers in order to integrate consumers into the creative development
process. Amazon Studios utilizes that feedback loop to open the restricted entertainment market
and ultimately provide unconventional content via mainstream distribution windows to great
success.
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