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||Superwoman|| Comes to the Supermarket

Why Shelf Space Is the Key to Understanding How the Media Industry Works Today

IF YOU GRADUATED from college before President Obama took office, you're probably asking yourself a few questions now, such as how the hell did this happen? Who are Markiplier and ||Superwoman||? How is it that these creators—many of whom you've possibly never heard of—are outearning actors, topping charts, selling out stadiums, and interviewing presidents and prime ministers? And how were they even able to establish their popularity in the first place?

These questions reflect a growing sense of confusion about what we collectively watch. Twenty years ago, the answer was simple: we watched TV. As recently as 1998, more than 20 percent of American

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households with TVs were watching *Seinfeld* every single week and seemingly everyone knew George, Jerry, Elaine, and Kramer by name. But since then, no show has been able to assemble that large an audience. In fact, the kind of ubiquity that *Seinfeld* enjoyed is now likely impossible, with more great shows competing for our attention than ever before.

Every day, it seems as though there's a new series to discover. Between cable and digital services such as Netflix, Hulu, and Amazon Prime, more than five hundred new original series are slated to premiere in 2017—three hundred more than in 2009—and that's not even including the more than four hundred hours of video that are uploaded to YouTube every minute.

With so many options, fewer of us are watching the same thing. And even if we are, we're not watching it at the same time. In the past you could reliably find a new show on your cable or satellite box and watch the premiere along with everyone else. Now you might need a Smart TV or a monthly subscription to a specific service, and you *still* may end up ten episodes behind your neighbor who already binge-watched it.

What we watch, when we watch, how we watch—all of that has changed dramatically since the turn of the century, and that change only seems to be getting faster. But if you want to make sense of it, the thing you really need to understand is your local supermarket.

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Whether you realize it or not, when you walk into a grocery store, the products you see on the shelves are the winners of a stiff competition. A spot on a supermarket shelf—or better yet, a shelf at a big international chain such as Walmart or Costco—guarantees that millions of customers have a chance to see your product and

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potentially buy it. No matter what you've heard about the growth of online retail, the truth is that the vast majority of the world's spending still happens within brick-and-mortar stores, and getting your product into those stores is still the best way to guarantee some level of awareness and sales.

Now, to get your product on that shelf requires a negotiation with those large retailers. And one of the best ways to increase your leverage in a negotiation is to bring several products to the table. Over the past century, consumer packaged-goods companies such as Procter & Gamble and food companies such as Nestlé have transformed from small companies selling a few items into massive multinational conglomerates with dozens of well-known brands and thousands of products. Some of those products they create themselves, but the majority have been accumulated through acquisitions of other companies. And they use the popularity of their biggest sellers—such as Tide or Kit Kats—to negotiate for better spots on the shelf and also to ensure that stores stock their new or lesser-known products.

Retailers don't stand still, though. In the face of this growing leverage, they also merge and grow and acquire new chains and locations, mostly to benefit from larger economies of scale but also to gain a better bargaining position relative to their suppliers. They can use this strength to do a number of things, from limiting the number of new, untested products they accept to negotiating with suppliers for lower prices. Back and forth these negotiations go, a constant arm-wrestling match between producers and sellers as each side tries to bulk up to hold off the other.

In almost striking similarity, this is how the television industry works today. Cable and satellite operators such as Comcast and DirecTV have only a certain number of channels they can offer in a pay TV bundle, like the limited number of shelves a retailer has to offer in any store. Media companies such as Fox and Disney

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assemble lineups of their channels (products, in our analogy) and negotiate with the cable and satellite companies for placement.

Just as with producers and retailers, the same dynamic that applies in the supermarket has taken hold in media. Networks began to acquire new channels (for example, ABC buying ESPN or NBC buying Telemundo), dramatically expanding their program lineups to improve their negotiating position with cable and satellite distributors. In response, a wave of consolidation took place in the cable and satellite industry, transforming it from one that was largely made up of local and regional businesses into one in which only a handful of players exist (anyone who has tried to comparison-shop for cable knows all too well how few options there really are).

As a result of all this consolidation of networks and distributors, a handful of very large media conglomerates, controlled by just a few people, determined what the majority of people watched. For decades, those moguls served as the gatekeepers of mass media. They weren't elected or chosen, but a few of them—less than a dozen—held massive cultural power based on their ability to decide what got made and what got seen.

Thankfully, we can turn to TV for a perfect illustration of these dynamics. In one of the most memorable episodes of *Seinfeld*, George and Jerry are sitting in a boardroom with executives from NBC, pitching the network an idea for a new television show. Jerry begins to explain the concept, but George, in a supreme bout of misplaced confidence, interrupts him.

"If I may, Jerry . . . I think I can sum up the show for you in one word," he tells the head of NBC. "Nothing. The show is about nothing."

"Nothing?" the exec asks.

"Nothing," George answers.

The head of NBC isn't so impressed with the idea. Confused, he asks, "Well, why am I watching it?"

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George, frustrated, shoots back, "Because it's on TV!"

"Not yet," the head of NBC reminds him.*

That one brilliant exchange explains four decades of the television industry in ten seconds. What George said was completely true: until the 1990s and the expansion of cable TV, most people had access to only four major channels in the United States and even fewer options if they lived in other countries. That meant that for the most part, you watched whatever was on TV, the same way you bought the products that were sold at your local supermarket. Sometimes what was on was a critically acclaimed show with popular appeal, such as *Seinfeld*. And sometimes it was *Joe Millionaire*.

As for who determined what was on, that scene also nails it. It was usually a white man, usually well educated, usually working in New York, usually sitting in a well-appointed office. If you wanted to create a show, you had to somehow get into that office to pitch your idea to a network. That network exec then had to agree to green-light a pilot episode of that show. Based on how the pilot was received, that show would then have to compete against other shows for the limited number of time slots on any channel. And that channel would have to be included in most people's cable bundle for the show to even have the chance to be seen.

Though I've spoken about television, this mogul-dominated model applied just as well to other forms of mass media, such as film, print, and music. Any situation where there was limited shelf space (literally, in the case of books, CDs, and DVDs; figuratively, in the case of cable bandwidth or broadcast spectrum) meant that both the producers and the distributors of content had to negotiate for placement, leading to greater consolidation within the industry and greater power in the hands of fewer gatekeepers.

* If you're having trouble imagining this, you can find the clip on YouTube.

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Then along came the Internet. It brought with it many things: email, instant messaging, Pets.com—but perhaps the most significant thing it brought was an infinite amount of shelf space. If you want to sell your product, you don't have to fight to get it stocked at your local supermarket, you can put it up on Amazon or Etsy along with a nearly infinite selection of other products, or even sell it directly on your own website. If you want to get your music heard or your show seen, you don't have to audition for a music exec in New York or Los Angeles or London, you can post it online to YouTube and have the potential to reach more than a billion people. You no longer have to play the game, you can embrace the streampunk ethos, self-publish, and be discovered. And no gatekeeper can stand in your way.

This new dynamic began with print media and blogs, but then, in 2005, it took hold in video. On a cloudy day in San Diego, two friends stood in front of the elephant pen at the local zoo and filmed the very first clip that would appear on a new video-hosting website. It starred Jawed Karim, a young man in a large jacket making a childish joke: "The cool thing about these guys is that they have really, really, really long . . . trunks." And it was utterly unremarkable: nineteen seconds of unsteady footage shot on a camcorder in low definition.

But the idea behind the site that Jawed and his friends and former Paypal coworkers, Chad Hurley and Steve Chen, created to host that video *was* remarkable, and its power lay in its pitch: broadcast yourself. Share a video of yourself on YouTube and anyone with an Internet connection could easily find it.

It sounds difficult to believe now, but before YouTube, the act of putting something you filmed online was a nightmare. It meant taking a camcorder cassette to your local minimall, having it digitized

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and burned onto a CD, and then paying to upload the video files to a private server or hosting site. Honestly, you probably would have had an easier time pitching it to a network executive.

But then along came a site that was willing to host that video for free, for anyone, forever. YouTube offered instant global distribution, allowing anyone to share something that everyone could watch. YouTube gave you a little room on the shelf, a little space on the dial, and since then, the media industry has never been the same.

For decades, the media industry was predicated on the idea that a handful of network execs knew best what millions of people would find entertaining or newsworthy. But with the emergence of YouTube and other open platforms, we've learned that people's interests are far more diverse and unique than those execs ever imagined. And we've also seen that people are far more open to discovering new voices rather than relying on anointed ones. The overwhelming popularity of Markiplier's gaming videos, ||Superwoman||'s sketches, or Pentatonix's music is proof that there is more talent in the world than Hollywood has ever let through the door and more demand for entertainment that doesn't look or sound like what already exists on the airwaves.

And many of these independent creators outcompete the pros! In several cases, more people are choosing to watch YouTubers than TV shows that talk about similar issues. The same thing that independent cinema showed us in the early 1990s is proving itself true with television: voices outside the system can often be more compelling than those within it.

We assume that the media industry is different from other industries; that the principles of a free market have less sway and that we need moguls to bless what we enjoy. But the success of independent creators on open platforms such as YouTube suggests

that the same economic rules apply to media as they do to any other industry.

Around the time of YouTube's launch, I was working at Netflix. Having worked my way up from a talent agency mail room to jobs at Mutual Film Company and HBO, I joined Netflix convinced that the company would revolutionize home entertainment and upend rental chains such as Blockbuster. And in the early 2000s, that vision came to life. But once the company's DVD mail-order business had really established itself, I began to get a little bored.

One day, my boss, Reed Hastings, asked for a volunteer to help lead a new side project: instead of mailing out physical DVDs to customers, could we figure out a way for our customers to view films and TV shows digitally, over the Internet? Now, volunteering to lead a new initiative is a very stupid thing to do at Netflix. The company's culture prides itself on relentless focus, dispassionately eliminating business initiatives that are not core to the overall strategy. You can work on something for years only to find that project mothballed during a quick meeting. But I was hungry for a challenge, so I offered to take on the new project. I was the only volunteer.

It wasn't the first time that Netflix had evaluated an Internet-only option, but only in the mid-2000s did data speeds and bandwidth costs finally reach the point where asking users to download an entire movie online no longer seemed like a crazy idea. The initial thinking was that we would create and supply customers with a "Netflix box" that they could use to download movies overnight to watch the next day. It was incredibly difficult to acquire the download rights to movies, just as it was difficult to create the new box and service, but by 2005, we were finally ready to launch.

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Then I saw YouTube for the first time. More precisely, I saw grainy videos of snowboarding accidents and people lighting their kitchens on fire, and I saw that those videos were attracting massive viewership numbers, making YouTube one of the fastest-growing sites on the Internet. We at Netflix—along with everyone else in the industry at the time—were focused on delivering movies to people in the highest quality available. But YouTube clearly demonstrated that people were willing to trade fidelity for convenience and speed. Witnessing the popularity of YouTube was a revelation. And it caused us to stop our launch and pivot to a service that would allow consumers to stream movies remotely instead of downloading them. That pivot took two long years, during which we had to renegotiate all our rights and build an entirely new architecture to host and serve content. We had to transform our "Netflix box" from a hard drive that would download video to one that would stream it.* But finally, in 2007, we launched Netflix streaming because we saw the potential that YouTube presented.

Every month, YouTube seemed to be growing faster, launching in new markets, increasing its number of views and attracting more and more people to share videos. In 2011, when I left Netflix to join YouTube, around forty hours of video were being uploaded every minute. In 2017, the number has grown over tenfold.

But as powerful as YouTube's idea of free, global distribution of video was, I don't think it alone was enough to lead to the streampunk era we live in now. I think there were three other developments that have been core to explaining the success of stars such as ||Superwoman||.

The first has to do with a decision YouTube made very early in its history: to pay its creators.

* Weeks before the launch of its streaming service, Netflix spun off the "box" into its own company, called Roku; again, a demonstration of the company's strong desire to focus on its core competencies.

Any new-media venture suffers from the same issue: How can it provide content that will attract viewers? That's true whether you're starting a blog, a magazine, a TV network, or a video-streaming service. Your first instinct may be to pay someone noteworthy to create content for you, using an established brand to attract attention to yours.

When YouTube first started, its approach was no different. In addition to hosting all the videos that users uploaded, YouTube signed deals with NBC as well as smaller players such as CollegeHumor.com, giving them a share of advertising revenue in return for content they uploaded to the site.

But then YouTube made a novel decision: in 2007, it launched the Partner Program, extending the sharing of ad revenue to creators of all kinds, not just to established media companies. If you reached a certain number of views or subscribers, you could give YouTube the right to sell advertising against your videos and receive the majority of the money it earned from your channel's traffic.

If you speak to people who were at YouTube in those early days, the creation of the Partner Program wasn't primarily a business decision. Instead it was about fulfilling the egalitarian promise of anyone being able to create content.

George Strompolos, currently the CEO of the media company Fullscreen, helped create the Partner Program. He told me that the company "wanted to ensure that YouTube would be a home for new voices, not just to get seen but hopefully to generate some income and earn a full-time living." It was one thing to give people an opportunity to connect with an audience; it was another to give them a paycheck.

There's a lot of discussion today about the sharing economy and what companies such as Uber, Lyft, and TaskRabbit owe to their employees. But long before there was a sharing economy, there was a social economy. That economy functions because users supply

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content (posts, tweets, pics, snaps, vines, or videos), people tune in in massive numbers to see that content, and advertisers pay to run ads against that content to get their products in front of viewers. Without the voluntary contributions of billions of people, the social economy would collapse. But sadly, to date, YouTube is the only significant player in the social economy that pays all its creators a share of the advertising revenue their content generates.

In just over a decade, the scale of YouTube's partner payments has become massive. Though some paychecks are smaller than others, to date we've paid out billions of dollars to content creators of all sizes. That money has helped anchor the growth of several new-media properties, from Vice to BuzzFeed to George's company, Fullscreen. It has helped bolster the bottom lines of traditional media companies and music labels (we've paid out $3 billion to the music industry alone). And it's created an entire business-to-business layer of service-oriented firms that provide the infrastructure for Internet video to thrive, offering rights management support, data analysis, and specialized ad technology.

But the most significant consequence of YouTube's revenue sharing has been the democratization of the job of Internet content creator. Every month, we deposit money into the accounts of millions of creators around the world. That money is what helps a streampunk get his or her start. It's what changes the act of making videos from a hobby to a trade. It's what transforms a career in entertainment from an option available only to the well connected or very lucky to a path that is open to almost anyone.

The other thing that money allows creators to do is invest in the quality of their videos, at a time when the cost of video and sound production has dramatically decreased. To me, that's the second major development that has enabled streampunks to become as popular as they are. In a bit of good fortune, Apple decided to add a built-in

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iSight camera in all its computers and laptops the same year that YouTube was founded, a move replicated by other computer makers. Without that early proliferation of webcams, a lot of YouTube's content in those first few years wouldn't have been possible to make.

The smartphone led to yet another evolution in video capture, putting ever-higher-resolution cameras in all of our hands. Samsung was the first manufacturer to release a phone that could capture HD-quality footage, back in 2009, creating a new industry standard. GoPro soon followed with its own line of portable HD cameras, leading to an explosion of footage from viewpoints no one had ever seen before, from the head of an eagle in midflight to a man jumping from space. More recently, drones equipped with HD cameras are giving people the chance to re-create shots that could only be produced from helicopters before.

Today, the highest-end phones and portable cameras can record in formats better than what most TVs can display, from 4K and HDR to immersive 360-degree video. If our creators were still filming videos on grainy webcams, I'm sure some of them would still be popular; but the ease with which we are all able to create high-quality footage is what has accelerated YouTube's evolution from a host of amateur videos to the domain of professional filmmakers.

The ubiquity of smartphones also led to the third dynamic that has fueled the rise of independent creators: not only do our cameras turn us all into potential creators, our screens give us all the potential to be viewers. "Big deal," you may say, "everyone who has a smartphone has access to a TV anyway." Though that's true, we are largely accustomed to sharing our TVs—with roommates, with spouses, with siblings, with family members. So choosing what to watch at home often means choosing to compromise.

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little selfish, you don't have to share what you're watching with anyone at all (at least not in the physical world; you probably still want to share it on Facebook if it's good). You don't have to watch cartoons with your sibling or golf with your dad or whatever your grandmother finds acceptable during the holidays. You can watch whatever you want in any room you're in.

Free distribution, the chance for a steady paycheck, better cameras—all three of these factors have led to a new supply of creative talent. But the explosion of individual screens has unlocked a new source of demand. The mobile phone is successfully changing the way we watch video into the way we read books: you find one that interests you and consume it whenever and wherever you want. As a result of this explosion of choice and access, fewer of us will spend our time consuming the same videos and shows; that's why YouTubers can be the most popular celebrities in high schools today without other people ever having heard their names.

Today the competition that matters is no longer for the right to appear on shelves or in cable bundles; today what matters is the competition for your time. Every advertiser, every network, every news publisher, every Web outlet, every content creator, every app has now become the equivalent of a middle child, desperately seeking your attention. And once it has your attention, it can sell you a product or service or sell advertising that might convince you to buy a product or service. It is only with your attention that you can be "monetized."

Thus, if attention is the currency of the digital age, every company should be after the biggest source of people's attention: watching video. Watching video is the number one way human beings spend their free time. The average American spends more than five hours a day watching something on a screen. There are only two things we spend more time doing: working and sleeping.

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Five hours of watching video may sound to you like an unbelievable amount of time every day. But think about your average weekday. You wake up and maybe turn on the *Today* show or *SportsCenter* in the background while you get ready for work; that can be anywhere from half an hour to an hour. Unless you're driving, you're probably spending your commute reading emails, but if you have your headphones, you can fit in a couple of clips from the late-night shows; another ten minutes there. You get to work, where you break up some of your day with YouTube videos that coworkers or friends are passing around, or maybe you check out a clip on Upworthy or scroll through your Facebook feed; that can easily eat up forty-five minutes to an hour of your day. You commute back home in the evening—another ten minutes of video there—and almost instinctively turn on the TV while you think about dinner, maybe with the assistance of a few BuzzFeed Tasty videos (another ten minutes). Perhaps there's a game you can leave on in the background, or maybe you prefer cable news; either way, that can easily get you from 6 to 8 p.m. You finish dinner—maybe put the kids to bed—and have plenty of time to binge through a couple of episodes of whatever new AMC or FX or Netflix series you haven't finished. You're about to turn the TV off, but maybe you'll catch Jimmy Fallon's monologue before going to sleep.

Obviously your average day is different from that rough sketch, but as with any caricature, I bet you can recognize some parts of yourself in it. Before you know it, you've easily consumed five hours of video, some of it hidden within the margins of your day but most of it devoured in big chunks every night.

Video is king, and it's very difficult to see anything dethroning it as the major sink of our free time. If anything, the explosion of interest in virtual reality and the craze around augmented reality following the release of Pokémon GO suggest it's likely that we're going

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to spend more time watching things on screens, not less. Our phones and tablets are complicit here, too—every year, they're getting bigger, brighter, sharper, and faster. And because brands are willing to pay much more for video advertising than they are for print ads, magazines and newspapers that currently invest the majority of their resources in journalistic writing are going to increasingly invest in documentary filmmaking and multimedia "explainers"—digestible videos that help people understand complex topics. And yes, one day, we'll be watching videos in our self-driving cars, too. The future is video, as far—and as close—as the eye can see.

I don't mean to conjure up images of *Wall-E* here, with all of us strapped to chairs in front of screens drinking Big Gulps, but hopefully this gives you a sense of why Red Bull and Pepsi have video production studios, why the *New Yorker* has a show on Amazon Prime, and why *Esquire* has a TV network.

The sheer amount of all these new shows and videos can feel overwhelming. But whenever we've witnessed an explosion of choice of a good that was formerly capped, a similar pattern has emerged: greater total consumption, but fewer people consuming the same thing.

During World War II the government began ordering mass-market paperbacks to entertain soldiers fighting overseas, since they were lighter to carry than hardcover books. The demand for titles ushered in a new era of reading, leading to the formation of new genres such as murder mysteries and science fiction, with fewer people reading the classics.

In the 1980s the microbrewing revolution broke open the oligopoly of Budweiser, Coors, and Miller, leading people to drink more total beer as well as more IPAs, ambers, and ales.*

And in music, consumption and genre fragmentation continue to

* I'm Czech, I had to include a beer reference.

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grow in tandem. The vinyl record led to massive record sales and the creation of R&B and rock and roll. The move from AM to FM in the 1980s boosted tape and eventually CD sales, ushering in new wave and hip-hop. And today, streaming services such as SoundCloud and Spotify allow us to enjoy more music than ever, while giving rise to even more niches. As of this writing, Major Lazer's "Lean On" is Spotify's third-most streamed song ever. It's classified as moombahton, a fusion of house and reggaeton that was only invented in 2009.

Video is now diversifying in the same way, allowing an incredibly wide variety of voices and genres to thrive. That includes many of the streampunks with massive audiences I mentioned in the last chapter. But it also includes people such as Henry Reich, a film school dropout from Montana who also happens to be a physics buff. By making complex topics approachable on his channel *Minute Physics*, Henry is able to draw more than 5 million views for videos on academic concepts such as Schrödinger's cat. Every day, instead of being stuck watching "must-see" TV, people around the world can watch Henry's videos, binge a season of *Game of Thrones*, stream *Doctor Zhivago*, or watch *The Blacklist*. The choice is truly stunning.

Now, what digital video companies don't like to admit is that TV still commands far and away the dominant slice of those five hours of your video-based attention, at just over four hours. For all we hear about Netflix, YouTube, Hulu, and Amazon Prime, you might expect the digital slice to be larger. But I would say, be patient. According to Nielsen, TV viewing actually peaked back in 2009—prior to that it had grown every single year for fifty years. Meanwhile, digital video consumption continues to grow at a rate of 25 percent a year, and since there is literally a limit to how much video one person can consume in a day, its growth means it will start to take up a larger and larger share of the video pie.

So, if you're an aspiring streampunk, how can you get your slice?

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