

# **What Drives Binge-Watching? An Economic Theory and Analysis of Impact Factors**

## **Abstract**

*Behavioral patterns in media consumption are changing. With the upcoming of video-on-demand platforms so-called 'binge-watching' gained broad awareness and severely increased in 2020 with lockdowns due to COVID-19. To the best of our knowledge, this is the first economic analysis explicitly on binge-watching. We approach the phenomenon by arguing that it follows fundamental patterns of addictive behavior. By applying concepts of rational addiction and behavioral economics, we derive (i) a theoretical understanding of binge-watching behavior and (ii) factors increasing the likelihood of bingeing, especially with modern technologies and digital media services.*

*In our model, the decision to binge depends on individual factors such as the accumulation rate of consumption capital (speed of learning and acquiring knowledge), opportunity costs, and the expected value of consumption. Consumption capital in the form of specific knowledge positively influences marginal utility. Individuals with a high dissipation rate on the acquired consumption capital maximize marginal utility by minimizing the loss of consumption capital between sittings. They minimize the self-administered time in-between consumptions of non-linear media content, i.e. binge-watch. Other individuals can maximize their utility by spacing out media consumption because it optimizes their consumption capital and therefore marginal utility. We employ the concept of expected utility versus realized utility to explain dissatisfaction from individual consumption decisions. If actualized utility falls short of estimated utility and marginal cost exceed marginal utility, the consumer eventually realizes that he or she 'overpaid', and an element of regret occurs. The implications from our analysis are that not for all individuals binge-watching is attributed to a loss of control, or failure to make a rational choice. Furthermore, we conclude that binge-watching is not specific to online streaming services (video-on-demand), but modern platforms facilitate certain factors which increase the consumers' engagement. Non-linear, self-organized video scheduling and a single narrative (coherent plot) increase the likelihood for consumers to binge.*

**Abstract topic:** Media industry and society.

**Keywords:** binge watching, video on demand, streaming, television, behavioral economics.