Broadcasting in the Internet Age

Survival of the Fittest?

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Outline

I Theoretical Background

II Research Problem

III Theoretical Framework

IV Empirical Application

V Conclusion
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Theoretical Background
Merchants vs. Platforms

Platforms
Mediating entities that create value by facilitating interactions between agents that operate on different sides of the market.
Examples

### ONE-SIDED

- Platform
- Agent

**Same-sided network effects**

### TWO-SIDED

- Agent
- Platform
- Agent

**Cross-sided network effects**

### MULTI-SIDED

- Agent
- Platform
- Agent

**Cross-sided network effects**

**Icons:**
- WhatsApp
- Skype
- Viber
- Netflix
- Amazon
- YouTube
- Facebook
- LinkedIn
The economics of platforms

Cross-sided network effect
The economics of platforms

Chicken-and-egg Problem
The economics of platforms

Chicken-and-egg Problem
Winner-takes-it-all Dynamic
Competitive Advantage

“No” national boundaries, “free” infrastructure
Monopolization & high entry barriers through network effects

Possibility to gain massive market power
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Research Problem
Before Digitization

- Creation/Production
  - Content Production (in-house e.g. news or external production of series and films)
  - Advertisement production
  - Hardware production (e.g. TVs)

- Presentation
  - Service aggregation (Broadcaster)
    - Private
    - Public
    - Paid
  - Agency

- Distribution
  - Distribution (Distributor)

- Consumption/Preservation
  - Consumer
  - Archives

- Rights management
Before Digitization

Content Production
(in-house e.g. news or external production of series and films)

Advertisement production

Agency

Service aggregation (Broadcaster)
- Private
- Public
- Paid

Rights management

Hardware production (e.g. TVs)

Distribution (Distributor)

Consumer

Archives

Distribution

Creation/Production

Presentation

Consumption/Preservation
Content Production
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Advertisement production

Service aggregation
  (Broadcaster)
  - Private
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Agency

Content aggregation
  (Intermediary)
  (e.g. independent online platforms, set-up boxes, online catch-up TV/podcasts)

Rights management

Supporting activities
  (e.g. software and Application development and support)

Distribution
  (Distributor)
  - Analogue
  - Digital
  - Online

Consumer

Archives

Hardware production
  (e.g. TVs, IPTVs, radios, digital radios, tablets, PC)
After Digitization

Creation/Production

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Presentation

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Consumption/Preservation

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Hardware production (e.g. TVs, IPTVs, radios, digital radios, tablets, PC)

- Netflix
- Amazon
- Apple
- Google
Increasing number of new entrants + Incumbents strive for a platform status = platforms start to compete....

1. **NEXT** to each other (in the same market)

1. **ON TOP** of each other (in the same value chain)
Research Question

How does the multi-layered platformization of the broadcasting sector affect companies’ interactions and strategic incentives?
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Theoretical Framework
Platform Networks (PNs)

complements

substitutes
Platform Networks (PNs)

vertical dynamics

ecosystem dynamics

horizontal dynamics
# PN Matrix

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<td>Horizontal expansion</td>
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<td>Silo competition</td>
<td>Vertical commoditisation</td>
<td>Envelopment</td>
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Empirical Application
The broadcasting market as a PN

- Advertisers/Subsidiser
- Broadcasters
- Distributers
- Consumers
- Platform
- Platform
- Production companies
- Rights holders
The Belgian broadcasting market as a PN
Horizontal competitive dynamics

Horizontal concentration – Homogeneity of value proposition – Operability

**INCUMBENTS**

- Quasi-monopolistic distribution layer (Telenet), oligopolistic broadcasting layer (Major 4 BC)
- Costumer intimacy (different packages of Yelo & Proximus TV)
- No ICT ecosystem

**OTT**

- Challenged by OTT distribution platforms (Apple TV, Android TV) and OTT content platforms (Netflix)
- Product leadership (Apple’s “hobby”) & operational excellence (Google’s “OS” approach)
- Closed ecosystem (Apple) & open ecosystem (Google)

Incumbents in fierce competition with each other, while OTT players avoid direct horizontal competition (silo vs. modular approach)
Vertical competitive dynamics

Vertical concentration – Double marginalization – Channel externalities

**INCUMBENTS**

- Telenet acquired 50% stake in De Vijver Media
- Tension around retransmission fee/must-carry status
- Conflict around advertiser (delayed viewing) & VOD services (revenue split)

**OTT**

- Apple starts broadcasting service in the US
- Netflix signs un-metering agreements in AU/NZ
- -

Threat that OTTs might pursue vertical expansion strategies like the incumbents in order to commoditize adjacent layers in the future
Diagonal competitive dynamics

Extendibility of VP – Overlapping user bases – Interface ambiguity

OTT

- Bundling core value proposition with new functionality (iTunes, App Store & Chromes, Google Play)

- Use existing user base from telco, music, IT market (iPhone, iPad, iPod, Mac etc. & Android, Google Mail, Docs, Maps)

- Setting own standard (Apple TV’s set up box with proprietary OS & Google’s built-in Android OS/Chromecast)

So far only complementary services which miss cooperation with Flemish broadcasters to achieve a strong/to carry out an envelopment attack
Implications

**INCUMBENTS**

- Horizontal competition & vertical concentration tendencies due to volatile vertical relations
- Problematic for pluralism

**OTTs**

- Exploitation of diagonal dynamics & Avoidance of direct horizontal and vertical competition
- Prerequisite for strong growth

**Complementary relationship - strategic set-up of OTT players might play out in a few years**

- Caution with content or broadband deals
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Conclusion
Conclusion

- Step to make a *comparable, systemized but still qualitative investigation* of corresponding industry cases possible

- The matrix can be *applied to various cases* such as telecommunications, publishing and other platformized industries.

- For *practitioners*, the theoretical framework could prove to be a useful tool to draw a *blueprint* of the industry’s new market set-up and to identify their own firm’s market position to realize possible *opportunities, threats and solutions* within it
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