

“But Who’s Counting?”: Netflix Pays for Dave Chappelle and ‘The Squid Game’

Prof. Wesley Aaron Jacks

Research Assistant Professor, Department of Visual Studies, Lingnan University

Among the many disruptions Netflix has introduced to the media industries, its refusal to make data including production budgets and profits available to the public has remained largely unremarked upon outside of media industry publications. In North America, weekly box-office returns have been a common feature of news reporting for nearly a century, and contemporary industry observers can visit websites like BoxOfficeMojo to see estimated film budgets and returns broken down by day, week, or year. Film distributors have long viewed these numbers as a double-edged sword. Big returns may help boost the marketability of a title (as the “#1 film in the country”) while small grosses can be an embarrassment, especially for costly titles. For more than a decade, Netflix refused to reveal film/television budgets and viewership data, leaving the studio alone in its ability to identify “flops” and “successes.” A recent leak from within the company has reconfirmed both the positive and negative potential of this data and given observers a glimpse into how the company evaluates the success of its original programming.

In February 2020, Netflix announced a daily-updated “Top 10” viewership list for each territory, an initial crack in a longstanding wall of silence. However, even this limited form of data release came under scrutiny after it was revealed the company classified all content streams lasting “at least two minutes” as viewership. When it comes to a three-and-a-half-hour film like *The Irishman* (2019), three minutes perhaps should not qualify as a “viewing.” Of course, it must be noted that Netflix’s reliance on a subscription model instead of ticketing or ad-supported revenue streams separates it from the traditional film and television industries. In a sense, it doesn’t matter how many viewers watch films or programs until the end, as long as they continue their subscription. Still, to make decisions about which shows to renew for another season or content creators to sign for another deal, the company must have a way to precisely measure a film or show’s ability to attract loyal viewership.

Over the past two weeks, a leak from within Netflix has offered a new glimpse into the company’s costs and estimated returns. To critique Netflix’s unwavering support for the under-fire comedian Dave Chappelle’s newest special, *The Closer* (2021), a company employee disclosed to *Bloomberg* a set of figures covering the work of Chappelle, fellow comedians, and some original television programming.¹ It also revealed an “impact factor” scale used by Netflix to evaluate the return-on-investment for original programming – with a score of 1.0 signifying a break-even point between cost and created value. To illustrate the scale in action, the leaker pointed to Chappelle’s 2019 stand-up comedy special, *Sticks and Stones*, which was revealed to have cost Netflix \$23.6 million USD but to have resulted in an “impact factor” of only 0.8 (an equivalent of \$19.4 million USD),

putting it just below break-even for the company. The data further revealed the cost of the 72-minute *The Closer* special at over \$24 million USD, meaning Chappelle's two stand-up sets had cost the company over \$47 million to produce.

To drive home the critique of Netflix's substantial and sustained investments in Chappelle, the leaked data revealed that the massive South Korean hit, *Squid Game* (2021), which runs nearly 9 hours and features a cast of hundreds of actors, cost the company only \$21.4 million USD. In addition, after only 23 days in release, the show had been streamed for at least two minutes by 132 million account holders and had been finished by 87 million households. Based on this data and their projections of continued viewership, the smash hit's "impact factor" was projected to exceed 41.5, meaning it would create value over \$890 million USD, a total that surpasses the box-office of any film released in 2021.²

As a result of this leak, the Netflix employee was fired from their job, and it is unclear how much embarrassment the data will cause. How Netflix uses viewership data to calculate a program's "added value" also remains extremely vague, but with each added data point made public, the evaluation grows a little clearer.

¹ Shaw, Lucas. "Netflix Staff Raised Concerns about Chappelle Special Before Its Release." *Bloomberg*, October 14, 2021. Accessed October 18, 2021. <https://www.bloomberg.com/news/articles/2021-10-13/netflix-staff-raised-concerns-about-dave-chappelle-special-before-release?sref=NtpXApny>

² Shaw, Lucas. "Netflix Estimates 'Squid Game' Will Be Worth Almost \$900 Million." *Bloomberg*, October 17, 2021. Accessed October 18, 2021. <https://www.bloomberg.com/news/articles/2021-10-17/squid-game-season-2-series-worth-900-million-to-netflix-so-far>