Amazon Deal Takes Fight to Netflix

[Gottfried, Miriam](http://search.proquest.com.ezproxy.trident.edu:2048/indexinglinkhandler/sng/au/Gottfried%2C%2BMiriam/%24N?accountid=28844" \o "Click to search for more items by this author). **[Wall Street Journal (Online)](http://search.proquest.com.ezproxy.trident.edu:2048/pubidlinkhandler/sng/pubtitle/Wall%2BStreet%2BJournal%2B%2428Online%2429/%24N/105983/DocView/1037977271/fulltext/%24B/1?accountid=28844" \o "Click to search for more items from this journal)** [New York, N.Y] 05 Sep 2012:

Netflix's moat is drying up.

Shares of the video-streaming company fell 6.4% Tuesday after [Amazon.com](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1037977271?pq-origsite=summon) announced a deal with Epix to stream its content, which includes blockbuster titles like "The Avengers" and "The Hunger Games," to Amazon Prime subscribers. Netflix's exclusive deal with Epix ended Sept. 1.

Netflix had already said in a July 24 letter to investors that it wouldn't continue to pay for Epix exclusivity, saying the content had become too widely available through pay-TV and so-called TV Everywhere outlets to merit a premium. Its agreement to carry Epix content non-exclusively runs through mid-2013.

But Amazon's Epix deal showed that a serious competitor was willing to ante up--likely between $100 million and $180 million per year, according Janney Capital Markets--to secure premium content. And as long as there is a competitor for content, Netflix will have to pay more, undermining its ability to turn a profit.

Amazon, on the other hand, doesn't need to immediately profit from streaming. It offers the content as an add-on to its $79-a-year Prime membership. Prime members also get free, two-day shipping on many items, suggesting these customers' incremental spending offsets part of the content expense.

Additional well-capitalized competitors, including [Google](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1037977271?pq-origsite=summon) and [Apple](http://search.proquest.com.ezproxy.trident.edu:2048/docview/1037977271?pq-origsite=summon), could be looking to enhance their libraries soon.

Netflix says Epix only represents around 5% of its viewing hours, adding that it is focusing resources on content that viewers are more interested in watching. But Amazon Prime costs less per month than its service and offers free two-day shipping. On the content side, Coinstar's Redbox kiosks offer more new releases for a low price and no commitment.

For Netflix, it seems, the competition is storming the castle