

ABSTRACT

Title

Developing new business strategies in a changing TV-industry

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Problem Definition

The TV landscape is changing, with technological progress the industry is moving to become a more personalised experience, where the consumer can choose what to watch and when. The entrance of on-demand video services and piracy are rewriting the way people consume their favourite series and movies, which opens up a new market with new opportunities. This new market is one where the traditional distributors might not have the natural advantages one might assume, and new players can enter the TV market. This new on-demand landscape enables the content owners to directly deliver their content to the end-consumer. However these content owners might not have the technical expertise to do so and a technical partner will be needed, like ATC, the company used for the case study for the thesis. One of the major problems in the video content market is that one content owner might not fill the full need of one consumer, who would prefer to gain access to the video content of multiple content owners.

Purpose

The purpose of the thesis is to describe and analyse the TV media industry and to identify new business concepts for a technical provider of OTT-video service.

Methodology

The thesis has a descriptive goal as well as a goal to identify new business ideas. Therefore the data collected is of a qualitative nature. The primary data comes from interviews with stakeholders as well as a questionnaire conducted by potential customers. A lot of secondary data has been collected through industry reports and news papers.

Conclusion

Today the TV-industry, especially the online one, operate on an “all-against-all” system, which is holding back the full potential of OTT-video. The industry will in the future be more heavily impacted by the customer, who will gain a stronger role in the value chain.

To gain a stronger position for a technical provider and to ensure long term growth it is preferable to bundle different content owners. This will reduce churn rate and increase the revenue per user. Create equal partnerships between content owners, convince them that holding hands with competitors will help them beat their true competitors who are the substitutes like, piracy. The technical provider should create a neutral platform where content owners can add content, easily and quickly after release. In this platform the content owners should be given the possibility to tag their content with their brand.

Keywords

OTT-video, Product Bundling, Content Owners

Sammanfattning

Titel

Utveckla nya affärskoncept i en föränderlig TV-industri

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Problem Definition

TV-landskapet är i förändring, den tekniska utvecklingen håller på att göra upplevelsen mer personlig och konsumenter kan nu välja vad och när de ska titta på tv. Introduktionen av on-demand tjänster och piratkopiering håller på att förändra hur människor väljer att se på sina favoritserier och filmer, vilket öppnar upp en ny marknad med nya möjligheter. På denna nya marknad har de traditionella distributörerna inte de naturliga fördelar man skulle kunna anta, vilket möjliggör för nya aktörer kan komma in. Detta nya on-demand landskapet möjliggör för innehållsägarna att leverera sitt innehåll direkt till användaren. Dessa innehållsägare har kanske inte den tekniska expertis för att göra detta och en teknisk partner kan komma att behövas, till exempel ATC, företaget som används denna studie. Ett av problemen på TV marknaden är att en innehållsägare förmodligen inte kan fylla hela behovet av en konsument, som vill ha tillgång till innehåll från flera innehållsägare.

Syfte

Syftet med examensarbetet är att beskriva och analysera TV-media industrin och identifiera nya affärsmöjligheter för en teknisk leverantör av en OTT-videotjänst.

Metod

Examensarbetet har en beskrivande del samt ett mål att identifiera nya affärsmöjligheter. Därför är de insamlade data av kvalitativ karaktär. Primärdata kommer från intervjuer med berörda parter samt en enkät utförd av potentiella kunder. En hel del sekundärdata har samlats in genom industrin rapporter och nyhetstidningar.

Slutsats

TV-industrin idag, särskilt den på nätet, identifieras av ett "all-mot-all"-system, vilket håller tillbaka den fulla potentialen av OTT-video. Branschen kommer i framtiden vara mer domineras av kunden, som kommer att få en starkare roll i värdekedjan.

För att få en starkare ställning för en teknisk leverantör och för att säkerställa en långsiktig tillväxt är det att föredra att paketera/bundla ihop olika innehållsägare. Detta kommer att minska churn och öka intäkten per kund. Man bör skapa lika-fördelade partnerskap mellan innehållsägarna, övertyga dem om att hålla hand med konkurrenterna kommer att hjälpa dem slå sina verkliga konkurrenter vilket är substitut så som, piratkopiering. Den tekniska leverantören bör skapa en neutral plattform där innehållsägare kan lägga till innehåll, lätt och snabbt efter release. På denna plattform bör innehållsägaren ges möjlighet att tagga sitt innehåll med deras varumärke.

Nyckelord

OTT-video, Product Bundling, Innehålls ägare

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1 INTRODUCTION

1.1 Background and Problem Definition

Television consumption is changing, from being a communal family activity to a more personal viewing experience. Looking at historical trends of other consumer electronic goods, this evolution seems to be natural. The radio was a product that gathered the family in the living room. As time went, the size and price of the radio decreased and with it came a larger personalization. A similar transition has happened to the telephone where a family had one house phone before, now in the developed world almost every member has their own cellular phone for personal use.

The TV market is undergoing a similar transition. Before, a traditional household only had one TV and the number of channels offered was quite limited. With the entrance of smartphones, tablets and computers on the TV-media consumption market, the number of watchable screens has increased significantly. The variety of the programming has become much larger and diverse as more and more shows are targeting specific audiences or groups. The industry is looking at additional ways of delivering content other than the traditional linear form, this because today's customers wants to play a larger roll in choosing what, when and on what device to watch their favourite content on.¹

The global film and TV industry accounted for 0,7 % of the worlds GDP in 2011, \$468 Billon, and the industry as a whole grew 4 % annually between 2006 and 2011. Up until now streamed content has accounted for a small amount of that, around \$2 to \$3 Billion in 2011, but this market is expected to grow rapidly to \$16 Billion USD in 2016.² So far the growth in this market has not been large enough to counteract the decline in the video and DVD rental market. One reason for the decrease in rentals is illegal online piracy, however this competitor is hard to track and assess, but the impact is significant.³

¹ Taga, Karim. Schwaiger, Clemense. Pankert, Gregory. Hunter. Robin. *Over-The-Top Video - "First To Scale Wins"*. Arthur D Little Telecommunication, Information, Media & Electronics. Arthur D Little. 2012

² Ibid

³ Plumer, Brad. *SOPA: How much does online piracy really cost the economy?* January 1, 2012. Wonkblog. Washington Post.
http://www.washingtonpost.com/blogs/wonkblog/post/how-much-does-online-piracy-really-cost-the-economy/2012/01/05/gIQAXknNdP_blog.html Viewed: 06-02-2013

As the consumption of video media is changing from traditional linear cable channels, to more online on-demand options, this opens up a new market with new opportunities. The traditional content distributors might not have the advantage as they are locked into their traditional technique of delivering content, mostly through cable.⁵

The new movements on the media market, as well as the missed revenues caused by piracy, opens up an opportunity and reason for traditional content owners to look over their business model. The technical landscape enables the content owners to deliver the content directly to the end-consumer. One of the major problems on the video media market is the right to distribute video content over different mediums. They are negotiated on a case-by-case basis in each geographical region as well as on each technical way to deliver the content, which makes it difficult and time consuming for all parties involved.⁶

As the content owners already own the content, they could with the right technical solution deliver the content over an over-the-top (OTT) service worldwide instantly, which is something that the consumers have come to expect due to piracy. An OTT-solution is a service that delivers video content online whenever the user requests it, the user can pay for it on a pay-per-view or a subscription basis. This would cut out the middleman for the content owners, which would decrease costs, time to market and costly content ownership negotiations. Which means that the content owners could decrease their costs and increase their revenues, as they could deliver their content themselves. Content owners that directly contact consumers with an OTT-service is something that has been realised, on the Nordic market through HBO Nordic and on the American market through Warner Instant Archives, which includes Warner Bros, MGM and Universal.⁷

However one problem that the content owners might face is that they do not have the technical solution or know-how in-house. A known solution is to partner up with a technical partner that provides the streaming platform.

⁵ Taga, Karim. Schwaiger, Clemens. Pankert, Gregory. Hunter, Robin. *Over-The-Top Video-“First To Scale Wins”*. Arthur D Little Telecommunication, Information, Media & Electronics. Arthur D Little. 2012.

⁶ Thorbech, Ragnhild. Senior Vice President of Acquisition. DAKO. Interview 26-04-2013

⁷ Gavelin, Fredrik. *Netflix tappar 1800 titlar – filmjätte sager upp avtal*. SvD.. May 3, 2013. http://www.svd.se/naringsliv/netflix-tappar-1-800-titlar-filmjatte-sager-upp-avtal_8141670.svd. Viewed: 03-05-2013

Another problem is that the content owner might not have a large enough content library and new releases to keep a customer in a long paying relationship. While they could purchase additional content from competitor in the content space, there is a limit to how much content a streaming service can buy and still keep the same price for the consumer. The consumer might not perceive the added content as added value, as they are subscribing to the same service, and would not be willing to pay a higher price. A potential solution is that a customer can pay a reduced price for two or more content owners OTT-service, in something called a product bundle. This could add content to the user library, and the user will have a higher perceived valuation as they are using two separate services, and would therefore be willing to pay a higher price.

Another problem within the subscriptions based industries is churn rate, churn rate is the percentage of people who discontinue their service during a specific time period. Some of the current video-OTT players have had large problems with high churn rates. This probably due to the fact that the customers go through the content library and are not satisfied with the rate that new material is added from one producer. Perhaps if a product was a bundle of different producers, the content library would be larger and the new material added to the bundle would be greater? Perhaps this could be a way of keeping the customer happy and therefore reduce the churn rate?

The problem to be asked is how the content owners and technical partner could deploy this new product to the market in a successful way.

1.2 Purpose

The purpose of the thesis is to describe and analyse the TV media industry and to identify new business concepts for a technical provider of OTT-video services.

1.3 Target Group and Delimitations

The thesis will focus on a solution to the problem on how to bundle video content owners, when it should be done, and how to think when choosing bundling partners. This is done by investigating the case of ATC a technical provider for an OTT-video service. The thesis will only focus on the business concepts of bundling content owners of video media, and will not focus on unrelated bundling. When talking about bundling content owners it is important to realize that one content owner owns many rights for different series and media, and is therefore in itself a bundle. However this project

will only focus on the bundling of content owners and will disregard these sub bundles. The bundle offer will consider the market of Norway, Denmark, Sweden and Finland (will henceforth be referred to as NDSF) but the main findings may be applicable to similar markets.

The target groups of this thesis are students with a business and/or engineering background as well as professionals within the industry. The delivery will consist of the thesis, where the main goal is to analyse and describe the TV-media industry, where it is heading and recommend business concept to the partnership bundling at hand.

There is a time limitation of 20 weeks for this thesis, which includes opposition proofreading, etc.

1.4 Disposition of the Thesis

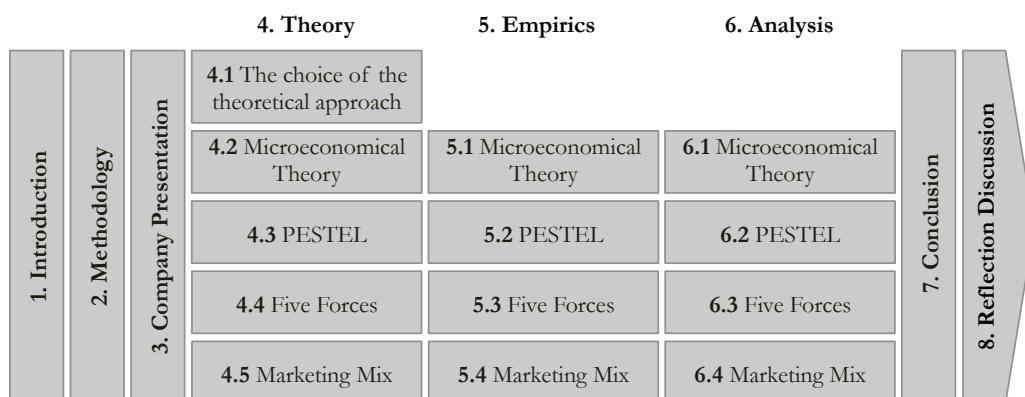


Figure 1 - Thesis Disposition

Chapter 1 – Introduction

This chapter contains a short introduction to the background of the situation as well as the problem. It determines the goal of the thesis as well as the target group. It sets delimitations for the thesis and does a quick run through of the thesis disposition.

Chapter 2 – Methodology

The chapter will consist of methodology theory and the choices made in the thesis. The chapter will discuss the strengths and weaknesses of the methods that were chosen and why they were chosen.

Chapter 3 – Company Presentation

The chapter will present ATC, the company used as the case to build on. It will present the history of the company and its business concept. It will also explain the current business model.

Chapter 4 – Theory

The theory chapter consists of an explanation of the theoretical frameworks that were used in the thesis. Starting by presenting the theory behind product bundling, including theory on bundling out of different perspectives that could influence the reasons for and against bundling. The chapter will then explain the theory of a PESTEL model and the Porters Five Force model. The theory will then present the marketing tool the Marketing Mix.

Chapter 5 – Empirics

The chapter will present the data collected to be able to analyse according to the different theories. This will be data from industry reports, interviews from stakeholders, internal documents and data from a survey of potential customers.

Chapter 6 – Analysis

The chapter will analyse the data collected according to the theory in chapter 4. The PESTEL model will be an aggregated analysis taking all the different aspects into one place, as it will make it easier for the reader to understand the main findings from the macro environmental analysis. The other models analysis will be according to the models original form.

Chapter 7 – Conclusion

The chapter will present the main conclusion of the thesis. This will be a short presentation of the main findings from the analysis and include the recommendation for ATC.

Chapter 8 – Discussion

The chapter will be a section where the authors take a more personalized approach to findings that have been found along the way. This will include reflections around the start up environment, partnering and where the industry is going, and where the authors believe that the industry should go.

References

Will consist of a reference list.

Appendices

Will include data and analysis of parts not crucial to the actual findings or analysis, but could be valuable for stakeholders.

1.5 Project Dictionary

Bundle

A product offering consisting of multiple different products

NDSF

An abbreviation of Norway, Denmark, Sweden and Finland.

OTT

Is an abbreviation for Over-The-Top. It means that content (in this case, video content) is delivered to a customer via broadband without the Internet Service Provider having anything active to do with the distribution. In general terms it means that one company uses an existing network where someone is a customer to reach him or her with another service. OTT content providers can only reach customers who are already Internet broadband subscribers, but once that network is there, they take no part in the OTT service.⁸

Linear TV Channel

Linear TV is the traditional form where there is a set schedule for when shows appear and the viewers have no means of controlling the viewing experience other than changing channel.⁹

VOD

Video On Demand means that a user can choose what show they want to watch and when they want to watch it. Usually they can choose from a free or subscription based catalogue or on a pay-per-view basis, the latter being more common when it comes to movies. The subscription-based format is

⁸ Venturini, Francesco. *Over-The-Top TV Content Distribution Differentiating in an Omniplatform Paradigm*. Accenture Media and Entertainment Business Practice, Accenture. 2012

⁹ Ibid

often abbreviated SVOD and the pay-per-view format TVOD (Transactional Video on Demand).¹⁰

Smart TV

Is a TV that features an interface that is integrated with the Internet so that viewers have easier access to On-Demand services, OTT content, web browsing and other services. It still has the traditional TV options but the additional options make the TV-viewing more interactive.¹¹

Pay-TV

Pay-TV refers to the channels and options that customers pay for. The most common version is a channel or package of channels that are available for a monthly fee. The Pay-TV option often includes a bigger sports package, a larger film offering and in general more premium content.¹²

Churn

Churn is the percentage of people who discontinue their service during a specific time period. It is a common figure used within contractual based industries and is used top describe how well the company can keep their customers as subscribers.

¹⁰ pcmag.com. The Computer Language Company Inc. *Video On Demand*. http://www.pcmag.com/encyclopedia_term/0,1237,t=video-on-demand&i=56186,00.asp. Viewed: 04-03-2013

¹¹ pcmag.com. The Computer Language Company Inc. *Smart TV*. 2013 http://www.pcmag.com/encyclopedia_term/0,1237,t=smart+TV&i=61971,00.asp. Viewed: 04-03-2013

¹² pcmag.com, The Computer Language Company Inc. *Pay-TV*. 2013 http://www.pcmag.com/encyclopedia_term/0,1237,t=pay+TV&i=62782,00.asp Viewed: 04-03-2013

2 METHODOLOGY

<i>The chapter will consist of methodology theory and the choices made in the thesis. The chapter will discuss the strengths and weaknesses of the methods that were chosen and why those methods were chosen.</i>			4. Theory	5. Empirics	6. Analysis	7. Conclusion	8. Reflection Discussion
1. Introduction	2. Methodology	3. Company Presentation	4.1 The choice of the theoretical approach				
			4.2 Microeconomical Theory	5.1 Microeconomical Theory	6.1 Microeconomical Theory		
			4.3 PESTEL	5.2 PESTEL	6.2 PESTEL		
			4.4 Five Forces	5.3 Five Forces	6.3 Five Forces		
			4.5 Marketing Mix	5.4 Marketing Mix	6.4 Marketing Mix		

2.1 Research Strategies

To be able to conduct academic research one has to choose one or multiple research strategies. This strategy sets the framework for the work, not in detail but in general terms. There are four major purposes that a project can have; descriptive, exploratory, explanatory and problem solving.¹³ Many projects contain parts of each major category, and a common research strategy is to divide the project into subcomponents and the use a single research strategy for each part separately.

The overall research strategy is chosen once the purpose has been clarified. The four major methods are;

- *A Case study* is an in depth analysis of one or multiple cases or situations, where the effect of the study is to be minimized as much as possible. The purpose of a case study is to solve or improve a problem, within a narrow framed situation.
- *Experiment* is a comparing analysis of two or more alternative methods of doing something. During the research one tries to isolate the causal factors that are interesting and manipulate one at a time to see the explicit effect of that factor.
- *Action Research* is aimed to improve a situation or problem as a result of studying it. Action research is sometimes described as a sort

¹³ Höst, Marin. Regnell, Björn. Runesson, Per. *Att genomföra examensarbete*. Studentlitteratur. 2006. ISBN: 978 91 44 00521 8 (referenced to a adaptation of Robson 2002)

of case study, where the major difference is that the solution is tested and evaluated, and a new iteration is done.

- *Surveys* are research method where one collects data and analyses that data to be able to describe a situation. It usually aims to describe a large question or situation.

2.1.1 Case Study

While there are differences between the different categories it is sometimes difficult to determine which category the research belongs to. The major differences between the strategies are, what type of research question that is being asked, focus on history versus modern-day, the extent of control the researcher has over the situation.¹⁴ According to Yin a case study is meant to answer the questions of “How” and “Why”, of a situation where the investigator has little influence over.¹⁵

The question to be answered in the thesis at hand is; to describe and analyse the TV media industry and to identify new business concepts for a technical partner. The end result will be a conclusion as to why a technical partner should pursue a certain business concept, and how they should do it.

There will be a descriptive part of the project, whose aim is to analyses the existing and emerging video streaming market.

2.1.2 Choosing the Case

The case presented in this report is within an upcoming and growing area of media consumption. The choice of working with ATCs specific case and business model originates from an initial meeting with the company. During the meeting the parameters of the case and problem were discussed. The case is set within a very dynamic environment and the OTT-video landscape will probably have changed significantly from when the case study started to when the project is finished.

When choosing a case Denscombe proposes that choosing a case must be conscious and well thought through process. There are four different bases where the case might start from; the typical, the unique, the theory trial and the least probable research unit.¹⁶

¹⁴ Yin, R.K. *Case Study Research*. Thousand Oaks, California. Sage Publications. 2009.

ISBN: 987 1 4129 6099 1

¹⁵ Ibid

¹⁶ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. 2009. ISBN 978 91 44 05004 1

The ATC case is a fairly unique case. There are several reasons for the uniqueness of the case, one being the business model that ATC operates and another the dynamic environment the case is set in. Because of this business model, focusing on the revenue sharing, the bundling question and the case becomes more complicated and unique since to be able to bundle, it has to be profitable for both ATC and its' partners.

2.1.3 Setting the Case

Setting a new case involves a couple of different parts, and according to Yin, the five pillar stones to consider are;

1. A study question
2. A proposition
3. The unit of analysis
4. The logic linking of data and the proposition
5. The criteria for implementing findings¹⁷

The study question, proposition and the unit of analysis are all presented in the first chapter of the project. The logic linking of data and the proposition will be presented as the first part of the theory chapter. The criterion for implementing the findings are that the conclusions is a profit maximising strategy, which improves customer value and is manageable from a business standpoint. The actual criteria for implementing the findings are for ATC to decide, and therefore there might be added criteria as the company matures.

To analyse these components a theoretical framework and approach must be set and used as a blueprint for the project.¹⁸

The reason for and against bundling is examined through microeconomic frameworks and research about bundling of information goods. When using the microeconomic theories it is important to understand that the main findings of each theory is not directly applicable as the frameworks are simplified versions of reality. However it can work as a guide on how to navigate in a real world setting. The thesis then moves on to an industry analysis, to gain insight on what forces control and work on the market. This will be done using standard industry analysis frameworks such as the PESTEL-framework and Porter's Five Forces model. To gain greater insight on a potential product offering an analysis using the Marketing Mix will be

¹⁷ Yin, R.K. *Case Study Research*. Thousand Oaks, California. Sage Publications. 2009.
ISBN: 987 1 4129 6099 1

¹⁸ Ibid

done. This analysis will be done out of three main perspectives, ATCs, their partners' and the customer perspective.

Then when all the different facts and empirics have been considered, from a theoretical, industry, business and product perspective, the result and recommendation can be presented.

2.2 Research Methods

There are two major different categories when talking about research methods and data collection; qualitative and quantitative.

Qualitative research mainly focuses on words and description of situations, the research is rich in details and nuances. Interviews are usually the basis and main source of material in a pure qualitative study.

Quantitative research is based on quantifiable or classifiable data, for example numbers, weights etc. Quantitative research is usually statistically processed and analysed.

Many complex issues usually involve data from both categories, and especially when the question at hand involves people and how they act, it is preferable to use data from both categories.¹⁹

2.2.1 Qualitative Research

The thesis will consist of data collected through interviews, surveys, observations, industry data and reports.

The survey, which will be examining customer perception of the bundles, will have a more quantifiable nature, the survey will only constitute a small part of the research material. The questions asked in the survey will be of both a qualitative and quantitative nature. For the other parts of the project few things are quantifiable and instead will be of a qualitative nature.

The main idea behind qualitative research is to gain insight around what people know, think and feel, which is done by analysing documents, observing behaviour and interviewing stakeholders. An important aspect in qualitative research is how to interpret the data collected, and with that the researchers identity and biases. When the material collected is interviews and statements, the researcher can swing the result as he/she might want to, simply by emphasising some parts and suppressing others. It is then

¹⁹ Höst, Marin. Regnell, Björn. Runesson, Per. *Att genomföra examensarbete*. Studentlitteratur. 2006. ISBN: 978 91 44 00521 8

important to be aware of ones biases and try to make the work as factual as possible.²⁰

As the bundling case is of a problem solving nature, it will involve a descriptive and explanatory part. When collecting data around a white canvas problem, which this could be considered to be, it will be extremely important for the researcher to listen to all ideas and thoughts. It could be very easy to only listen to one side or opinion, more inline with the researchers, which is something that must be avoided.

2.3 Data Collection

When collecting data there are several different methods of doing so, where the four main categories are; interviews, written documentation, observation and questionnaires. These different methods have their own pros and cons, and depending on the organisation and situation one can be preferred over the other. Sometimes the different methods might not point in the same direction, it can then be relevant to triangulate between the different results to gain a “truer” picture of reality.²²

For the case in question a combination of all the different categories will be used. Written documentation is used to conduct the industry analysis, as well as some of empirics for the microeconomic analysis. Observations of the market and behaviour on the market, such as price, which content that currently is bundled, is used in all part of the project. When analysing the potential bundles out of a marketing mix perspective, interviews and surveys will be conducted. Interviews also play a smaller part in the microeconomic theory section and in the industry analysis part.

2.3.1 Interviews

There are three major categories of interviews that can be conducted, structured interviews, semi-structured interviews and unstructured interviews.

During a structured interview the interviewer asks predetermined questions to the interviewee following a predetermined document. All people that are

²⁰ Höst, Marin. Regnell, Björn. Runesson, Per. *Att genomföra examensarbete*. Studentlitteratur. Lund. 2006. ISBN: 978 91 44 00521 8

²² Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

being interviewed for the same purpose, gets the exact same questions, this so that the answers can be compared.

A semi-structured interview also contains a predetermined set of questions, but the questions might be posed in a less structured way or are more open-ended. The interview is more up to the interviewee than in a structured interview.

During an unstructured interview, the interview is even more up to the interviewee. The interviewers role is to start the topic and then to follow and let the interviewee lead. The interview can then end up wherever the interviewee takes it.²³

Conducting the Interviews

In an interview situation the person who conducts it will affect the answers and the result, even if they don't know it. Therefore it is important to appear as neutral as possible in order to avoid affecting the interviewee's answers.

During the interview it is important to try to get the interviewee to open up and speak freely. It might give more insight into what the interviewee finds interesting, or to distinguish which parts that might be embellished or which parts that seems suppressed. Some answers might also be subjective and it is always a good idea to fact check when possible.²⁴

The interviews that were conducted in the project were semi-structured and unstructured. The unstructured interviews were used when the interview had specific insight around a topic, such as legal issues or financial situations. Semi structured interviews were used when the goal was to gain different perspectives on the same questions.

Choosing the Interviewees

If the questions are general in nature and the objective is to get an idea of the general view on the subject, one should choose a random selection of interviewees to represent the public opinion. On the other hand, if the subject requires the specific expertise it can be preferable to choose interviewees based on their specific skills.²⁵

²³ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

²⁴ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

²⁵ Ibid

For the interviews in this report there was a need for special insight into the business and also the opinions and views of the stakeholders. Therefore the interviewees were chosen based on their expertise and knowledge of the business. The interviewees include stakeholders from ATC and their partners (DAKO and ECHOTv). We tried to get multiple views from each company, but due to the fact that they are new and small there weren't that many people that could answer our questions. We also tried to get in contact with other stakeholders in the start-up environment, but unfortunately unsuccessfully. Therefore the interviewees consist of three people from DAKO, Fredrik Ekelund, Vice President of Business Development, Anders Tullgren, Senior Vice President of PR & Marketing and Ragnhild Thorbech, Senior Vice President of Acquisition. Juha-Pekka Louhelainen, the Chief Executive Officer of ECHOTv. And from ATC, interviews were conducted with Jan Nilsson, Chief Executive Officer, Leif Eliasson, Chief Technical Officer, Karin Baggström, Chief Financial Officer and Linea Högström, Project Manager.

2.3.2 Written Documentation

A lot of different written material has been used both when setting the framework and analysing different parts.

Literature

Books have been used in the project, however as the project concerns an extremely dynamic market some books have been out of date and more recent articles have been used instead. For the parts of the project that is more static like the theoretical frameworks published books have been a useful help.

Articles

For the written documentation articles have been the largest contributor, this due to the fact that there is quite a lot of recent material published within the field. For the theoretical framework used for the microeconomic theory articles have been collected from well renowned universities in the world. Another main source of data have been consulting reports regarding the OTT-video industry. The authors have only used articles from consulting firms that are well renowned, worldwide and trusted by fortune 500 companies, as they are their clients. A lot of the data and material collected have been verified by multiple sources to improve validity.

Some data has also been collected from news articles, focusing on famous news outlets such as the Economist.

E-Sources

For non-crucial parts a more liberal approach has been taken to references and data collection. For instance, when explaining the different meanings of the abbreviations, sources and explanations have been found online, at famous websites, but perhaps not academically recognized websites. Since these resources are used for non-crucial parts, we believe that it will have no impact on the validity of the main findings.

2.3.3 Questionnaire

Questionnaires can be used when the goal is to engage a larger group of people when the questions are uncomplicated, a need for standardised data and when the recipient of the survey understands its purpose. Once it has been decided to use a questionnaire, it is crucial to plan the questionnaire into fine detail. A survey containing a lot of unusable questions will be time consuming for the people who answer and as a result will affect the response rate. Therefore one should always try to minimize the number of questions asked to only include questions that are usable.²⁷

Designing the questionnaire

To be able to design the questionnaire, the overall purpose for the questionnaire was determined. The overall purpose was to get input from potential customers on;

- Which partners they would like to see in a bundle
- How much they would be willing to pay for a bundle
- How they wanted to receive the offer
- How they would like the bundled product to work.

The specific questions were then designed and a great deal of effort was put into making the questions as easy as possible to understand for the people taking the survey. The questions had to be clear enough for a person with no prior knowledge to understand and to be able to answer. An important aspect that was considered was the length of the survey; the aim was to gain as much insight as possible with as few questions as possible. Therefore some of the initial questions were removed as they were “nice-to-knows” but as the answers to those questions were less usable.

Looking at the design of the questions, a lot of focus was put into making the questions unbiased. Therefore, in the question concerning the potential

²⁷ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

bundling partners (see Appendix; Survey for the specific question), the possible answers were randomized each time the survey was conducted. This would eliminate any bias towards choosing the first production company presented. Another aspect of this question was that the number of possible answers might overwhelm the person taking the survey and therefore they might choose the first they recognize, and not the ones they would like to subscribe to. The concern was taken into account, but the large number of potential answers was kept, since they were all relevant.

To allow the person taking the survey to be introduced to the topic, the question regarding which producers they would choose, where put in the beginning. Then followed the more straight forward questions regarding pricing and so on, at that point the authors believe that the persons taking the survey had understood the idea and the problem, and would then be in a better position to answer.

When designing the question regarding the pricing of the bundles, the aim was to find out the maximum price that people would be willing to pay. Therefore the highest number was put first, this as the person taking the survey will probably be more likely to choose the maximum when he/she goes from high to low, rather than the reversed order.

Conducting the questionnaire

Due to limited resources, the questionnaire was conducted online. To get people to answer the survey, the survey was sent out to friends to the authors through Facebook. This limits the diversity of the people that received the survey. The people who received the survey was between 20-30 years old, and generally well educated. As the authors are Swedish, the survey only went out to Swedes, and was therefore conducted in Swedish.

The result of the survey might be skewed towards a specific type of customer, and does not represent an unbiased group of people of the NDSF countries. Perhaps the result might be different if the survey was conducted with a more fair representation of the NDSF countries. However the authors believe the survey should give insight about the average early adopter of the product as they are usually between 20-30 years of age. The differences in viewing preferences between the Swedes and the rest of the NDSF countries shouldn't be too large as the countries are fairly similar in general. But when analysing the survey, the specific group of people that where surveyed must be taken into account.

The survey was sent out to 304 people and out of those 166 people answered, giving it a response rate of 55%. As the sample size is fairly small and since the sample group taking the survey are not unbiased, the

result will not be considered statistically significant. The result is not supposed to be used as absolute truth, but instead as guidance on what a group of people think around OTT-video.

Analysing the result

At first the raw data and simple percentage calculations were presented in charts and diagrams.

To gain more insight around the customer preferences, the correlation between the different producers was calculated. The correlation calculation could show if there are producers that are closer related than others. As a further step, the people who were willing to pay more than the average price for the different bundles were extracted and a similar correlation calculation was made for them. Meaning, if the average willingness to pay was 109 SEK for a bundle of 2 producers, a person who were willing to pay 108 SEK or less was excluded, while someone willing to pay 110 or more were included in the correlation calculation. This was repeated for all the different bundle sizes. From a business perspective the most interesting potential end-users are the ones that have a high willingness to pay, therefore these calculations were made.

To gain a greater understanding on the pricing of the different bundle sizes the answers were further analysed, and the pricing in between the asked intervals were interpolated. A chart of pricing in relation to how large percentages of the total group of people that would be willing to pay for the service was created. Meaning, if ATC chooses a price of 109 SEK/Month for a bundle of two, how large percentage out of the sample group would be willing to pay this (how many people have answered that price or above).

2.3.4 Direct Observations

Direct observation has been used during the project, people are generally interested in where they believe the OTT-video market is moving and like to share their opinions. No specific method has been used nor has the direct observations been done in a systematic way. However in some sense direct observation of the usage of OTT-video and the perception amongst friends have probably impacted the authors' point of view.

2.4 Source of Criticism

2.4.1 Reliability

For research to be reliable, it is supposed to be replicable and neutral to cause and affect. As this project is mostly of a qualitative nature, it is very difficult to replicate the project and answers. Reliability is then defined as, when another researcher conducts the research again and the results are similar. As this is a difficult task to prove, there are some ground premises that can be used to help the reliability. It is important to have a clear purpose and a robust theoretical framework. There should be a clear description of the research methods used and a discussion of why they were used.²⁸

The reliability of this thesis is difficult to assert, even though all the proper steps have been taken to make it as reliable as possible. This since the project is regarding the early stages of a new industry, and the findings and results will be greatly impacted by the timing of the thesis. Despite the fact that there are people with vast knowledge about the TV industry and the Internet industry, there is no one who really knows which way the OTT-video landscape is heading.

In this thesis some resources have pointed in different directions, the authors have interpreted these results to the best of their abilities. Since a lot of the data have been collected through interviews it is possible that the result of the interviews has been coloured by the authors' own interpretations of the answers. This is something that the authors have been aware of since the start and have actively worked to avoid.

To improve the reliability during the different interviews, the authors always conducted interviews together, and before any official transcripts were produced, the result was discussed in-between the two of them. Whenever questions or disagreements about the interview occurred, the interviewee was once again contacted to get a more reliable understanding of the actual answer.

2.4.2 Validity

Validity is about how exact, accurate and to-the-point the data collection is. It is all about if the data represents the true situation or if the result is skewed. To improve the validity of project, especially a project heavily based on qualitative data, it is important that the researcher identifies

²⁸ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

him/herself as an influential part of the research. Another important aspect to improve validity can be feedback from stakeholders, as this can help identify any biases. Triangulation can be used as different methods might be biased towards different results, and when triangulation between them these biases might be avoided. Another way to improve validity is to benchmark the research to existing research about the topic.²⁹

As discussed before the thesis is influenced by the authors. It has to be, since it is about business development and there are no clear rights or wrongs. However the authors have tried to present all the data as impartially as possible. To get a more accurate result, data has been triangulated between customers, industry experts, ATC and its partners. Since these players represent a large part of the value chain, the authors believe that these different perspectives improve the validity of the project.

The choice of interviewees is something that greatly will affect the validity of the project. The interviewees have been chosen according to how much knowledge the authors and ATC believe that they had regarding the subject. The interviewee was always consulted regarding if there was anyone else that should be interviewed to shed new light on the questions regarding the project. Preferably the project would have involved interviews with people from other content owners that are not connected to ATC. However in the format of this thesis it was not possible establish contact.

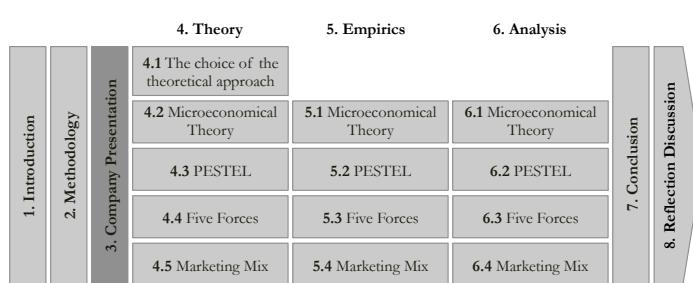
One questionable part from a validity perspective is how the survey that was conducted. As the sample group was not an unbiased representation of the population, it is possible that the result is biased and therefore not completely accurate. The reason for the suboptimal statistical is limited resources. However the authors felt that the survey would still add value to the conclusion.

The authors have constantly discussed their thoughts with stakeholders and potential customers, this to receive feedback. Needless to say the feedback from stakeholder have been more valued in the thesis, but the potential customer has also had an impact.

²⁹ Denscombe, Martyn. *Forskningshandboken*, Studentlitteratur. Lund. 2009. ISBN 978 91 44 05004 1

3 COMPANY PRESENTATION

The chapter will present ATC, the company used as the case to build on. It will present the history of the company and its business concept. It will also explain the current business model.



In 2009 ECHOTv won the broadcasting rights to the finish hockey league and started distributing the games online through an OTT-video service. ECHOTv developed a platform to be able to broadcast the games live online and in 2010 it offered all games on a pay-per-view basis. This was also the start for the company to become a well-established and known TV and WebTV brand. ECHOTv decided to split its business in two parts, ECHOTv and ATC. ECHOTv will operate on the Finish sports and TV market and ATC will operate as a technical provider for OTT-video, SVOD, VOD and Pay-TV.

ATC, which is the company that the thesis is focused on, has developed a fully scalable Pay-TV platform, which will enable a quick launch for content providers wanting to move into the OTT-video market. ATC is a small star up company in the beginning of its existence. ATCs business model is based on the idea of providing and managing the technical solution. With its expertise, ATC also wants to provide; optimization of content delivery, adaption to new devices, social media and online marketing, customer service and churn management, data mining, development and integration of the client Application Programming Interface.

To date (07-05-2013) ATC has two content partners, DAKO and ECHOTv. DAKO is one of the leading global content owners and will work as a referential client to acquire more partnerships. ATC has an aggressive expansion plans split in three major categories.

- Focusing on building the NDSF customer base for DAKO and leverages the fact that DAKO is a well-known brand.
- Leverage the DAKO customer base to acquire new partners and cross-promote the database.

- Expand and look at opportunities outside the NDSF region for the OTT-video solution, including major motorsport and European sport TV Channel.³¹

3.1 The Business Model

ATC offers its partners a modular OTT-video solution for Pay-TV, it does not focus on developing all of the solution, but uses state of the art technology provided by subcontractors. ATC only develops the crucial elements of the technical parts themselves and try to outsource the rest to its technical partners. ATC does not “own” the customers, but has complete knowledge of their viewing behaviour. ATC will be the only part of the value chain that has complete access to the behavioural data, which will increase the value of a partnership with ATC.

ATC will use a revenue sharing model with their partners, see Figure 2 - Business Model Picture for ATC. Service exchange with blue arrows and revenue streams in green arrows. The partner and ATC will share the initial cost of setting up the partnership. Once customers start signing up and revenues starts flowing in, these revenues will be shared between ATC and the partner. Depending on the partnership-setup the revenue streams will look differently. Some partnerships will be based upon the premises that ATC will develop all the back-end structure as well as deliver the actual service to the customers. In other partnerships ATC will not develop anything but instead only deliver the channel or material through an existing structure to customers.

This means that the initial cost for a producer to go into a partnership with ATC will be quite low, but that the partner and ATC share both risk and reward. This will increase the initial risk for ATC, but will also make it easier to acquire new partners, as the initial cost for the partner is lower than for a more conventional solution. For the customers, they will meet a joint product, where the partner will be the brand and content, while ATC will be the background solution, which for ATCs part will increase the dependence on the partner.³²

³¹ Internal Document: Stella Advisors, *Information Memorandum, ATC-ECHO digital Services*, 2013

³² Ibid

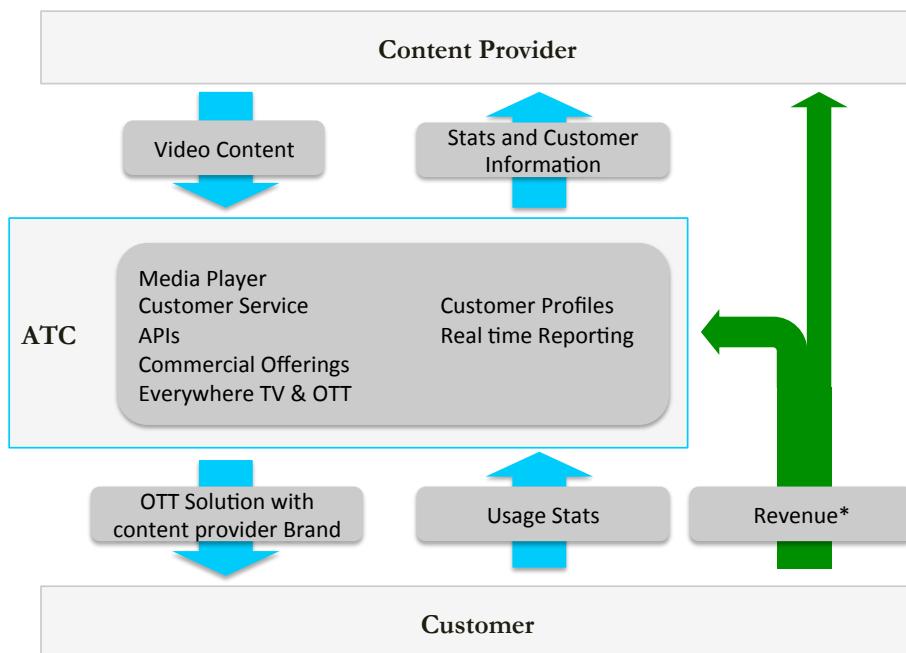
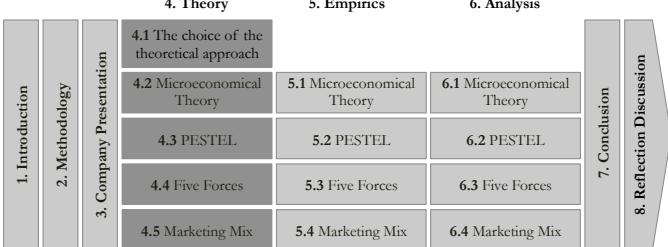


Figure 2 - Business Model Picture for ATC. Service exchange with blue arrows and revenue streams in green arrows. The content is delivered from the content owner (content partner), through ATC's platform the content is delivered to the end user (the customer)

* Revenue are split between ATC and partner, according to contractual agreements between ATC and their partner

4 THEORY

The theory chapter consists of an explanation of the theoretical frameworks that were used in the thesis. Starting by presenting the theory behind product bundling, including theory on bundling out of different perspectives that could influence the reasons for and against bundling. The chapter will then explain the theory of a PESTEL model and the Porters Five Force model. The theory will then present the marketing tool the Marketing Mix.



4.1 The choice of the theoretical approach

As the industry of OTT-video is still young and little knowledge is to be found on where the industry might be heading, the authors felt the need to take a broad approach to the problem of describing, analysing and identifying new business opportunities. The idea is that the microeconomic theory will set the case for when there is a business opportunity to bundle or not. As the microeconomic theory is not perfectly applicable to the case in question, it is supposed to be used as guidance for big picture choices, rather than exact truths. The microeconomic theory section starts with a rudimentary situation, henceforth referred to as the base case, and then tries to take different relevant aspects into account.

To describe the TV-media industry it is examined using the PESTEL model. This model should give insight to what macroeconomic factors that affect the industry and possibly the final product.

For a more in depth description of the industry Porter's Five Forces is used which examines the power structure in the industry. This model analyse the different players that interact on the market. This together with the PESTEL analysis should give insight on how the industry works and what kind of factors that affect the market.

To understand the case of ATC and to identify business opportunities and constraints the Marketing Mix is used. The Marketing Mix is a tool that analyse a product or offering and identifies both opportunities and constraint for that offering. The Marketing Mix will be analysed out of three

perspectives; the customers, ATCs and the video content partners', this because of ATCs specific revenue sharing model. Because of ATCs specific business model they are dependent both on the end user and video content partner as a customer, and therefore both perspectives will be influential when looking at a potential offering.

See Figure 3 for further understanding for the choice of theory.

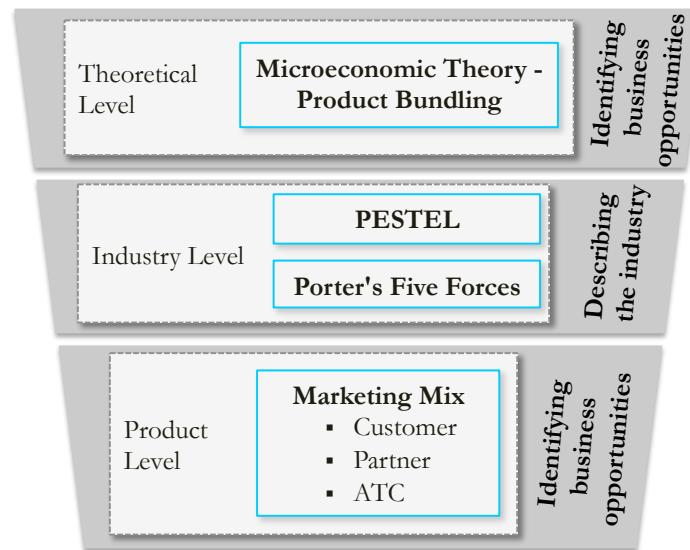


Figure 3 – The theoretical approach

4.2 Microeconomic theory – Product Bundling

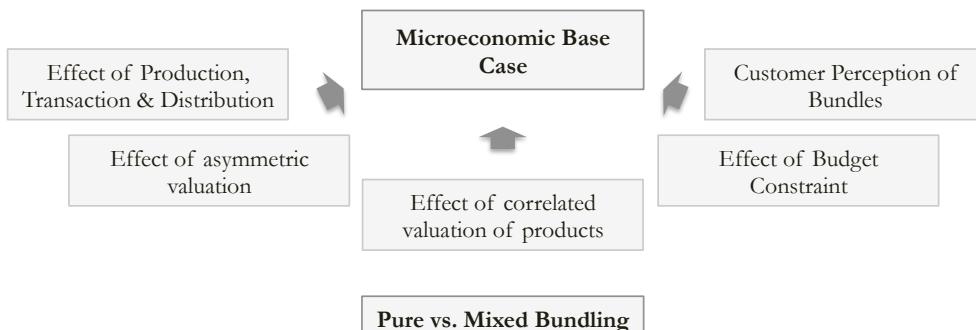


Figure 4 - Microeconomic theory approach

4.2.1 Product Bundle Introduction

According to microeconomic theory, a market is in equilibrium when the price of a product equals its marginal cost, and only then is the company maximising the potential profits that can be made on that particular market. Although not practised in reality, the theory and reality are closely related, and one can be used to demonstrate behaviour in the other. The Internet has raised new questions for economists, since depending on the products, the marginal cost of distributing a product is close to zero, and obviously the price of the products should not be zero. Once the content has been produced, the additional cost of distributing the good to another customer is barely noticeable. Many different pricing strategies to maximise the market profits on digital goods have been proposed, some propose aggregation of goods while others disaggregation. Some specialists speculate that digital goods can be sold extremely disaggregated; instead of buying a whole newspaper, perhaps you only buy one article, which could be profitable since the distribution & transaction cost online could be negligible.³³

On the other side are the people who propose aggregation of goods to maximise profits, bundling of goods. To maximise the profits the company is supposed to bundle all their products and sell them at a reduced cost per product rather than selling them all separately. According to the theory, this can be done for pure digital content without any additional cost for the

³³ Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press August 1, 2000.

company, it will make each customer more profitable since they are buying a larger product, and will therefore be a profit maximising strategy. An example of a product bundle is the Microsoft Office Suite, where if buying Microsoft Word, the only way to buy it is by also purchasing Microsoft Excel, Power Point, Outlook, Silverlight and some other programs. Microsoft can charge a higher price for the bundle than just for the Word program, and the customer gets additional perceived value by the additional programs. The difference in cost for Microsoft to deliver the Office Suite compared to just the Word program is negligible, and thus they are maximising their profits.

There are different types of bundling strategies, pure bundling; where a product is only offered in a bundle, and mixed bundling, where the product may be offered in a bundle as well as by itself. There are issues with bundling, concerning the transaction and production cost, pricing of bundle, the homo- or heterogeneity of the consumer and the perception of the bundle by the customer.³⁴

The key benefit of bundling is that the customer valuation for a group of goods has a probability distribution with lower variance than if the goods would have been sold separately. As bundles grow larger, this variance decreases even more. This makes it easier and more precise to set a price for a bundle, and as the uncertainty of customer valuations is one of the major problems when setting an effective price, bundling the product reduces this uncertainty.³⁵ This enables a better pricing mechanism and is thus a profit maximising strategy.³⁶ Another benefit from bundling is that it reduces the transaction cost, as there is one transaction per bundle and not one per good. This also reduces the cost incurred when offering a lot of different products at different prices.³⁷

³⁴ Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press August 1, 2000.

³⁵ Myerson, Roger. Satterthwaite, Mark. *Efficient Mechanisms for Bilateral Trading*. Journal of Economic Theory 28. Elsevier Inc. 1983.

³⁶ Schmalensee, Richard. *Gaussian demand and commodity bundling*. Journal of Business 57. Elsevier Inc. January 1984.

³⁷ Bakos, Yannis. Brynjolfsson, Erik. *Bundling Information Goods, Pricing, Profits and Efficiency*. Management Science. Volume 45, no 12. Informs. Hanover. December 1999.

4.2.2 The base case

Most microeconomic literature concerns only the multiproduct monopolist and is trying to maximise profits in a microeconomic framework. The base case for bundling is for a monopolist that incurs zero variable cost when adding an additional product, and contains products that are uncorrelated and have similar valuations in the eyes of customers.

The standard microeconomic demand framework is usually represented by a graph, where the x-axis represents quantity sold and the y-axis represents the price. Consider the demand curve for an information good, with considerable fixed costs to produce the first unit, but additional units have low marginal costs, close to zero. At the equilibrium price p , the purchased units will be q , and thus the revenues pq . Introducing c as the marginal cost to produce an additional product. Conventional microeconomic theory suggests that as long as the $p > c$, there are consumers that value the product above its marginal cost but below the price p . The result is that the consumers in question do not get access to the product, which in the figure is represented by the deadweight loss. There are also consumers that would be willing to pay more for the product, but only pay p , represented by the consumer surplus.

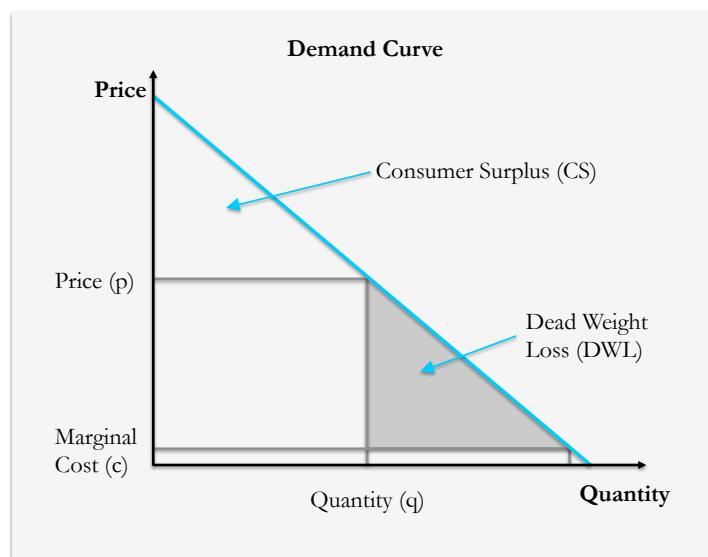


Figure 5 - Demand curve for Information Goods with marginal cost close to zero

In a perfect setting for the company, it would be able to price discriminate to the point that each customer would pay what they would be willing to pay above the marginal cost, this would eliminate both the consumer surplus as

well as the dead weight loss.³⁸ However most companies are not able to perfectly price discriminate, but can eliminate the dead weight loss by setting the price equal to the marginal cost. Since the marginal cost is close to zero, for digital content, it is unlikely that the price in question would generate enough revenues to cover the fixed cost and would thus not be profit maximising.

Bundling could propose a solution to the problem for the multiproduct monopolist, inflicting three major assumptions;

1. The marginal cost of producing additional copies, distributing and transaction cost are zero.
2. Each consumer can either consume the bundle or not
3. For all consumers, the valuation of each individual product are independent identically distributed, with continuous density functions, non-negative, finite mean and finite variance.

Consider two different digital goods both valued between one and zero. Separately the products will produce a demand curve consistent with Figure 5. If the two products were bundled into one, the shape of the demand curve would dramatically change (Figure 6, left figure). The area underneath the curve, representing the total potential surplus would equal the sum of the two separate products, and the maximum and minimum price of the two different products would also equal the sum of the two products. When adding more goods to the bundle, the shape effect will become even more evident (Figure 6, right figure).³⁹

By pricing the large bundle a little bit below the mean value for the profit maximising case in the unbundled case (which was 0.5 per product), five in the bundle containing ten goods, the deadweight will be minimized. That price will enable a large portion of customers to buy the bundle, and profits for the company will be larger then when selling each good separately.⁴⁰

³⁸ Varian, Hal. *Pricing Information Goods. Proceedings of Scholarship in New Information Environment Symposium*, Harvard Law School. May 1995

³⁹ Salinger, Michael. *A graphical Analysis of Bundling*, Journal of Business, Volume 68, No 1. Elsevier Inc. 1995.

⁴⁰ Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press August 1, 2000.

It can be shown that bundling goods is far superior for a company that is profit maximising, where π_B^* represent the maximising profit (for further information regarding a formal proof see the referenced paper).⁴¹

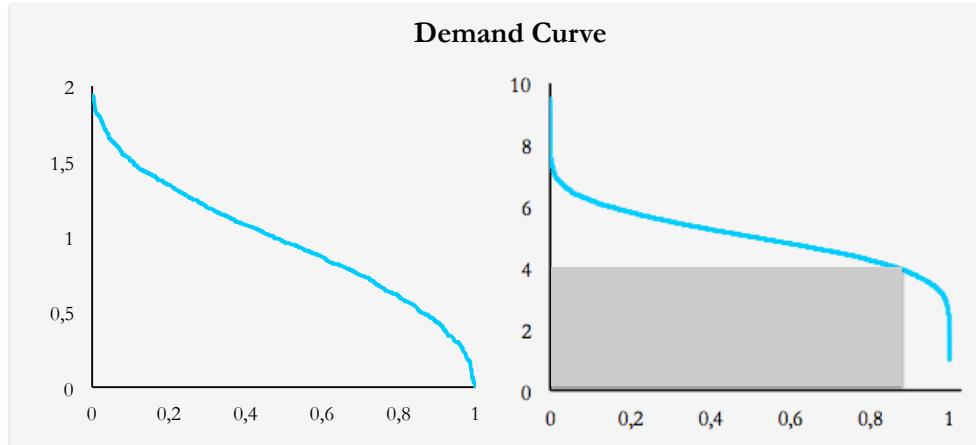


Figure 6 – The change of the demand curve due to bundling. Left figure: Demand curve for a bundle of two products. Right figure: Demand curve for a bundle of ten products, and potential gains in dark grey. Y axis is price and X-axis is quantity

4.2.3 Effect of Production, Transaction and Distribution Costs

The setting in the base case model, with zero variable cost is not completely realistic. When looking at the different variable costs, the focus lie on the production, distribution and transaction costs. The first assumption in the base case is changed accordingly;

- 4. There exists a marginal cost for producing each information good c , and there exists a transaction and distribution cost for each bundle d .

⁴¹ Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press. August 1, 2000.

For sufficiently large bundles, the bundle will be a profit maximising strategy as long as $\pi_B^* \approx \mu - c > \pi_i^*$ where μ is the mean price of each good and π_i^* is the maximised profit that can be made selling the goods individually. Figure 7 below depicts the areas for large bundles where, dependent on distribution and marginal cost, it is profitable to bundle, unbundle or where the product is unprofitable.⁴² Assumption 4 assumes, that the production cost is the same for all products in the bundle, if there are large differences in the production cost the result will not hold. When there are large differences in production cost, the company will want to better price discriminate between the different products, and it would then be profit maximising to sell them separately.⁴³

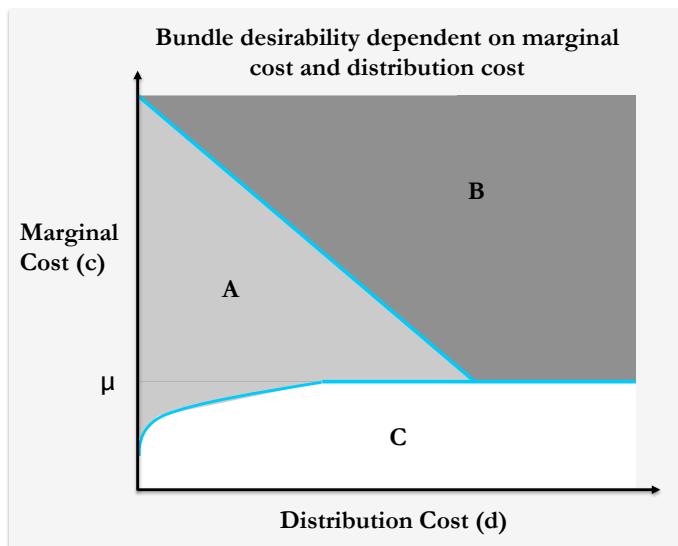


Figure 7 - Bundling desirability for large bundles, depending on marginal cost and distribution cost:
 A = Undesirable to bundle
 B = Undesirable to sell the product
 C = Desirable to bundle

⁴² Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press. August 1, 2000.

⁴³ Fang, Hanming. Norman, Peter. *To bundle or not to bundle*. RAND Journal of Economics. Volume 37, No 4. The Rand Corporation & Wiley-Blackwell Publishing. Hoboken. 2006.

For smaller bundles the desirability of the bundle will more heavily depend on the customer valuation of the product. This as the effect on the demand curve is not as significant for smaller bundles, and the results not as evident or conclusive. Smaller bundles are therefore more difficult to evaluate out of a microeconomic perspective. Depending on the valuation distribution, there is a chance that in a small bundle, a price slightly below the mean of the bundle will not be profit maximising. Which is the major difference from large bundles. There are even instances when it is a profit maximizing strategy to price a small bundle significantly below the mean. It all depends on the valuation distribution of the products within the bundle.⁴⁴

4.2.4 Effect of asymmetric valuation

Asymmetric valuation is when two products are differently valued by customers, resulting in demand curves with very different means π . If there is a good that is highly valued by some customers, it might be unprofitable to include that product in the bundle, as the product might have an additional earning potential on its own. For instance the streaming of live sports and a library of series might have very asymmetric valuation profiles. Where the streaming of live sports has a significantly higher valuation average than the library of series. To exclude the streaming of live sports in the potential bundle might enable the company to extract additional revenues and profits from a pay-per-view version for the sports option. This since the customer base that are interested in sports are willing to pay extra to gain access to the live streaming, which then will outperform a bundle that includes the sports.⁴⁵

4.2.5 Effect of correlated valuation of products

When analysing the base case, an assumption made is that the demand distributions for the products are independently distributed, while most products are not. For a case when there is correlation between products, but the correlation is not linked to an underlying variable, the base case is not affected.

For a case where there is an underlying variable that can be linked to the correlation, the bundle situation is affected. If the company can find those

⁴⁴ Fang, Hanming. Norman, Peter. *To bundle or not to bundle*. RAND Journal of Economics. The Rand Corporation & Wiley-Blackwell Publishing. Hoboken Volume 37, No 4, 2006. .

⁴⁵ Bakos, Yannis. Brynjolfsson, Erik. *Bundling Information Goods, Pricing, Profits and Efficiency*. Management Science. Volume 45, no 12. Informs. Hanover. December, 1999

underlying factors and effectively cater the offering and price towards that customer group, this could be a highly effective price strategy. With bundles that effectively can price discriminate between different customer groups, the company can extract additional value, minimise the consumer surplus and maximise their own profits.⁴⁶

When there is a correlation that can be linked to an underlying factor, the products are usually a complementary or a substitute product, while perhaps not perfect substitute nor complement. The bundling example most used usually consists of complementary goods, and it can be shown that it is profit maximising to bundle complementary goods to some extent.⁴⁷ However if the complementary nature of the products is extremely strong, it might be profitable to unbundle the product, since customers who buy one will automatically buy the other.⁴⁸ As for products that are substitutes, the profitability of bundling or not depends on the monopolistic standing of the company. If the company has a very strong monopolistic standing, and one of the product will function as an anchoring product for the purchase, a bundling strategy might be profitable. As the bundle will add revenues for the company, which otherwise would have been lost due to the substitute nature of the product.⁴⁹ If the monopolistic standing is weaker, or if the anchoring product isn't strong enough, the loss of customers might be larger than the additional value received from the higher price. In those cases the bundling strategy might discourage enough customers and the company might be better off selling the products separately,⁵⁰ or at a highly discounted price⁵¹.

⁴⁶ Bakos, Yannis. Brynjolfsson, Erik. *Bundling Information Goods, Pricing, Profits and Efficiency*. Management Science. Volume 45, no 12. Informs. Hanover. December, 1999

⁴⁷ Vetrkatech, R Kamakrue. Wagner. *Optimal Bundling and Pricing under a Monopoly: Contrasting Complementary and Substitutes from Independently Valued Products*. Journal of Business. Volume 76, no 2. Elsevier Inc. 2003.

⁴⁸ Lewbel, Arthur. *Bundling of Substitutes or Complements*. International Journal of Industrial Organization. Volume 3, No 1. Elsevier Inc. 1985.

⁴⁹ Ibid

⁵⁰ Vetrkatech, R Kamakrue. Wagner. *Optimal Bundling and Pricing under a Monopoly: Contrasting Complementary and Substitutes from Independently Valued Products*. Journal of Business. Volume 76, no 2. Elsevier Inc. 2003.

⁵¹ Armstrong, Gary. *Bundling Revisited: Substitute Products and Inter-Firm Discounts*. University of Oxford, Department of Economics Discussion Paper Series. October 2011. ISSN: 1471-0498

4.2.6 Effect of budget constraints

If there is a budget constraint for consumers, the bundle price will be affected. If the customer has a specific budget available to spend on goods in the category, this will enable an even more precise bundle price, as there is an added limit. In other words, a specific budget constraint should enable a company to price a bundle even more effectively and lead to higher profits. This is especially interesting if there exists a marginal cost associated with adding an additional product, as the bundle will naturally have a size limit. This size limit will be set by the production cost and the budget constraint as every extra-added product will have an affect on the profit of each bundle.⁵²

4.2.7 Customer perception of a bundle

Studies have been made on the customer evaluation of bundles compared to selling the products separately. The main finding was that bundles always receive worse customer evaluations than the same product would, if it had been sold separately. In general; similar or complementary product with similar pricing and features received better customer evaluations than unrelated products or products perceived differently by customers.

There were some specific factors that affected the customer evaluation; if the bundle consisted of luxury products, the customer evaluation was worse than when the bundle consisted of budget products. Even worse customer evaluations were received if the bundle contained one luxury and one budget product. Especially when the luxury product was the anchoring product. The perception of the luxury product was changed for the worse, as it was perceived as less luxurious. This perception stuck to the product even as the luxury product was sold as a single item.

Another factor that affected the customer evaluation was if the products were complementary. Whenever there was a complement to the anchoring product the customer evaluations were significantly better.⁵³

4.2.8 Pure vs. Mixed bundling

A solution often discussed in literature to maximizing profits is a mixed bundle alternative, an alternative where the customer can both buy the

⁵² Bakos, Yannis. Brynjolfsson, Erik. *Bundling Information Goods, Pricing, Profits and Efficiency*. Management Science. Volume 45, no 12. Informs. Hanover. December 1999.

⁵³ Knutsson, Erika *The Influence of Bundling on Customer Evaluations*. Umeå School of Business, Umeå Universitet. 2007.

products as a part of a bundle and separately. In theory, for monopolists a pure bundle strategy is in many cases profit maximising, however this might not be the case in reality. A mixed bundle enables the company to capture the different valuations that the consumers might have of the different products in a better way. A mixed strategy will cater towards a wider audience and have the potential to catch more customers since it is easier to find an offer inline with your specific preferences.⁵⁵

A case where a mixed strategy might be suitable is when the marginal cost is significant, because then a company will pay a significant cost for a piece of the bundled which might not be valued in the same way by the consumer.

A third case where the mixed strategy might be a profit-maximizing alternative is when the number of products offered in the bundle is low. This due to the law of large numbers, which is one of the main reasons for bundling, only applies to large numbers. The benefits of bundling will be less evident if the number of products bundled is small. When the number of bundled products is small, the cost incurred by offering them in a mixed strategy will also be significantly smaller, and affordable to administrate.⁵⁶

Mixed bundling is also the prevailing strategy when the company's monopolistic standing is weak. If there are substitute products, or other competition to the products, the company will be forced to use a mixed strategy, otherwise customers will choose the substitute products. The mixed strategy is then a way of adapting to the market conditions.⁵⁷

⁵⁵ Bakos, Yannis. Brynjolfsson, Erik. *Aggregation and Disaggregation of Information Goods: Implications for Bundling, Site Licensing and Micropayment Systems*. Proceedings of Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property. MIT Press. August 1, 2000.

⁵⁶ Ibid

⁵⁷ Adams, William. Yellen, Janet. *Commodity Bundling and the Burden of Monopoly*. The Quarterly Journal of Economics. Volume 90, No 3. MIT Press. August 1976.

4.3 PESTEL^{58,59,60}

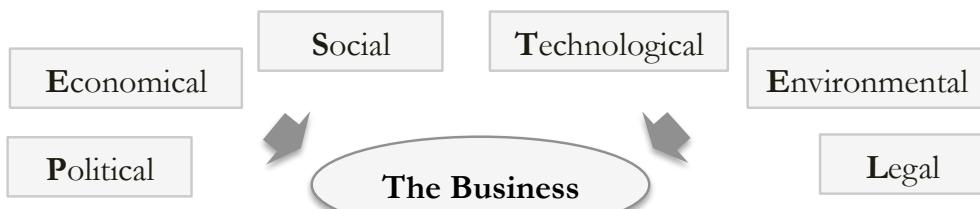


Figure 8 - The PESTEL framework

The PESTEL framework is used when performing a market analysis, the framework focuses on the macro-environmental factors that can affect the business environment. PESTEL is an acronym for Political, Economical, Social, Technological, Environmental and Legal. Changes in the macro environment can cause both opportunities as well as threats for a business. To identify big picture factors in advance can give the business an opportunity to tweak business plans and have a more prepared approach to these potential changes. To have a clear view of the surrounding big picture movements is a form of risk control. It can also enable the business to identify where a market is heading and therefore gain a first movers advantage compared to competitors. The tool is a way of breaking free from unconscious assumptions that has been made concerning the market. By

⁵⁸ Johnson, Gary. Scholes, Kevan. Whittington, Richard. *Fundamentals of Strategy*. 2nd Edition. Essex. Pearson Education. 2012.

⁵⁹ Pestel Analysys. *PESTEL Analysis*, <http://pestel-analysis.com>.

Political Pestel Analysis Tool. <http://pestel-analysis.com/content/political-pestel-analysis-tool>.

Economic Pestel Analysis Tool. <http://pestel-analysis.com/content/economic-pestel-analysis-tool>.

Social Pestel Analysis Tool. <http://pestel-analysis.com/content/social-pestel-analysis-tool>.

Technical Pestel Analysis Tool. <http://pestel-analysis.com/content/technical-pestel-analysis-tool>.

Environmental Pestel Analysis Tool. <http://pestel-analysis.com/content/environmental-pestel-analysis-tool>.

Legal Pestel Analysis Tool. <http://pestel-analysis.com/content/legal-pestel-analysis-tool>.
Viewed: 17-04-2013

⁶⁰ MindTools. *Pest Analysis*. http://www.mindtools.com/pages/article/newTMC_09.htm
Viewed: 17-04-2013

applying the PESTEL tool an objective view of the market can be acquired, that could, if correctly performed identify those underlying assumptions.

In a macro environment, there is an endless supply of factors that could potentially affect the business environment. The PESTEL tool is therefore not meant to be an exhaustive analysis of all macro-environmental factors, the tool is supposed to highlight factors that could have a relevant effect on the business.

4.3.1 Political

The political category is generally about identifying political stability and structure that can affect the business situation. Local or governmental policies might have a large impact on any business situation and a shift in power from right to left might make a profitable business unprofitable or the other way around. It is important to try to identify large political trends, which could include to what extent the government involves itself in the economy. If the country has a very unstable political climate could be relevant for a company trying to invest as laws and regulations might change instantly with the political power.

Other factors that could affect the business environment include tax policies, labour law, trade restrictions and bureaucracy. The government and political system also have influence over the education system and infrastructure of a country or region, which could be relevant for some ideas and companies. Social and employment regulations could affect how easy it is to hire and fire people in the country. For some countries the level of corruption could be relevant, as it might be impossible to conduct business in the country without paying people off. All in all anything political that could affect the business environment is supposed to be highlighted in this section.

4.3.2 Economical

The economical aspect highlights economical outlook and situation for the region, which includes growth rates and interest rates. The economical aspect also includes where the region is in a business cycle, labour costs and impact of globalization. An important discussion is the economical future of the region, whereas a country with a potentially poor economic future might not be an ideal place to invest. Also potentially important is how economically stable a country is or not, as the business cycles might be more volatile in an economically unstable country. Another important factor could be the cost and access to capital in a region, as access to capital might be crucial for some businesses.

Another economical factor is the exchange rate in the region, how they will develop over the coming years, how they will interact, and what their main influences are. Foreign trade is important for smaller countries since it is one of the major factors for growth, inflation and the exchange rates. For a trade-dependent country it will be relevant to see how the economic outlook is for the largest trade partners, as they will heavily affect the domestic economy.

4.3.3 Social

A good understanding of the underlying social factors in the region will enable the business to better cater the product and offering towards the customers and also to better communicate the offer.

Interesting factors to better understand the population could be age distribution, health consciousness and growth rate of the population. Softer aspects that effectively change the business situation are religion, education levels and attitudes towards changes. Culture might be an important part that could affect the business potential, and paradigm of the region. It is important to try to identify potential faux-pas in the region, as it might be hard or impossible to recover from doing one.

Some of the social factors might be difficult to investigate and measure, but they could have a large effect on the business potential. A region with an underlying conservative culture might not be as prone to adopt a new product as a region with an underlying liberal culture.

4.3.4 Technological

The technological aspects cover emerging technologies that could affect the business. These emerging technologies are supposed to be macro changes in the technological landscape and not potential competitive rivalry. This could include on-going university research or emerging technology transfers from other regions of the world.

Also included in the section are trends that can be seen within technology, such as faster computer, larger or smaller screens etc. Technological aspect could also include the regions technological awareness and level of adaptation to technology. A region that uses all the latest technology might be a better place to try something high-tech than a region with low technical awareness. A low level of technical awareness can be an opportunity as a simple gadget could be considered more advanced in that part than it would elsewhere. If a region has access to Internet or electricity could also influence the demand for a technical products. The level of technical

advancement could also be a sign of where the country might be in Maslow's hierarchy of needs.

4.3.5 Environmental

Environmental aspect has become a relevant issue in recent literature, and is becoming increasingly important for companies. As global warming has become more and more discussed, the environmental issues have become more relevant and affect peoples choices in a stronger way.

This aspect can include the company's effect on the climate, climate change and weather. This category could also include aspects such as peoples awareness of the environmental effect a product might have as well as attitudes towards the environmental effect.

The climate could also be relevant, as some ideas are better suited for cold or warm climates. A rain season in the region might affect some potential business ideas.

Environmental awareness is also becoming increasingly for companies as corporate social responsibility is affecting business overall performance. Consumers are increasingly aware of businesses profile and how they are affecting its immediate surroundings.

4.3.6 Legal

The legal system and to what extent that the laws are upheld, might gravely affect the business situation. A country with weak property rights might be difficult to invest in, as that investment might be taken away from you. How the laws are practiced are also an important aspect, if for instance civil lawsuits involving large sums of money is common on the market, might be relevant.

Other legal issues that could affect the business situation are consumer law, employment law and copyright law. These factors will affect how freely the company can operate in the region.

Another aspect is if the region involves many different countries, and how the company has to navigate within different legal systems and laws. It can be crucial to have a wide knowledge of the restrictions and laws specific to the region and the business in question; otherwise one might get into legal problems, which is undesirable.

4.4 Porter's Five Forces^{61,62}

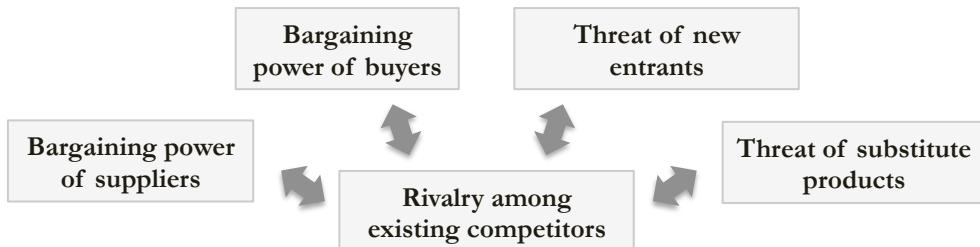


Figure 9 – A graphical interpretation of Porter's Five Forces

Porter's Five Forces is a model created to analyse the industry that a company operates within. It was developed by Michael E. Porter who realized that the nature of competition within an industry goes beyond the rivalry amongst competitors. Before him, managers looked at the competition in a one-dimensional way, focusing only on their direct competitors. Porter realized that there are four other parameters that need examination before one can get a complete view of an industry. None of the factors are constant, they need to be examined and re-evaluated from time to time to make sure that one's industry outlook is valid.

4.4.1 Bargaining power of suppliers

Every company has suppliers and the power dynamic between the company and its suppliers differs and from situation to situation. A few examples of the factors that decide the power dynamic between the supplier and the buyer are:

Number of suppliers vs. buyers: Many suppliers in relation to the number of buyers will give the power to the buyers. The rule of scarcity applies.

Uniqueness of supplier and offering: If the product, raw material or sub-component is unique, the buyers will have to adhere to the will of the supplier to keep their distribution going.

Switching costs: If it is costly for a buyer to switch suppliers they will be willing to accept worse terms and higher prices to stay with the same supplier. The power will lie with the party with the lowest switching costs.

⁶¹ Armstrong, Gary. Kotler, Philip. Harker, Michael. Brennan Ross. *Marketing: An Introduction*. 8th Edition. Harlow. Person Education. 2009.

⁶² MindTools. *Porter's Five Forces*.

http://www.mindtools.com/pages/article/newTMC_08.htm. Viewed: 26-04-2013

Customer power: The end-users power can play a role in this dynamic. Sometimes the end-user will demand certain qualities, which forces buyers to choose certain suppliers. An example of this can be customers demanding organic food, since it forces distributors to buy these products even though they may be more costly or harder to find.

Threat of backward or forward integration: The power dynamic in the distribution chain is dependent on the strength between the two parties and the possibility of either side vertically integrating and taking over the others position. It can be a producing company with strong finances that buys their distributors (forward integration), or a manufacturing company who buys the company that supplies them with raw materials or sub-components (backwards integration). Either possibility changes the relationship between the two significantly.

4.4.2 Bargaining power of buyers

The buyer power is similar in nature to the power dynamic between a company and its suppliers.

Buyers are powerful if: If there are few buyers who buy a significant portion of the market output, they will be able to control the price. The defence industry works in this way, where there are multiple suppliers but purchasing is centralized to powerful governments who dictate the price. Another example is when there is one buyer who buys a large portion of the total market output. An example of this is Wal-Mart who controls the sales for many products. Even though there are many competitors, Wal-Mart buys a substantial part of the products and therefore has a very large impact over the industry.

Buyer are weak if: If there are many buyers who are fragmented, the buyers won't be able to impact price and conditions of the product which makes them weaker. The producer will then be able to play out the different buyers and dictate the price. The buyers will also be in a weak position if the producers supply a crucial component to the final product. An example of this is Intel for PC manufacturers, an Intel processor is something that the customer value and therefore the purchasing department at the PC manufacturer will have a weak negotiating position. Another example when the buyer is in a weak position is when there is a threat of backward or forward integration.

4.4.3 Threat of new entrants

A company can't only focus on its existing competitors. If an industry is profitable and expanding, it will attract the interest of new entrants. And if

the barriers to entry are low, there will always be a possibility of new competitors coming with new ideas. If there is fierce competition with strong players they can lower the price temporarily to starve out or scare away new entrants. Other barriers to entry can be harder to break through and more regulated, like the ones created by governments. Industries like utilities, water supply as an example, are usually controlled by governmentally created agencies. Patents are other strong barriers to entry that can protect a company from new entrants. Sometimes there are asset specific barriers; like in the energy industry access to large oil reserves is a barrier to entry that stops new entrants from being able to compete. Large initial investments in general are a strong barrier.

4.4.4 Threat of substitute products

A company has to keep a watchful eye to what is going on outside of its immediate competition as well. Sometimes the biggest competition comes from completely unrelated companies or products, but that serves the same customer need. As an example, water could be considered a substitute to Coca Cola while Pepsi would be a competitor. Water is not a direct competitor in the soft drinks market, but it does quench the thirst. Substitute products put limits on how high industry prices can go. For instance if the price of Coca Cola would double, a lot of people would probably go to the more affordable substitute that is water.

4.4.5 Rivalry amongst existing competitors

The intensity of the competitive rivalry is important to analyse. Factors that increase the intensity of competitive rivalry are amongst others; a large number of firms, slow market growth, high fixed costs, low switching costs, low levels of product differentiation and high exit barriers. Slow market growth will force the existing companies to steal market shares for growth because the industry can't allow all of them to grow organically. Competition is usually one of the major forces in a market and it is therefore important to have a clear view of it.

The distribution of electronic goods in Sweden is a good example of how the intense rivalry within an industry can wipe out previously successful companies in a short time. Both distributors OnOff and Expert went into

bankruptcy after the intense competitive rivalry had made them both unprofitable and insolvent.⁶³

4.5 Marketing Mix^{64,65}



Figure 10 - The Marketing Mix, the 4Ps

Marketing is all about creating a product that the target group wants, placing it somewhere those people regularly go. Then the product will have to be priced at the same level as the potential customer will value it, and doing so at the right time. To create a winning offer, all these things have to be in place. To help analyse these aspects there are a lot of different tools, and one of them is the Marketing Mix and particularly the 4Ps. The Marketing Mix analyses the offer out of four different perspectives; Product, Price, Place and Promotion. The idea with the marketing mix is to analyse the offering out of the different perspective and find the confluence area, described in the picture below.

When using the Marketing Mix, it's all about gaining insight about the different categories. A common way of using the marketing mix is to ask "why" and "what if" questions to different stakeholder. One of the goals of

⁶³ Olsson, Tobias. *Elektronikkedjan Expert I Konkurs*. SvD Näringsliv. September 18, 2012. http://www.svd.se/naringsliv/branscher/handel-och-tjanster/elektronikkedjan-expert-i-konkurs_7510734.svd. Viewed: 05-03-2013

⁶⁴ Armstrong, Gary. Kotler, Philip. Harker, Michael. Brennan Ross. *Marketing: An Introduction*. 8th Edition. Harlow. Person Education. 2009.

⁶⁵ Mindtools, The Marketing Mix and 4 Ps, http://www.mindtools.com/pages/article/newSTR_94.htm, Viewed: 16-04-2013

the Marketing Mix is to find possible constraints in each category, which could be revealed by the “why” and “what if” questions.

4.5.1 Product

The first part of the Marketing Mix involves the company’s offering, the term product is used, but the product could just as well be a service. The analysis of the product starts by distinguishing the customer need that the company is trying to satisfy. The product should meet the functionality and features that the market is demanding. A way of understanding if the features fit the target customer is to investigate how and where the customer will use it. This can give insight around features that could be relevant, that haven’t been considered. How is the product differentiated from its’ competitors? What are its’ key features and key selling points? How are those features displayed? A potential issue is that the designers or creators of the product include features that the customer might not use and especially when those features are costly, is a waste of resources.

When conducting a Marketing Mix analysis it is important to get the perspective of the customer, but also to get a technical and design perspective. This will give insight around the ideal product but also form a picture of the physical-, technical-, production- and other possible constraints. Once all the different perspectives have been collected, only then can changes be proposed and a product more catered to the target audience can be offered.

Some products might be pure commodities and differentiation might be unnecessary or impossible. In those cases more emphasis should be put on the pricing, place and promotion of the product, since they will probably hold the key for a successful offering.

4.5.2 Price

The pricing of an offer is important, most people are aware that the price is linked to the demand of the product but there are many more factors to include. It is important that the pricing is coherent with the image of the product. If it is a luxury product it could even turn away customers if it is priced too low. How are the competitor priced? In some environments, a company may need to be a price taker, meaning that they have to accept that the market is expecting a certain price. Markets where a company has to be a price taker are sometimes identified by the fact that the product might be difficult to differentiate. If the customer does not identify the added value, a higher price compared to competitors will not be a successful strategy.

There are many pricing strategies a company can adopt, some include choosing a lower price to starve out competitors, or giving discounts for high volume purchases or bundle-offers. It is important to keep in mind the price sensitivity of the customers and the activity in the market when choosing a price for a product. If they are very price sensitive, the pricing becomes even more crucial, while for a less price sensitive target group the pricing will be less relevant and more focus should be put on the product, promotion and place instead.

Included in the pricing strategy is if the product should be sold at a discount at times. While this might be an initial boost in sales, it might also imply that the value of the product is lower than the initial price. A discounted price in the beginning will increase the trialability and the spread of the product.

4.5.3 Place

The element Place brings up the distribution for discussion. Depending on the product and the customer, the optimal form of distribution will vary. The key is to find out where the customers want to use and purchase the product. Only then can the company effectively tailor the place to meet the customer in an effective way. Depending on the product, it might be successfully sold through online channels only, while other products might need to be placed in prime locations in supermarkets.

Depending on the place there are some implication on how the sales needs to be done. Perhaps the product needs to be sold by a sales force as some features of the product may have to be explained to accentuate the benefits. A company should always benchmark with their competitors to learn from their placing.

Sometimes the overall place is the important question, to sell it at a supermarket or online? However sometimes the place within the place might be even more important. For a brand of cereals the obvious place is a supermarket, but for the brand to get a prime location in those supermarkets can be crucial for their sales.

4.5.4 Promotion

How to promote the product can also affect the offerings success or failure. It is important to identify when and where it is effective to get across to the target audience. The keyword word here is effectively, promotion of products have become increasingly difficult since consumers are overwhelmed with commercials. It is only the start to identify when and where to promote the offering, and then the question of how has to be

answered. How is your offering going to break through the marketing clutter? How are your competitors doing it and how can you do it better and more effectively? A problem is that the ROI on marketing is extremely difficult to identify and therefore the effectiveness of the marketing is equally difficult to identify. Therefore the promotion category will be a more speculative exercise, but extremely important.

Effective communication is all about knowing your target audience. Are there particular features of the product that the target audience will like, and should those features therefore be enhanced? Are there timing issues regarding how that particular product should be promoted. Perhaps the product in question is consumed in the afternoon and therefore the promotion should be accessible to the consumer in their afternoon routine and so on.

4.6 Summary of Theory

The microeconomic theory will identify when there is a business opportunity to bundle or not. The PESTEL and Porter's Five Forces will describe and identify the power structure of the industry. The Marketing Mix, out of the three perspectives will identify business opportunities for a technical provider of an OTT solution.

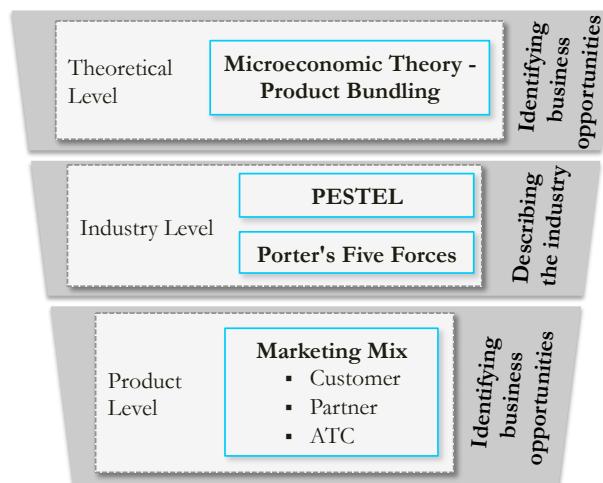
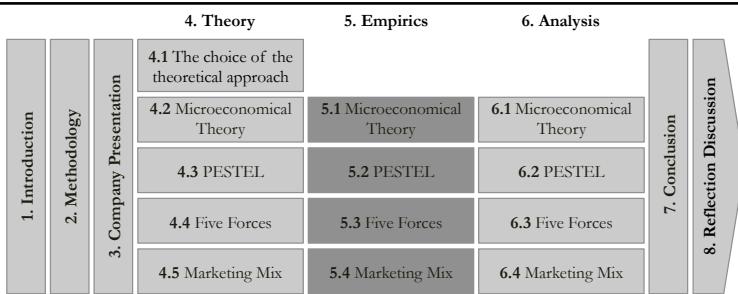


Figure 11 – The theoretical framework

5 EMPIRICS

The chapter will present the data collected, to be able to analyse according to the different theories. This will be data

from industry reports, interviews from stakeholders, internal documents and data from a survey of potential customers.



5.1 Microeconomic Theory

5.1.1 The Base case

As discussed earlier ATC is both a B2B company, as they are delivering a service to the content owner as well as a B2C company as they are receiving their revenues directly from the end user. The B2B side is disregarded since other companies can offer a similar service and the B2C part of the business is the interesting part in this section. The assumption that ATC is a multiproduct monopolist is not completely accurate. They have a weak monopolistic standing if only looking at OTT-video. ATC and their partner usually have exclusive rights to distribute the content, but it is only exclusive on certain platforms. The content can often be accessed through other platforms like Pay-TV, or even illegally on the same platform through piracy. There could also be other OTT-video providers who are offering content that is a direct substitute, which weakens the monopolistic standing further.

In the base case the marginal cost when adding an additional partner should be zero. This is both true and false in the case of ATC. If a content owner is already a partner, it does not cost ATC anything to include them in a bundle. But from the end-users standpoint, an added partner will mean access to more content which does have an increased marginal cost, as the partners incur a cost associated with the rights distribution. The content owner will require payment for the number of users that have access to their content, and therefore there is a marginal cost. Sometimes the contracts are written as to be able to distribute the content to a specific number for instance 100

000 people and it is only when they exceed that number of users that an additional cost is incurred.

Another assumption in this theory is that a customer is restricted to only buying the bundle, or not buying at all. This is incorrect, ATC will offer each partner individually and the bundle is a means to create a more complete service.

5.1.2 Effect of Production, Transaction and Distribution Costs

There are two different cases when bundling partners for ATC, one is when the partners in question already use ATC as their technical partner and the other case is when the partner is new to ATC.

For the new partner the cost will be significantly higher as there are development costs, transcoding costs for the added video content as well as additional start up costs. For a bundle proposition we assume that the potential partners already uses ATC as their technical partner, which means that these cost have already been incurred.

From ATCs perspective the cost incurred when adding an additional partner to an existing customer is the bandwidth cost, this is however directly billed to the partner. There will be a cost associated with the customer service, that could go both up or down when adding a partner.⁶⁶

For the joint product, there will be an added cost for the partner as they are sharing their content library, and have to pay the owner of the content to be able to do so. There are different ways of paying the owner, sometimes a cent-per-user model is used, and other times a flat fee per a specific amount of people say 100 000 people is used.⁶⁷ Depending on the model negotiated, the marginal cost when adding a partner in a bundle will differ.

The transaction cost for the combined product will be close to zero as the customers are already register and will be upgraded to the bundle, by a click of the mouse.

5.1.3 Effect of asymmetric valuation

There exists a wide range of different content providers in the market, and therefore a wide range of different content with valuation differences. The

⁶⁶ Baggström, Karin. Chief Financial Officer. ATC. Interview: 27-03-2013

⁶⁷ Thorbeck, Ragnhild. Senior Vice President of Acquisition. DAKO. Interview: 26-04-2013

market has content providers that provide their content from free and content providers that charge a fee to gain access. It is therefore reasonable to assume that the market consist of quite asymmetric valuation profiles for different content. One of the identifying factors for the asymmetric valuation is the pay per view that exists within Pay-Tv. A lot of the different providers have packages that customers can buy to gain access to some TV channels, but the customer will still have to buy special content on a pay per view basis.

Another identifying factor for the asymmetric valuation is the different pricing that exists on the video rental and buying scene. Newer movies have a higher price than older movies do.

5.1.4 Effect of correlated valuation of products

The correlation, which has been calculated from the survey answers, is for the whole surveyed group quite low and there are no correlations above 0.4 (See Appendix: Correlation figures, General correlation). To gain more insight on the correlation between the different producers, the correlation matrix was calculated for people that had a higher than average willingness to pay. The correlation numbers were then significantly higher, for all different bundle sizes. The cut-off for display is a correlation above 0.35, it was chosen arbitrarily (for the full correlation matrices see Appendix: Correlation figures, figure 26-28). However the result displayed is supposed to give insight around if there are underlying factors that can be identified that correlate some producers, such as premium content or sports. The result is not supposed to be used as facts around which exact producers that should be bundled, as the group of people questioned was too small to draw definitive conclusions.

	HBO	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo	E-Channel	History
HBO		0,56	0,45	0,44	0,43	0,38		0,45			
Showtime	0,56					0,42					
CBS	0,45				0,42						
ABC	0,44		0,42								0,39
USA	0,43	0,42									
AMC	0,38						0,43				
Eurosport						0,43					
ESPN	0,45										0,35
Bravo									0,37		
E-Channel			0,39					0,37			
History							0,35				

Figure 12 - Correlation where the customers willingness to pay is above average for a bundle of two producers, only the correlation numbers above 0,35 are displayed

	HBO	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo	E-Channel
HBO		0,51	0,38		0,39	0,35		0,39		
Showtime	0,51									
CBS	0,38									
ABC				0,37						0,37
USA	0,39		0,37							
AMC	0,35					0,38				
Eurosport					0,38					
ESPN	0,39									
Bravo									0,39	
E-Channel			0,37					0,39		

Figure 13 - Correlation where the customers willingness to pay is above average for a bundle of three producers, only the correlation numbers above 0,35 are displayed

	HBO	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN
HBO		0,50	0,38	0,40	0,40			0,42
Showtime	0,50							
CBS	0,38			0,36				
ABC	0,40		0,36					
USA	0,40							
AMC						0,47		
Eurosport					0,47			
ESPN	0,42							

Figure 14 - Correlation where the customers willingness to pay is above average for a bundle of four producers, only the correlation numbers above 0,35 are displayed

5.1.5 Effect of budget constraints

The OTT-video market is still in development and the budget constraints of today may change and is not well tested. Therefore to try to infer some sort of budget constraint some different benchmark will be used.

If the highest price available is seen as a budget constraint, then the Pay-tv market in Sweden has a constraint at 465 SEK/month, which is the biggest package available from Viasat.⁶⁸

Another benchmark that can be used is to look at what people are paying for a similar service online, as the budget constraint online seems to be smaller than the ones offline. For instance full access subscription to Spotify, a music streaming service, gives almost full access to the world's music library at a cost of 99 SEK/month.⁶⁹

Looking at the video streaming services, the prices differ from 79-129 SEK/Month, if the sport packages are excluded. While the catalogues in the different OTT-video solutions differs quite significantly, one could speculate that there seems to exist some sort of upper limit constraint around 129 SEK/Month, since none of the competitors exceeds that price.

5.1.6 Customer perception of a bundle

The theory is clear that the perception of a bundle will change significantly depending on the products that are included in the bundle and the customer perceptions of the individual products. In the case of ATC the products are the potential partners they can bundle together. Today they only have two partners, DAKO and ECHOTv. DAKO is considered a premium brand, they produce series that are narrow and caters towards a specific target audience. They consider their audience to demand more sex and violence from them than they would competitors. A DAKO typical series has a very high production value and a plot sounds very narrow. An example of this is a series about a mafia boss who goes to therapy. Not a typical everyday show, but one that DAKO identify themselves with. They have identified that these types of shows creates large fan bases and a willingness to pay.⁷⁰

According to the theory DAKO should be partnered with companies with a similar profile. And since it is considered a premium brand, it should be extra mindful of who they bundle with.

ECHOTv had the rights for the premium ice hockey in Finland, but have lost those rights and are now in a process of redefining themselves. Therefore it is difficult to define the customer perception of ECHOTv at this point.

⁶⁸ Viasat. *Parabol – För dig som vill bli kund*. <http://www.viasat.se/utbud/kanalpaket-best%C3%A4ll> Viewed: 27-02-2013

⁶⁹ Spotify. *How's Premium Sounding for You*. 2013. <https://www.spotify.com/se/> Viewed: 05-03-2013

⁷⁰ Thorbech, Ragnhild. Senior Vice President of Aquisition. DAKO. Interview: 26-04-2013

As for unrelated products, products that are not video streaming services, the customer might not appreciate the bundle idea as they will not see the connection to the original DAKO product. If the unrelated product might have some sort of complementary nature, the customer might find the bundle as value adding and therefore desirable.

5.1.7 Pure vs. Mixed bundling

ATC will offer the different producers both separately and as a bundle, a mixed strategy. The bundle is an additional offer to further satisfy the customers, and there are some reasons for the use of this mixed strategy.

There are differences in how much people spend on the media consumption, people have different preferences in the programming they choose to watch. This could infer that there are differences in valuation between different channel packages and potential bundling partners. This would mean that a mixed bundling strategy would be preferable.

ATC is in some sort of monopolistic standing, but it is weak, and there exists many substitute products such as other OTT-video, piracy and regular TV. Therefore a mixed bundling strategy would be the most profit maximising.

Because of the revenue sharing model, for the bundle product there will be marginal cost associated with adding an additional product to the bundle. Combining this with the budget constraint for media consumption, the number of producers possible in a bundle isn't that large. Since a large bundle isn't possible, a mixed strategy should then be preferable.

5.2 PESTEL

5.2.1 Political

While the overall tax pressure is high, the NDSF countries are still considered to have business friendly environments, especially Denmark.⁷¹ The NDSF countries' have similar political climates; all countries operate on a social welfare system, while trying to balance that with free market model. Depending on which party is in power in the countries respectively, the business climate alters somewhat. Sweden, Denmark and Finland are active partners in the European Union. Norway is not a part of the European

⁷¹ Miller, Terry. Holmes, Kim. Feuler, Edwin. *2013 Index of Economical Freedom*, Heritage Foundation & Wall Street Journal, 2013

Union, but is closely associated to the union through the European Economic Area as a member of the European Free Trade Association. Finland, Sweden and Denmark's government are all currently showing interest in improving their entrepreneurship infrastructure.⁷²

The region is considered politically stable and is one of the financially best performing regions in the European Union.⁷³

5.2.2 Economical

The NDSF countries are all wealthy countries, where GDP/capita is above the European average, and therefore significantly about worldwide average. Norway is an outlier with GPD/capita substantially higher than in the other NDSF countries.⁷⁴

Sweden and Norway have their own floating currencies, Finland uses the Euro and Denmark has their own currency, but that currency is pegged to the Euro.⁷⁵

As for most other European countries the growth has been quite slow in 2012, Sweden +1.4%, Norway + 2.1%, Denmark -0.6% and Finland - 1.5%.⁷⁶ The unemployment rates are; Sweden 6.6%, Norway 3.5%, Denmark 4.4% and Finland 7.6%. The gross national debt levels in the countries are low compared to the rest of the European Union and spans from 33% to 56%.⁷⁷

The economic outlooks for the countries are mostly positive compared to its' European neighbours, because of generally healthy fiscal policies and

⁷² Wooldridge, Adrian. *Special Report: The Nordic Countries: The Northern Lights*. The Economist. February 2nd, 2013.

⁷³ Börjesson, Erik. *Market Presentation Lloyds*. May, 2012.

http://www.lloyds.com/~/media/Files/The%20Market/Tools%20and%20resources/New%20Market%20Intelligence/Market%20Presentations/Europe/nor_mi_2012_05_05_Market%20Presentation.pdfLloyds. Viewed: 16-05-2013

⁷⁴ The World Bank Group. *GDP per capita (current US\$)*. 2008-2012

<http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>. Viewed: 14-02-2013

⁷⁵ Wikipedia. *Dansih Krone*. March 23, 2013. http://en.wikipedia.org/wiki/Danish_krone, Viewed: 16-05-2013

⁷⁶ Trading Economics. *GDP Annual Growth Rate, Country List*.

<http://www.tradingeconomics.com/country-list/gdp-annual-growth-rate>. Viewed: 16-04-2013

⁷⁷ Börjesson, Erik. *Market Presentation Lloyds*. May, 2012.

http://www.lloyds.com/~/media/Files/The%20Market/Tools%20and%20resources/New%20Market%20Intelligence/Market%20Presentations/Europe/nor_mi_2012_05_05_Market%20Presentation.pdfLloyds. Viewed: 16-05-2013

functioning economies. However all countries are heavily exposed to the European Debt Crisis, as most trade is done with countries within the European Union.⁷⁸

5.2.3 Social

The whole region is a highly educated region, where free school systems are dominant. The NDSF region is known for having an open mind when introduced to new products and ideas. The region's inhabitants are early adopter of new technologies and have for some time been considered one of the best regions for launching and testing Internet ideas.⁷⁹

There are differences in the social behaviour in video media consumption between the countries in the region. Norway is one of the countries in the world with the highest rate of Pay-Tv consumers, while people in the other countries do not have as a widespread use of a paying model.⁸⁰ The premium pay-channels have quite low market shares, but have seen an increase during the last couple of years.⁸¹

The region has different versions of “public-service”- channels that are dominant in the market. A public-service channel is a channel somehow funded by taxes or fees, the fees are mandatory if you have access to the content, which all people with a TV or computer have. In Sweden for instance, the public service channels have a 35% viewership share, which makes them the largest player on the market.⁸²

5.2.4 Technological

The countries in question have some of the best and widespread Internet connections in the world, 2011 90% of the population in the NDSF's were connected.⁸³

⁷⁸ Dutram, Eric. ETF Daily News. September 11, 2012. *Denmark, Norway, Sweden and Finland: Nordic ETF Investing 101 (GXF, EFN, EWD, ENOR, NORW, EDEN)*. <http://etfdailynews.com/2012/09/11/denmark-norway-sweden-and-finland-nordic-etf-investing-101-gxf-efnl-ewd-enor-norw-eden>. Viewed: 16-04-2013

⁷⁹ Wooldridge, Adrian. *Special Report: The Nordic Countries: The Northern Lights*. The Economist. February 2nd, 2013.

⁸⁰ Ekelund, Fredrik. Vice President of Business Development. DAKO Interview: 07-02-2013

⁸¹ de Vries, Tove. Myndigheten för Radio och TV. *Media Utvecklingen 2011*. ISBN: 987 91 85229 30 7. 07-2011

⁸² Ibid

⁸³ Danish American Chamber of Commerce, *Nordic Countries Lead Internet Use*, 2011

As the NDSF's have a high GDP/capita, they can afford to stay up to date with the latest technology, and there is a widespread penetration of smartphones, tablets and other high tech gadgets. Trends on the market are not different from the rest of the world and include a demand for a more personal TV experience, where the customer wants more influence of the tableau.⁸⁴

5.2.5 Environmental

The NDSF's are environmentally aware countries.

5.2.6 Legal

The main legal issue concerning video content is copyright or right to distribute video content in different countries or over different techniques. Depending on the contract, the rights will differ, but one usually negotiates the right for a program or media from the owner of the rights. Usually that negotiation is for exclusive content distribution, however those exclusive rights, usually, only extends to one particular technology.

Which means that while one distributor might have exclusive rights for show Alpha on cable, another distributor might have exclusive rights for show Alpha over satellite and another over internet, and so on. This increases the complexity of the contractual issues, since exclusivity, might not mean what one instantly believes. The laws are different in the different countries in the region, which adds complexity.⁸⁶

Piracy is illegal in the NDSF countries, however the countries have been one of the main hubs for illegally distributed content. Some famous piracy sites are NDSF products, such as ThePirateBay.⁸⁷ During recent years the illegal file sharing industry have been squeezed by the legal system, convictions of people who file-share are now quite common and the most famous example is that the founders of ThePirateBay have been convicted.

http://www.daccny.com/index.php?option=com_content&view=article&id=175:nordic-countries-lead-internet-use&catid=2:news&Itemid=11. Viewed: 15-02-2013

⁸⁴ Marshall, Charlie. Venturini, Francesco. *Bringing TV to Life, Issue III; TV is all around you*, Accenture Media and Entertainment Industry Group, Accenture, 2013

⁸⁶ Thorbeck, Ragnhild. Senior Vice President of Aquisition. DAKO. Interview: 26-04-2013

⁸⁷ Kiss, Jeremey. *Sweden: The Home of illegal File Sharing*. PDA the digital Content Blog. The Guradian. December 19, 2008.

<http://www.guardian.co.uk/media/pda/2008/dec/19/p2p-digitalmusic> Viewed: 6-05-2013

⁸⁸ There are many other alternatives than the traditional file sharing through torrent-sites, such as illegal streaming sites. It is extremely difficult to convict a user of an illegal streaming site and some consider it to be almost impossible with today's laws and technique.⁸⁹ These techniques are growing and the illegal streaming site Swefilmer was the third highest on Google's trend list in Sweden 2012. Swefilmer provides series and movies with Swedish subtitles and because of their intricate business setup with parts of the business in different countries they are difficult to prosecute.⁹⁰

5.3 Porter's Five Forces

Applying Porter's Five Forces to ATC is a bit special, since ATC is the suppliers of an OTT-video service for content owners, but at the same time their main revenue stream is the revenue sharing with their partners, which means they deliver a product to the final consumer. While analysing the five forces, it is important to maintain this dual position of ATC being both a B2C and B2B company.

5.3.1 Bargaining power of suppliers

According to the CEO of ATC, Mr Jan Nilsson, in the technical value chain ATC is the one with the upper hand. They outsource everything and according to him there are many companies capable of doing the tasks so the bargaining position is with them.

On the other hand when the content owners are considered the suppliers, the tables are turned. From the content owners perspective they may choose a technical provider as they please, or not even go OTT at all. They are still making money in the traditional ways and are not forced to move to OTT-video solutions yet. They can easily wait for the market to mature a little and let the first struggles be battled out by others. So the content owners are in control of what price they want to set, what happens with their brand and how it should be presented, they are in a very strong position.

⁸⁸ Klose, Simom. *Dox – The Pirate Bay – away from keyboard*. SVT Play. February 26, 2013. <http://www.svtplay.se/video/1013090/the-pirate-bay-away-from-keyboard>. Viewed: 28-02-2013

⁸⁹ Brandel, Tobias. SvD Nyheter. *Stora faran: att Svensson hänger på*. April 29, 2013. http://www.svd.se/nyheter/inrikes/perspektiv-folkstrommen-den-stora-faran_8129084.svd. Viewed: 29-04-2013

⁹⁰ SvD Nyheter. *Svensk Illegal Streaming Växter snabbt*. April 29, 2013. http://www.svd.se/nyheter/inrikes/svensk-illegal-streaming-vaxer-snabbt_8129082.svd. Viewed: 29-04-2013

What will happen in the future is still unclear, but one scenario that consultancy Accenture presents is where the power lay with the content owner. The content owners will directly deliver their content effectively to their consumers, and the role for the traditional distributor will be significantly reduced. For this scenario to be realized, the content owners need to act swiftly in developing their OTT-video solutions.⁹¹

5.3.2 Bargaining power of buyers

The bargaining power of the buyers is strong. Just in the last year there have been many OTT-video services launched in the region and they all maintain a low price of less than 129 SEK/Month.

The option of piracy is however the factor that really puts the power on the customer side. The content owners and service providers usually have exclusive rights to shows, but they can always be found illegally at no cost. This puts pressure on them to deliver a service that is a lot more convenient than piracy, and the cost can't be too high because it is easy for the users to switch back to the illegal options. In all cases except for DAKO there is no minimum subscription time on the contract so the switching costs are low. Only DAKO has a version of 12-month subscription minimum, which gives them a little power once the customer has signed on, but at the same time this contractual obligation probably deters a fair amount of potential customers.

5.3.3 Threat of new entrants

On the B2B side of the business, ATC outsources all of the technical development. That means that technologically ATC has no unique advantage and another company can replicate the platform. The barrier to entry on the B2B side is the initial investment it takes to build a platform that can perform equally well. Other than this initial investment the technical barriers to entry are low. Another barrier to entry is the partnerships with content owners. The content owners are in a strong position and it will probably be hard to get the right contacts without an extensive network or great referential partners before. This puts ATC at an advantage since they already have one partnership with a strong global brand, DAKO.

One possible threat of new entry comes from device manufacturers, according to consultancy Accenture, device manufacturers could become

⁹¹ Venturini, Francesco. *Bringing TV to Life, Issue II; The Race to dominate the future of TV*. Accenture Media and Entertainment Industry Group, Accenture, 2011

powerful through deliver their own OTT-video solutions. For instance an Apple TV owners will buy all its content through iTunes, and a Samsung smart-TV owner will buy everything through Samsung's own program and so on. However According to Accenture this scenario is an unlikely one.⁹²

5.3.4 Threat of substitute products

The greatest threat of substitute is piracy. Even though it is illegal it is still hard to find and prosecute people who are only downloading, not sharing themselves, so for individuals the risk of downloading one episode is low. Today anything is accessible for free, if people are willing to look for it. Piracy gives people what they want from their OTT-video services, the opportunity to watch anything at anytime. Both the S.V.P. of PR & Marketing and the V.P. of Business Development at DAKO recognize piracy as their biggest competition. Even though the number of legal OTT-video solutions has increased significantly in the last year, piracy is still growing rapidly in Sweden. Especially illegal streaming is the one growing fastest. From a users standpoint it is not illegal today (it might be after a ruling during the summer of 2013) and even if it were it would be very difficult to track down the users.⁹³

Another substitute is the traditional methods of TV-consumption. The end users might still be paying for a Pay-TV solution or they might consider choosing one over an OTT-video solution, because today the offer is more complete and reliable. It is clear that the OTT-video market is still in its early stages, and with it comes problems. According to consultancy McKinsey's iConsumer Research only 24 % of OTT-video users are satisfied with the service they are using today.⁹⁴

There are discussions regarding what will happen with the media consumption with the entrance of viable OTT-video options. Today the Pay-TV providers are worried about cord-cutting, meaning that people will cancel their traditional subscriptions in favour of online options. Reports from the US market, which has a more wide spread OTT-video usage, show that this concern is substantiated. One million Pay-TV subscribers cancelled

⁹² Venturini, Francesco. *Bringing TV to Life, Issue II; The Race to dominate the future of TV*. Accenture Media and Entertainment Industry Group, Accenture, 2011

⁹³ Brandel, Tobias. *Svensk Illegal Streaming Växter snabbt.*(April 29, 2013)
http://www.svd.se/nyheter/inrikes/svensk-illegal-streaming-vaxer-snabbt_8129082.svd.
Viewed: 29-04-2013

⁹⁴ Chappuis, Bertil. Gaffey, Brendan. Parvizi. Parviz. *The world gone digital – Insights from McKinsey's Global iConsumer Research*. McKinsey & Company. 2011

their subscriptions in favour of OTT-video services like Netflix in 2011.⁹⁵ According to consultancy McKinsey OTT-video consumers were 1.5 times more likely to cancel their Pay-TV subscription than non OTT-video consumers (with Pay-TV subscription). However McKinsey also claimed that *cord cutting* is not something to be worried about, OTT-video will come as a complementary product, which heightens the media experience instead of a substitute to the way we consume video content today.⁹⁶ According to accountancy and consultancy Deloitte the problem for broadcasters isn't necessarily "cord cutters" but "cord-nevers". The younger generation now leaving their homes will not choose to sign up for a traditional Pay-TV option and instead go directly to the OTT-video providers for their broadcasting services. Deloitte predicts that 99% of North American Pay-TV customers will continue their subscriptions during 2013, which means that it is and will probably continue to be a substitute for OTT-video.

5.3.5 Rivalry amongst existing competitors

The OTT market is emerging quickly and there are new competitors launching on the NDSF market frequently. In the last year Netflix, DAKO, Viaplay and Filmnet launched their services in the NDSF region. Everyone is trying to get first movers advantage and win the subscribers. Among the competitors there are both newcomers to the NDSF market like DAKO and Netflix, and traditional broadcasters, like Viaplay (Viasat/MTG) and Cmore/Filmnet (Bonnier). A special feature for the market is that most rights for the content are negotiated exclusively. This means that all players have some sort of monopolistic standing, if the customer is into Champions League, there is only one operator to turn to, and so on. There are direct competitors to ATC, who provide the service, but not the content. As well as competition to the combined product of ATC and a partner, who deliver a complete OTT experience.

The competitive rivalry is being intensified by the upcoming entrance of the Internet giants such as YouTube, Amazon and possibly Apple. The CTO of ATC speculates that as the market matures there will be significant

⁹⁵ Frankel, Daniel. paidContent. *Research: Over 1 million U.S. cable subscribers cut cord in 2011*. April 3, 2012 <http://paidcontent.org/2012/04/03/419-researcher-over-1-million-u-s-cable-subscribers-cut-cord-in-2011/>. Viewed: 06-02-2013

⁹⁶ Chappuis, Bertil. Gaffey, Brendan. Parvizi. Parviz. *The world gone digital – Insights from McKinsey's Global iConsumer Research*. McKinsey & Company. 2011

consolidation and the rivalry will force the companies to focus on cost cutting.¹⁰⁰

A possible future scenario is one where the content aggregator will gain a greater roll in the marketplace. In this scenario, the aggregators that can provide the best service for their customers will be the most successful ones, and will then take a larger roll on the market and therefore the competitive rivalry will increase. To make this scenario true the aggregators will have to focus on acquiring the best content, focus on the user experience and the commercial relationship with their customers. The natural fight in this scenario is between the new broadcasters such as Netflix and the more traditional ones such as Viasat. The winner of that battle will be the one who can deliver the best product on multiple devices.¹⁰¹

All in all todays market field is identified by strong content owners where all the different stakeholders use an all-against-all system. The different stakeholders fail to cooperate which according to consultancy Accenture is less than optimal. If this continues the full potential of OTT-video will not be realized, and it will be suboptimal for all stakeholder especially the customer.¹⁰²

For a breakdown of competitors see Appendix

¹⁰⁰ Eliasson, Leif. Chief Technical Officer. ATC. Interview: 27-03-2013.

¹⁰¹ Venturini, Francesco. *Bringing TV to Life, Issue II; The Race to dominate the future of TV*. Accenture Media and Entertainment Industry Group, Accenture, 2011

¹⁰² Venturini, Francesco. *Bringing TV to Life, Issue II; The Race to dominate the future of TV*. Accenture Media and Entertainment Industry Group, Accenture, 2011

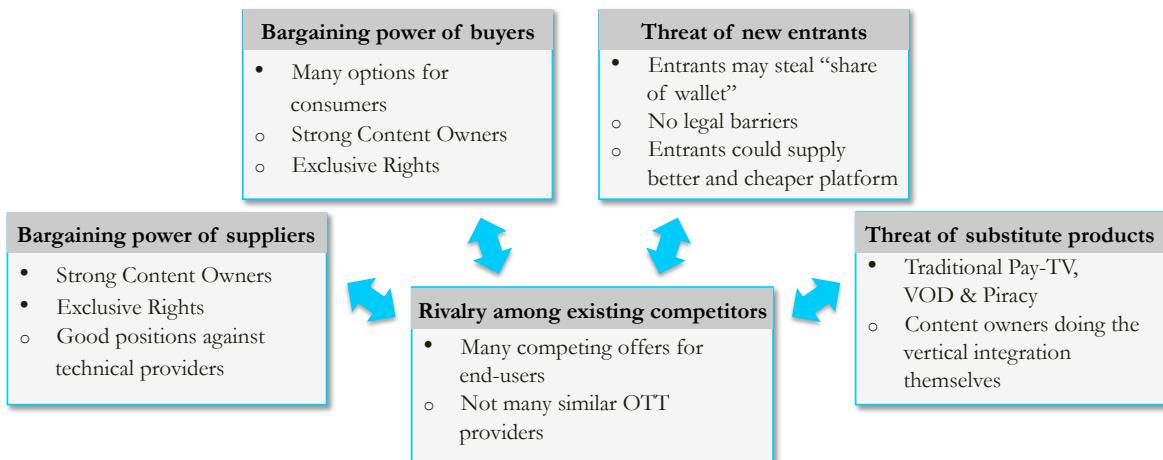


Figure 15 – Porter’s Five Forces Empirics

5.4 Marketing Mix

The marketing mix section empirics will present data regarding the customers, ATC and it's partners' views on the product, price, promotion and place of the offering. The aim is to identify business opportunities for a technical provider of an OTT solution to bundle content owners. Therefor the marketing mix is used to gain insight on how to design the offering of a potential product, one that doesn't exist today. Below the image presenting the business model of the case company ATC. It is there to remind the reader of the divided nature of the business and why the three different perspectives are necessary.

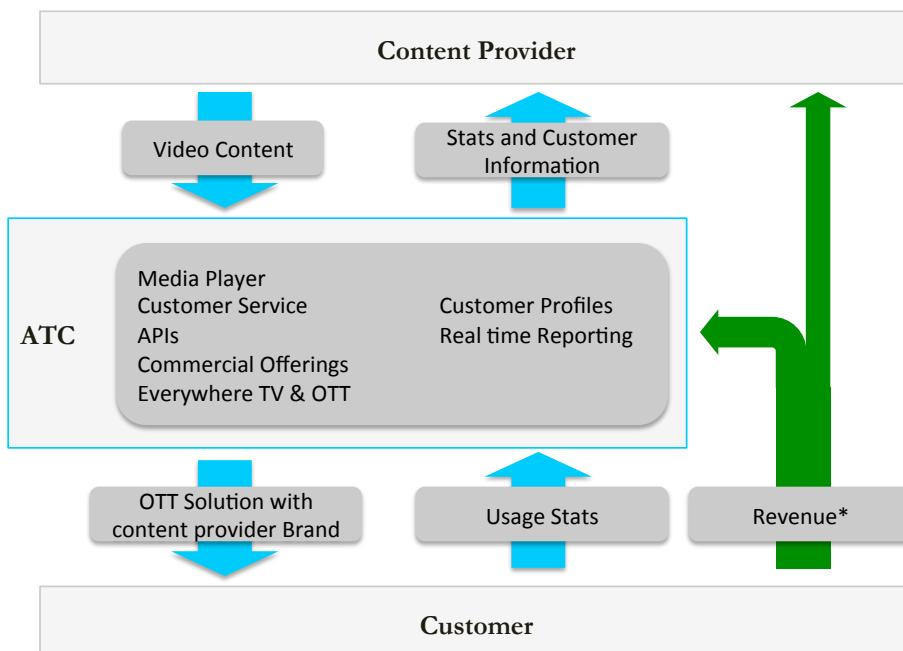


Figure 16 - Business Model Picture for ATC. Service exchange with blue arrows and revenue streams in green arrows.

* Revenue are split between ATC and partner, according to contractual agreements between ATC and their partner

5.4.1 Product

Customer

People have a clear preference for HBO, who received a very high score. Showtime, CBS, ABC and USA also got quite high scores, but the differences from them and the rest is much smaller.

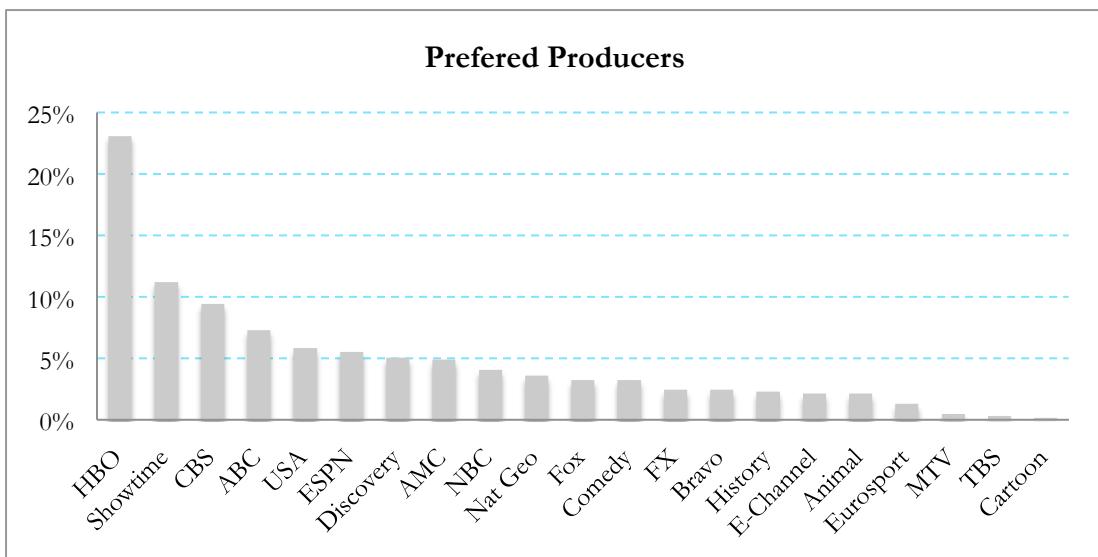


Figure 17 - Percentages of the people on which four producers they would like to see in a bundle. The result clearly states that people have a preference for HBO over the other producers. Showtime, CBS, ABC and USA follows as other popular choices.

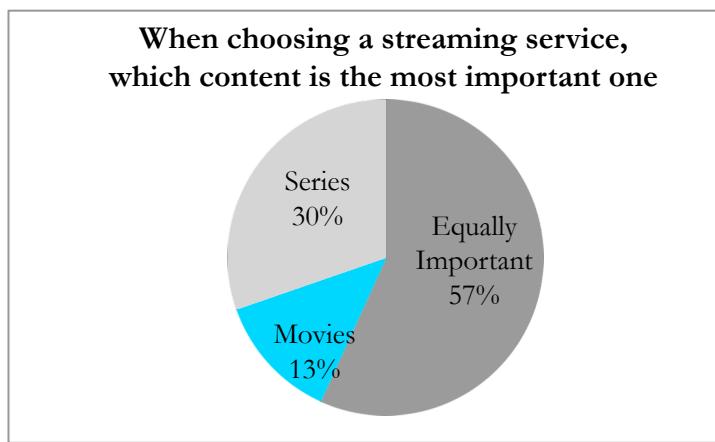


Figure 18 - Displays which content the consumer thinks is the most important one when choosing a streaming service

ATC

Today ATC is looking for content owners with strong brand recognition on the NDSF market, who would like to launch a OTT-video service. The ideal partner could be an operator like Telia or a strong content owner brand like HBO. However as ATC is still in the start-up phase and most deals are ad-hoc the current focus is more on anyone that has an interest. Paraphrased from the CTO, Mr Leif Eliasson; “Currently we pursue all potential partners”. This means that there is a focus not only on video content partners, but also completely unrelated products. This could include anti-virus program, music streaming services and so on. The reason for this focus is that ATC is looking for more revenue streams and additional sales towards the current customer base might be a way of achieving that. One of the major focuses of ATC is to reduce churn, where an additional partner could be a possible way of doing so.

ATC have a very adaptable mind-set concerning how to bundle and with which partners to bundle, it is currently approached on a case-by-case basis and is heavily dependent on the partners who are involved. A current premise when working with a bundle offer is that one of the partners takes the lead in the deal and in the operations during the cooperation. The current bundle of ECHOtv, Fox and DAKO, is an offer where ECHOtv has the lead. ATC helped broker the deal, but ECHOtv does the on-going work of maintaining the bundle, customer ownership and such.

An active pursuit of a potential video content partner that hasn't displayed any interest in an OTT-video launch is something that ATC consider too time consuming and difficult at the time. Especially if the partner is an American brand the process would be a long one and is therefore not initiated at this time.

ATC consider themselves a B2B company which means that they are more focus on keeping the content partner happy and does not have a end user focus. However in the long run they do consider the end user as their customer and are therefore focused on providing them with a good solution. Depending on who is interviewed at ATC, the focus shifts between the end user and the partners, as their primary customer. Even in an interview with the same person the focus shifts between the end-user and the partners as the primary customer.

Partner

The partners today, ECHOtv and DAKO, have already proven an initial willingness to bundle offerings through the ECHOtv-DAKO-FOX bundle that is for sale in Finland at the moment. The partners are not afraid to bundle, but they are at the same time quite restrictive about it. The bundle available in Finland gives the customer voucher codes for the different sites, so it is a bundle in the way it is purchased, but it is not packaged as one product. When asked if DAKO would be willing to package their products together with other content owners they are initially not eager to do it, but in the end they could do it if it is a neutral platform that makes it very clear what content comes from DAKO. They have to always keep in mind the brand recognition from DAKO Inc. and any larger decisions regarding the branding has to be dealt with them as well.

When discussing the parameters that could make them interested in bundling, the additional revenues and the brand of the other partners are the most important aspects. The partnering brands also have to be considered premium brands to be viable partners. If they are, both Mr Anders Tullgren, SVP of PR & Marketing and Mr Fredrik Ekelund VP of Business Development, say that any bundle offer that gives them extra revenue or reduce churn are interesting and will be judged on a case-by-case basis. Mr Tullgren says that not only other content providers but also other unrelated but complementary services or products are interesting to them if it gives them more revenues and does not hurt the brand. Mr Tullgren mentions that he sees potential obstacles in the partnership structure if the bundle is too big with very strong brands, especially in the division of promotional activities, brand position and the sharing of revenues.

5.4.2 Price

Customer

The distribution of the prices on the service is different depending on the size of the bundle. The largest bundle has a very uneven distribution of the prices, while the smallest bundle has an even decrease in percentage of people who are willing to pay as the prices increase.

The price where 50% of the people would be willing to pay for the service increases as the bundle grow larger, and from one to two producers the increase in price is around 40 SEK. For two to three the increase is around 30 SEK and from three to four 40 SEK.

As a complement to the survey, some observations have been made, people who get access to their preferred content have a high willingness to pay. This willingness to pay is only dependent on gaining access to specific series or content, and if that content would be included the increase in price would be significantly higher.

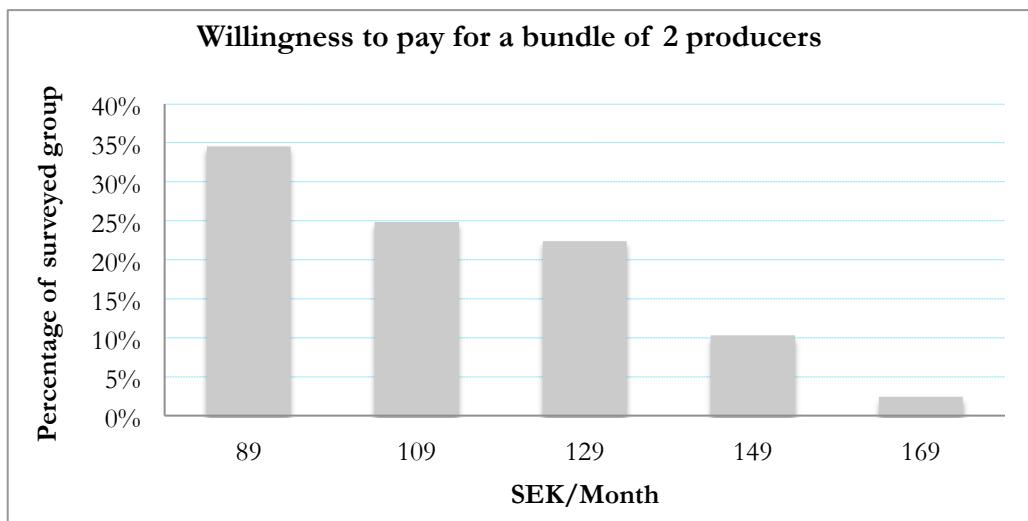


Figure 19 - How much people say they are willing to pay for a streaming service to gain access to content from two producers

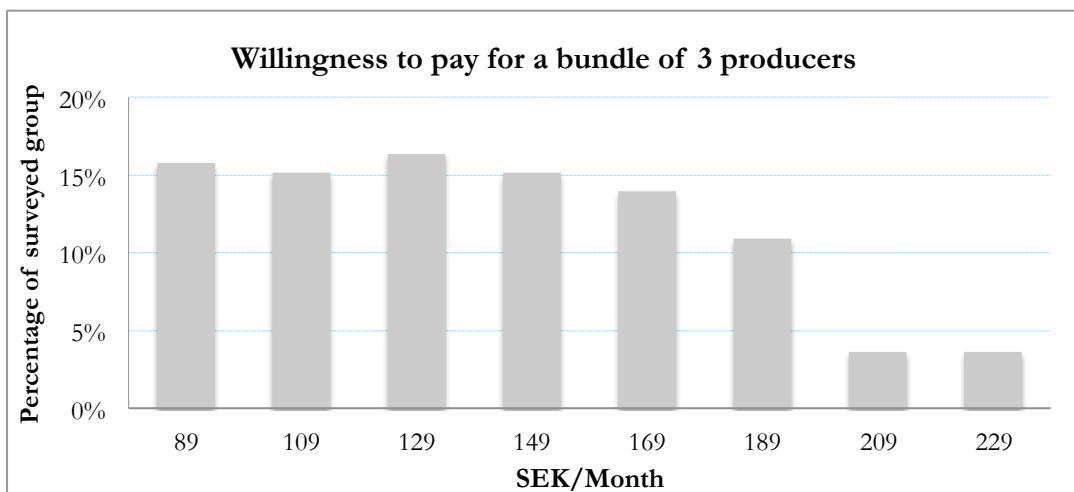


Figure 20 - How much people say they are willing to pay for a streaming service to gain access to content from three producers

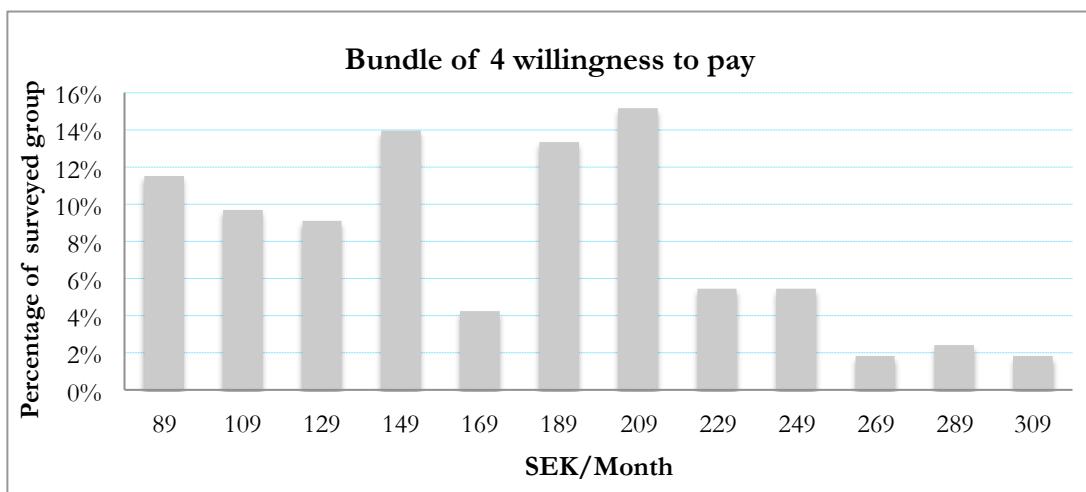


Figure 21 - How much people say they are willing to pay for a streaming service to gain access to content from four producers

For a greater understanding of the pricing situation, cumulative pricing calculations were made. The figures below display how large percentages of the surveyed group of people that would be willing to pay the price on the x-axis. In other words, if the price for the service was set at 109 SEK/Month, how large percentage of the surveyed group would be willing to pay that price or more.

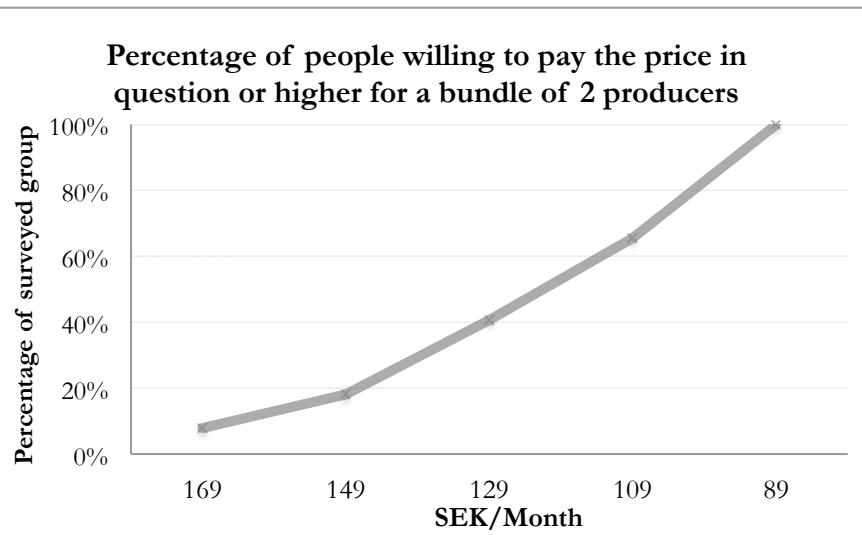


Figure 22 - How large percentage of people who are willing to pay the price in question or higher for a bundle of two producers

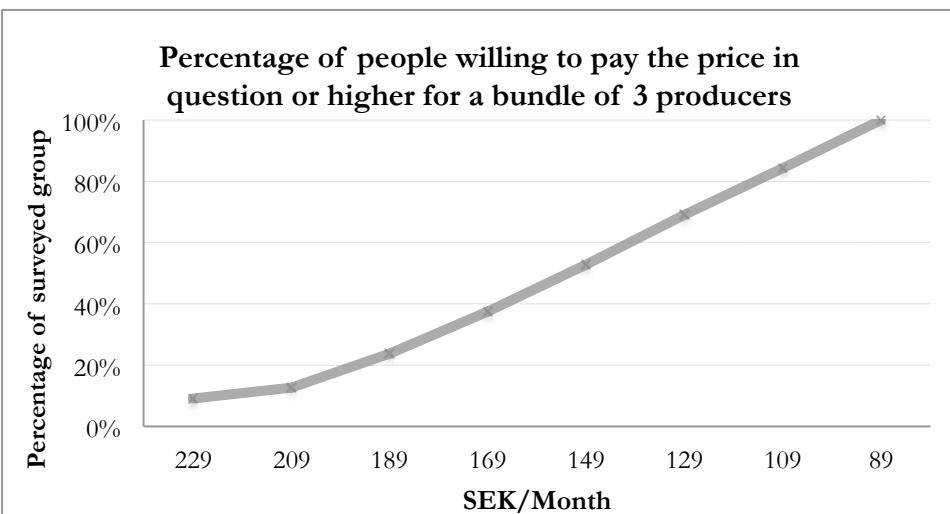


Figure 23- How large percentage of people who are willing to pay the price in question or higher for a bundle of three producers

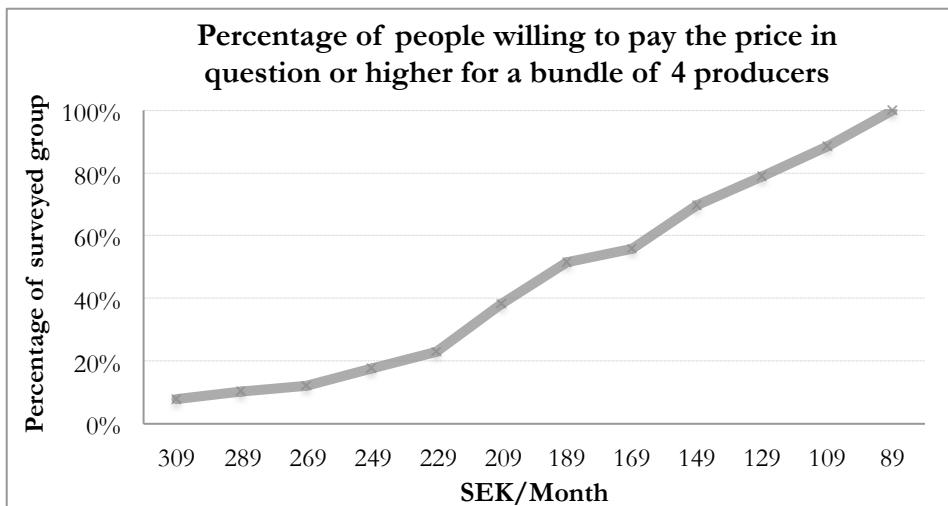


Figure 24 - How large percentage of people who are willing to pay the price in question or higher for a bundle of four producers

ATC

Since ATC is a start-up company, where development and other initial costs are a very large part of the overall costs of the company, it is difficult to have a clear view of how the cost structure will actually look once the customer base and partner base stabilize.

The pricing strategy of each bundle will be more determined by the partners then it would by ATC. Depending on how a new video content owner is added to ATC, the cost will differ quite significantly. If the new partner is completely new, there will be costs such as development and set up. For each new video, there is a significant cost to transcode the video to be able to be upload it to the ATC platform. Other costs are; billing-, direct marketing-(such as newsletters), customer relationship management- and customer service costs.¹⁰³

When offering a bundle of two partners there are some cost that are considered variable and some that should be considered fixed. If ATC has a partnership with for instance DAKO and FOX, the costs such as development, transcoding, CRM and billing costs will not increase if they are offered as a bundle. The bandwidth will however increase if the usage of

¹⁰³ Baggström, Karin. Chief Financial Officer. ATC. Interview: 27-03-2013

the service increases, so will the customer service cost. Today the bandwidth cost is directly billed to the partner without any add-on.

The customer service is considered to increase as an effect of a bundle offer. The main reason for the increase in cost will be the bundle offer itself. ATC have learned that once people are offered something, a large number of people directly contact customer service to ask about the offer, how it works and such. If the added content offered would be distributed on a new platform, then there will be an even larger increase in customers service costs. This since the different platforms will add confusion around how the service works and the customer will turn their questions to customer service.

ATC are willing to go down in price, as the bundles grow larger, as it will mean more end-users for them. How much they would be willing to reduce their price, is unclear and will dependant on the partners that are included in the partnership and the partnership structure.¹⁰⁴ However ATC does not identify a lot of economies of scale from their side of the business. They do however believe that in a couple of years the focus in the industry will be costs, where the winner will be the one who can offer the lowest costs.¹⁰⁵

Partner

As long as DAKO's share of the revenue is on the same level as their standard revenue on a single account they are happy. Mr Ekelund did not seem interested in going down in price. But he also realized that for the bundle to be an attractive option for consumers the combined price has to be lower than the sum of all parts. He also identifies a bundle offer to be a good retention offer to reduce churn, if the partners are right.

5.4.3 Place

Customer

The survey states that the preferred place to gain access to all the content would be through a neutral platform that contains all the material. The second choice would be to gain access to the added video content through the existing platform.

¹⁰⁴ Baggström, Karin. Chief Financial Officer. ATC. Interview: 27-03-2013

¹⁰⁵ Eliasson, Leif. Chief Technical Officer. ATC. Interview: 27-03-2013

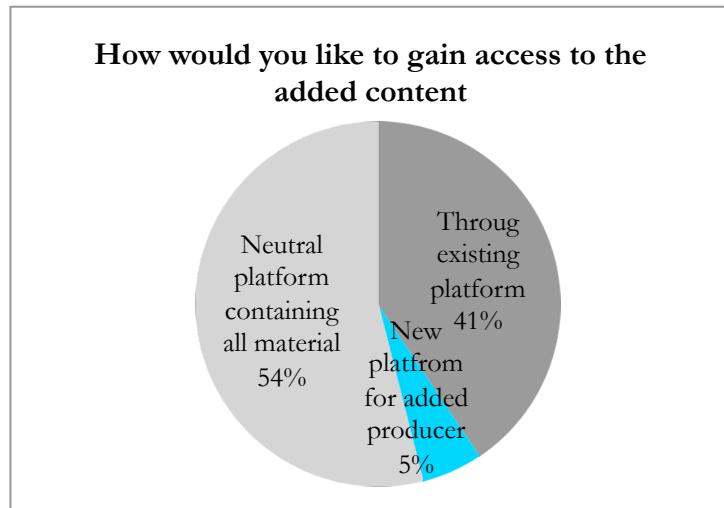


Figure 25: How people would like to gain access to added content from two different producers

ATC

ATC has no preference on how the added material should be presented. They see no technical obstacles for either solution and would therefore like to leave this decision up to the partners involved.¹⁰⁶

Partner

The presentation of the offer can become a complicated issue, content rights issues and powerful corporate brand owners make some solutions very difficult or even impossible. The bundle that is sold in Finland maintains a division in the way the customer gets access to the content. ECHOTv bills them but they in return get voucher codes for the different sites included in the bundle.¹⁰⁷ When asked if DAKO could ever agree to include their offer in someone else's site/offering Mr Tullgren replies that that will never happen. DAKO has strict guidelines from DAKO Inc. on what they can do with the brand and how they should treat it, so in every presentation of the company or its offering the brand has to be presented in a clear way that keeps the premium brand intact. However if there was a neutral platform

¹⁰⁶ Eliasson, Leif. Chief Technical Officer. ATC. Interview: 27-03-2013

¹⁰⁷ Louhelainen, Juho-Pekka. Chief Executive Officer. ECHOTv. Interview: 8-05-2013

both Mr Tullgren and Mr Ekelund of DAKO say that it could be an interesting and possible solution in the future, but one that they themselves will not actively pursue. If they are to agree to a neutral platform, they need to agree on the bundled partners beforehand, the marketing efforts needs to be split evenly, preferably sold by a third partner or as a retention offer. And most importantly the branding has to be very clear, it has to be evident to all users what content comes from DAKO and what doesn't. Mr Ekelund says that this could be done with a DAKO tag on each episode.

5.4.4 Promotion

Customer

The customers do not have a clear preference concerning how to receive an offer of an added producer at a reduced cost.

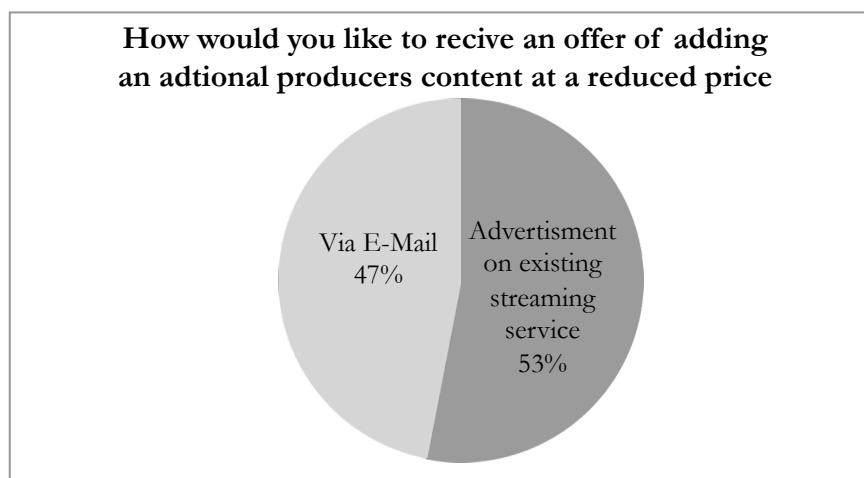


Figure 26: In what way people would like to be contacted regarding an offer of an additional producer

ATC

ATC does not “own” their end-user, and therefore hasn't got the right to contact the customers directly. Today they have to get the approval from DAKO or ECHOTv if they wish to contact the customers. This has not been identified as a problem for ATC and they believe that it will not be a problem in the future either. ATC has no preferences on how to contact the customer with a new offering. The one place where ATC are in contact with the end-user directly is through customer service, and they believe that it could be a potential channel to offer other products to the end-user. ATC

sees a bundle offer as a great way of reducing churn, and would like to offer it once the customers are calling ATC to end their subscription. They believe that a good bundle offer can make the customer change their mind about quitting their subscription and is a way of making the customer sign up for an additional 12 month period.¹⁰⁸

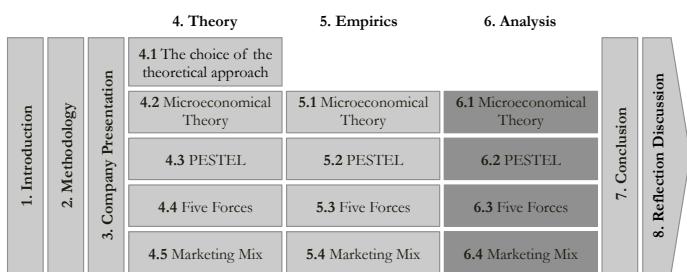
Partner

ECHOTv seems to be the most open partner. They don't see any problem in taking the lead in the bundle offer and promoting it, as they are doing in Finland at the moment. Mr Louhelainen the CEO at ECHOTv, says that they haven't discussed the joint marketing efforts with the other partners yet. DAKO is not completely sure if they would promote the bundle or not. As with most questions, it would have to be judged on a case-by-case basis. Mr Tullgren says that he would prefer it to be sold by a third party so as not to confuse with their own promotion and marketing efforts. As previously mentioned Mr Ekelund would be open to using it as a retention offer because he sees it as a valuable method against churn.

¹⁰⁸ Nilsson, Jan. Chief Executive Officer, ATC. Interview: 27-03-2013

6 ANALYSIS

The chapter will analyse the data collected according to the theory in chapter 4. The PESTEL model will be an aggregated analysis taking all the different aspects into one place, as it will make it easier for the reader to understand the main findings from the macro environment analysis. The other models analyses will follow according to the models original form.



6.1 Microeconomic Analysis

6.1.1 The Base case

The base case is not completely realistic for ATC and their partners. As described in the empirics above, the situation is not truly monopolistic. As the theories are adapted for companies who are monopolists, and ATC is in a weak monopolistic standing, the theory is not fully applicable, however one might be able to learn from the main findings.

Assumption two affects the pricing of the bundle and the single products, since there will be a mixed bundle strategy, there has to be correlation between the two prices.

6.1.2 Effect of Production, Transaction and Distribution Costs

There will be cost associated with adding partners to a bundle. The major ones will be the cost associated with paying for the rights for the content, the bandwidth cost and the customer service cost.

The customer service cost is the one that will affect ATC and will initially probably increase as a result of the offer. The customer service department at ATC has identified that the customer service gets a heavier workload as new offers are introduced in the market. This as customer has a tendency of contacting customer service to ask about the offer instead of reading online

about it. This will be an initial cost associated with the start-up of the bundle, however if the churn rate was to decrease as a result of the bundle this initial increase in customer service cost will probably be counteracted by the reduced churn. There are other potential increases in the customer service, as the customer will gain access to more material they might have additional questions or face additional problems and will then contact customer services. Especially if the customer will use different platforms to gain access to the material there will be twice the amount of potential issues that they face which might lead to an increase in customer service. However as the customer will have more exposure to the OTT-video solution through the different partners, they might become more familiar with the technique and better at solving their own problems. This would then lead to fewer calls to customer service, and the costs associated with it would decrease. So the cost for customer service will probably initially increase and then as time goes decrease as a result of the bundle.

The overall costs for the rights will increase, as the content library will be greater in a bundle than in a single product purchase. However it is difficult to speculate how large that increase will be.

The bandwidth cost will probably increase when the new content is added through a bundle, this as more content available will give the user a chance to use the service more. This increase in bandwidth cost will only increase for the first or second partner in a bundle and will then stagnate. This as the customer will have limited time to watch the content and will not be able to use more bandwidth because of the added video content. When this stagnation will happen is however unclear and only time will tell. One possible scenario is that the bandwidth cost will increase, but will be distributed between the different partners, and will therefore per partner decrease. The overall cost for bandwidth will probably increase but that is one of the few places where economies of scale can be found.

Without any actual cost, which is not available at this time as the companies in question are in a start-up phase and doesn't have a clear view of the different cost per customer, clear conclusions from this section will be impossible to make. However the costs above show potential for a bundle option, but the costs also show that the bundle will be more profitable when the size of the bundle is large enough.

6.1.3 Effect of asymmetric valuation

A bundle containing two products where one has a high valuation profile, while the other has a significantly lower one, might according to the theory be unprofitable.

A classic video product that people have a high willingness to pay for is live sports. A bundle consisting of for instance DAKO and live sports would then probably not be a good strategy since, a pay-per-view solution for sports would according to the theory generate higher profits.

Therefore when looking at different bundling partners, the valuation profile should be similar. If one partner has new series, then the other partners in the bundle should also offer new series, or films that would match the valuation profile. Otherwise the price discrimination would be too low which is an unprofitable strategy. An alternative could be to include some material as pay-per-view material, to extract more value form each customer.

6.1.4 Effect of correlated valuation of products

The correlation between the producers was quite low, which could be explained by the amount of producers presented in the question and due to the limitation on how many one person could choose. The low correlation could also be explained by the fact the people in general have very different tastes and would like to gain access to a wide variety of content. But that variety of content varies significantly from person to person.

The result for the people who had a higher than average willingness to pay for the service, had significantly higher correlation between some producers and patterns started to appear. For the project in question those people are probably the interesting ones as they are the most likely to buy an OTT-video solution like DAKO. While the correlation is not high in general, for the setting and the question posed they are considered to be significantly high to be relevant.

The correlation between the producers decreases as the size of the bundle increases. This could be due to the fact the as the bundle size increase the possible number of answers for the price of the bundle increase. As the number of possible answers increase the answers are more irregular. With a wider variance, the average price as a cut-off point becomes less interesting.

The highest correlations can be found between HBO and Showtime, this could be due to the fact that they are well known brands. They both also produce premium, fairly similar content, which could also play a large roll. The correlation between HBO, CBS, ABC, USA and AMC are also quite high. The underlying factor once again could be that they all produce high quality content, but where HBO has a more narrow target audience when producing their content. HBO also have high correlation with ESPN, an American sports channel, a clear connection between the channels is

difficult to find, and perhaps the high correlation is due to a desire for a wide variety of content. However the correlation between HBO and Eurosport was low, and perhaps the sports showed at Eurosport isn't as desirable for the HBO customer.

The correlation between the channels E-channel and Bravo TV, who focuses more on reality-TV and gossip, are quite high. However the number of people who desired the channels was low and therefore the result might not be relevant.

A quite surprising result is that the correlation between AMC and Eurosport is quite high, this despite the fact that few people chose Eurosport as part of the bundle. There is no clear relation between the channel as AMC produces shows like Mad Men, The Walking Dead and Hell On Wheels and Eurosport presents sports like Snooker, Golf and Fight Club. Perhaps it is all about the variety.

There are content owners that have more in common than others and the potential customer seems to realize that and if they prefer premium and high quality content there are some players that stand out. However the result is also confusing, the number in general are quite low which indicates that the correlation between channels are not as clear as initially expected. Perhaps the main takeaway should be that the consumption of video content is quite irregular and people are looking for and consume a wide variety of different material.

6.1.5 Effect of budget constraints

Most people have a limit on how much they can afford to spend on video content per month, this due to limited resources and share of wallet preferences. Today the OTT-video market will function as a complementary product but as time goes, it will probably turn more into a substitute to the regular Pay-TV.¹¹⁷ But as of now OTT-video is a complement, which means that the budget constraints will be even more limited than on the Pay-TV market. Perhaps as the OTT-video market develops more, as the OTT-video apps starts to appear on Smart-TVs, the budget constraints will be significantly changed. When the major usage of the OTT-video service is through TV instead over the computer or tablet, the product will turn more into a substitute product, than a complementary to Pay-TV. Therefore the budget constraint will probably move from around 100 SEK/Month more

¹¹⁷ Taga, Karim. Schwaiger, Clemense. Pankert, Gregory. Hunter. Robin. *Over-The-Top Video - "First To Scale Wins"*. Arthur D Little Telecommunication, Information, Media & Electronics. Arthur D Little. 2012

into to Pay-TV category with the upper bound constraint of 465 SEK/Month.

Consumers tend to frame a purchase differently online than they do elsewhere. They have gotten used to the fact that most things are free on the Internet and therefore the budget dedicated to internet purchases seems to be more limited than that of offline. However that willingness to pay is changing, and people are getting used to paying for things online and are doing so to a greater extend as time goes.¹¹⁸

An interesting finding in the survey was that just by adding one more content owner the budget constraint was raised above the competitors today. Even though the size of the library could be smaller than the competitors' the perceived value was significantly higher than the budget constraint today.

Speculating around the budget constraint of a market that still is in the early stages of the product adaption phase, is difficult and imprecise, however it is a benefit to be aware of the underlying factors that could effect the budget. Since there indeed does exist a budget constraint, according to the theory the bundle will be naturally limited by the price factor.

6.1.6 Customer perception of a bundle

As DAKO is a premium content owner, with a narrow target audience their potential partners should have a similar perception by the customers. A potential partner would then be Showtime, FX or AMC, as they are also considered premium content owners. Showtime, FX and AMC are competitors to DAKO and there might be some reluctance to a bundle with the direct competition.

If DAKO were to be bundle with Bravo TV for instance, the DAKO brand would be hurt and the customer perception of DAKO will probably be lower as a consequence.

Finding complementary products for DAKO or any streaming service is a difficult task. As the OTT-video solution is quite new it isn't really clear what kind of products that would be considered as complementary products. One possible complementary product would be video content in a more regular form as a linear cable channel. But as one of the goals for ATC is to change the video consumption behaviour, this might be an implausible bundle.

¹¹⁸ Findahl, Olle. *Svenskarna och Internet 2011*. .se. 2011. ISBN: 978 91 979411 2 9

Another potential complementary product would be something like a broadband provider; the products have a clear complementary nature, as one is required for the other. A similar argument could be made for a bundle with Smart-TVs or for telecommunication offers, such as Telia. When choosing complementary partners to bundle with it should be done restrictively. If the customer doesn't identify the complementary nature of the product or if the product is badly perceived this might negatively affect both ATC and its original partner.

Despite the fact that there might be some complementary nature of products, considerations should be made as to how the bundles might be perceived by the customer. If the original product is bundled with too many unrelated products ATC and its partners will be perceived as unserious opportunistic players on the market. One of the main reasons why people are hesitant to hand out their e-mail addresses are because of the overflow of offers and commercial that is sent to them, which is something that ATC has to avoid.

6.1.7 Pure vs. Mixed bundling

There are no reasons for ATC to offer a pure bundling strategy, and it is completely unrealistic for their partners to do so, as they already sell their content separately.

6.1.8 Micro economic summary

When looking at a bundling opportunity for ATC, they should be looking for partners who have a similar customer profile as their current partners. The customer brand should be perceived in the same way, and have the same recognition on the NDSF market. The bundling partners should preferably have a similar valuation profiles. ATC should work with a mixed bundling strategy, since all theoretical evidence points in that direction.

With these parameters in mind the authors believe that potential bundling partners for DAKO would be other premium and high quality and narrow content owners such as Showtime, FX, USA and AMC. The authors believe that these content owners have similar content or content that has similar audiences. All of these producers have new shows that are being produced, which could enhance the available next-day feature. The customers also showed higher correlation between some of these producers. There might also be an opportunity in offering a premium sports channels such as ESPN, as that would widen the potential audience.

Another potential bundle is one of more reality TV based producers such as E-channel and Bravo TV. There could also be a possibility of creating a sports bundle with for instance ESPN, Eurosports and ECHOtv.

As for unrelated or complementary bundling options there could be opportunities found for collaborations with Smart-TV producers and telecommunications companies. However the authors think that some caution should be taken to how to offer these bundles.

6.2 PESTEL Analysis

6.2.1 Political

No significant factors were identified in this section.

6.2.2 Economical

Currency risk

The fact that there are effectively three different currencies that will have to be dealt with can cause problems. Depending on how the pricing of the service is done, and on where the subcontractors are located the company will face currency risks. These risks could be avoided by purchasing future contracts, which could be realistic for the subcontractor deals. As the customer base always will be changing in size, the future contracts will be difficult to construct and will probably have to be forwards, which are usually more expensive, as they are not publically traded.

European Debt Crisis

If the impact of the European debt crisis is large enough on the NDSF countries this could mean that the discretionary funds could decrease for the population. This could impact how much the people would be willing to pay for additional video services, such as an OTT-video solution. The impact will probably be largest when trying to attract a new customer, while a customer already subscribing to a service wouldn't be as sensitive. The actual amount per month is quite low, but as is custom in an economical downturn, the first thing to be hit are the pure leisure goods, such as an OTT-video service. The impact would probably not be that large because of the relatively low price of the service.

6.2.3 Social

Embracing culture for new products

The attitude of embracing and trying new products that exists in the NDSF region is extremely favourable for the business model in question. Since the

people do like to try things, they probably have a clear idea of what they like and expect from a service. This probably means that the region might have a higher expectation on the product and service than people in other regions might.

6.2.4 Technological

No significant factors were identified in this section.

6.2.5 Environmental

No significant factors were identified in this section.

6.2.6 Legal

Illegal distribution of content

The fact that the NDSF countries are at the forefront of illegal distribution of content can cause a large potential problem for the service. This has made the user of illegal content, which is also the potential customer for the legal service, spoiled with the content he/she can access and how fast they can access it. An illegal service can grant anyone access to any content only hours after it has first been aired, and that access is granted for free, world wide. The consumer of the illegal content will have to be willing to deal with pop-ups ads, that the quality might not always be perfect, but it is free, fast, and widespread in the NDSF countries. For the one introducing an OTT-video service with legal content, the service has to outperform the illegal one. In today's video content market, it is unreasonable to give the user access to all the content that the illegal one can, which means that the quality has to be impeccable, the content has to be uploaded instantly when it is aired for the first time and especially the platform has to be extremely user friendly. Only then can a pay-service start competing with the illegal free alternative.

Some might be discouraged from piracy due to the convictions that have been made. However it is quite easy to avoid getting prosecuted, and to the knowledge of the authors, there are quite a few techniques where the one watching the illegal content haven't been tried yet. Despite the fact if there are convictions or not, the only way to turn the market into a legal one, is to meet the customer needs, not to try to prosecute them all. The music industry tried keeping to the original business model, when they were under attack from piracy, but it was first when they changed their business model

that they gained more control over the illegal distribution, and saw their profits return.¹²¹

Content rights

The legal issue regarding content rights is something that will make the business model more complicated. However ATCs business model does not include controlling or negotiating content rights, as that is left for their partners. But it should be highlighted that the content right is a major issue to deal with, as the content owners have a lot of power in the market.

6.2.7 PESTEL analysis summary

The factors that could be the most influential are the legal factors, the illegal distribution of content and the content rights. Both these factors have the potential to have a large impact on the business idea in question.

6.3 Porter's Five Forces Analysis

6.3.1 Bargaining power of suppliers

The main suppliers in this case are the content owners. When looking at the OTT-video movement, it is easy to draw a first conclusion that the best solution is a Spotify-like offer. In the case of Spotify, subscribers pay a fixed amount each month, and after Spotify has taken its share, the rest is divided up amongst the content owners depending on how much their music has been listened to.¹²³ This is a simple solution, and it opens up an immense library to the subscribers, a key ingredient to Spotify's success. This is however not possible today on the video market. But the differences between the video and music industries are significant and the localization of the power is different in the beginning of the video digitalization. When the music industry went through the OTT transformation, the music industry was bleeding and the content owners realized they needed to adapt radically in order to survive.¹²⁴ In today's video content landscape, the content owners are still making a lot of money in the traditional ways and they are more

¹²¹ Twetman, Niklas. Head of New Business Development. Universal Music. Interview: 16-04-2013

¹²³ Spotify, Artistic Services. *How do I get paid from Spotify?* Spotify 2007-2013
<https://www.spotify.com/se/about-us/artists/get-paid-from-spotify/> Viewed 6-03-2013

¹²⁴ Twetman, Niklas. *Universal Music Sweden's Niklas Twetman at the Ericsson Business Innovation Forum*. Ericssonpress. YouTube. December 6, 2012.
<http://www.youtube.com/watch?v=WqbY-CBYJTo>. Viewed: 26-02-2013

proposed this digitalization than they are forced into it. This completely changes the power dynamic of the industry.

There are other major differences between the industry that makes it more difficult. The music industry has 4 major content owners, they are global and the right for the content is usually not exclusive. Negotiations can therefore be done more efficiently. For the video-content industry there are a huge number of content owners and providers, both globally and locally and to collect them all in one library would take many years of negotiations. Even if the solution could be preferable for consumers, a problem today though is that the content owners are still making money and they are still in a power position in these negotiations. Owners want to get paid a fixed amount each month, regardless of how much the subscriber is actually viewing their content.¹²⁵ This means that a full library of content would be incredibly expensive to supply and the number of customers willing to pay that much would be limited. In other words, the bargaining power of the content supplier is large in the industry.

ATC also has other suppliers. A significant part of their technical solution comes from other companies; their business model is to outsource that which can be outsourced. According to ATC they have a very strong position, because there are a vast number of suppliers they can choose from.¹²⁶

6.3.2 Bargaining power of buyers

The end-users have a strong buying power at the moment, since there are a number of options for them to choose between and they are free to choose as they please. In the beginning ATC in their partnership with DAKO tried to take some of this power away by putting a 12-month subscription minimum on their offer, something that was not received well by the Swedish market.¹²⁷ The bargaining power of the consumer is quite high, since they have access to almost all content illegally through piracy. As more and more content providers are entering the market, the bargaining power of the end users is getting even stronger. Since the launch of DAKO, they have had to offer another type of subscription without minimum

¹²⁵ Högström, Linnea. Project Manager. ATC. Interview: 06-02-2013

¹²⁶ Nilsson, Jan. Chief Executive Officer. ATC. Interview: 06-02-2013

¹²⁷ Malmström, Mark. *"Fansen" rasar mot DAKO*. SvD. December 12, 2012.

<http://www.svd.se/naringsliv/digitalt/fansen-rasar-mot-dako-7749608.svd> Viewed: 14-02-2013

required length, as an effect of the customer dissatisfaction, however the price of the alternative is significantly higher.

From the B2B standpoint the buyers are the content owners and their bargaining power depends on the content they own and the perceived brand. A content owner with strong brand recognition and sound finances has a lot of bargaining power, because they could go through with the OTT-video launch on their own terms. If it is a smaller content owner who doesn't have "unlimited" resources and wants to reach the market quickly, the situation is quite different.

So for ATC they have a weak position in both the B2C and B2B perspective since they have both strong end-users and content owners.

6.3.3 Threat of new entrants

ATC has an advantage in their partnership with DAKO, if they succeed in the management of the DAKO platform and customer base they will gain a stronger position in the market. Despite their first-movers advantage they have a weak position here due to the low entrance barriers.

They need strong partners who succeed in winning the customers share of wallet for their media consumption in order to succeed. New strong offers from other content providers might over-shadow the offer from the ATC-partners' and the revenues from the revenue sharing will decrease. It is important to see that in the end each end-user has a limit on how much they are willing to spend per month on video content. Since ATC is involved in such a tight partnership they need to make sure that they choose partners they think can succeed in winning a sufficient share of wallet in order to secure their own cash flows. Therefore there is a threat of new entrance from strong content owners, who in one way or another provide their content to customers outside ATC.

One threat on this end-user-side of the business to consider is offers from today's Internet giants. Amazon is launching their OTT-video service shortly and so is Google through their YouTube pay-channels. Apple already has the infrastructure with their Apple TV and iTunes. These entrants all have significant financial backing and if they decide to enter the market they could potentially take losses for a while in order to starve out smaller competitors. They would also have a strong position in negotiations with content owners, and possess the necessary skills needed to execute a technical solution.

6.3.4 Threat of substitute products

Piracy gives the user access to almost all content produced in the world for free and directly. Piracy has raised the bar on what the customer except form the content industry for a paying alternative, as the free one is delivering a good product. But piracy isn't perfect, it can be difficult or impossible to access specific content on certain devices. It leaves the consumer vulnerable to potentially dangerous software. The quality can be quite poor, and in the end you are, if not actually breaking the law, you are enabling others to do so. Recent reports show that piracy streaming is growing in the region.¹²⁸ The flaws mentioned are not too severe to keep people away from piracy today, but once a reasonably priced, reliable, complete and legal option is presented they can push people towards it. It has been shown that the people who pirate music, are also the people who are most willing to pay for it, and are most likely to subscribe to a music service online.¹²⁹ Potentially there is a similar correlation here.

6.3.5 Existing rivalry amongst competitors

The competitive rivalry is fierce at the moment. There are new competitors launching all the time and the number of OTT subscribers is growing rapidly. At this point no one knows what will happen to them. The CTO of ATC Mr Leif Eliasson said "There will be a competitive war over the next years and some will loose, we'll just try to make sure that we're coming out on top". One can speculate that the smaller regional players will have a hard time standing up to larger international content owners or even some of the "internet giants" like Apple or Google when they decide to enter the market. In order to succeed one has to know exactly how the competitors are positioned and what they are doing in order to always be on par or above there offerings. One has to also be very conscious of their unique selling points and how to best exploit them so that when the market consolidates their customers will be loyal and they will be among the surviving companies. In the end it is all about meeting the customers in what they want. The companies that understand that will be the ones who will come out on top as this market matures.

¹²⁸ Brandel, Tobias. *Svensk Illegal Streaming Växter snabbt*. April 29, 2013.
http://www.svd.se/nyheter/inrikes/svensk-illegal-streaming-vaxer-snabbt_8129082.svd.
Viewed: 29-03-2013

¹²⁹ Findahl, Olle. *Svenskarna och Internet 2011*. se. 2011. ISBN: 978-91-979411-2-9

6.4 Marketing Mix Analysis

6.4.1 Product

HBO, Showtime, CBS, ABC and USA are the most popular producers. The rest of the answers are quite evenly distributed, there are differences in the popularity of the channels, but it's difficult to distinguish any clear patterns. It is not the case that the sports channels are less popular, nor that the premium series producers are more popular as FX doesn't get a high traction.

A possible answer to the result might be that the number of possible answers might affect the result. This since the survey limited the people who answered to only choose four producers, this might have distributed the result quite a lot and therefore no clear patterns can be found.

Another possible answer is that people have a broad preference when it comes to media consumption. One might assume that since a person that likes Entourage that person should like Californication since the series are fairly similar. However the person might actually prefer something completely unrelated such as a reality show, since the person might want to diversify his/her video consumption. Perhaps the result points to the fact that people have a very personal taste and wants to gain access to a variety different producers.

When comparing which content is the most important one, series or movies, the result clearly shows that a mix if preferable, after that series was the most important one. However Mr Tullgren at DAKO states that series is the most important content group, he states that both DAKO and Netflix are under the impression that series is and will be the most important content category in the future for OTT-video. Especially next-day premieres of new content.¹³⁷

Even though the customers might like to pick and choose on their own between all of the possible content owners, this might be a utopian option that is not plausible in reality. In the end the power resides with the content owners and they are at the moment more focused on the preservation of their brand than giving the customers the ultimate offer. As DAKO said in the interviews they will only bundle with other content providers with similar content and profile so the option that a customer can for example choose E!-Channel and DAKO is unfortunately not possible. However the

¹³⁷ Tullgren, Anders. Senior Vice President of PR & Marketing. DAKO. Interview: 10-04-2013

survey showed that there was a correlation between the people with a higher willingness to pay and premium content providers. This is valuable information for someone interested in putting together a bundle offer because it fits both the customers wants and the partners qualifications for a preferable partner.

6.4.2 Price

A large part of the surveyed group had a low willingness to pay for the bundles. Some people were only willing to pay 89 SEK/Month, independent of the number of producers included in the bundle. This could be a sign of the people who aren't willing to pay for the content, but instead would continue to use their current solution for video content. The reason for them choosing 89 SEK/Month is because in the survey everyone had to choose a price and 0 was not available.

The data on the increase in people's willingness to pay for additional material is interesting. What would be expected from microeconomic theory is an increase willingness to pay as additional partners were added, however as more and more partners were added that increase should decrease. As the empirics state, that is not the case in our survey, as the pricing increase between the bundles are between 30 and 40 SEK, but without relation to the number of partners in the bundle. Perhaps the expected behaviour would be the case as the number of partners added would be large, but it was not for the smaller bundles. The reason for this pricing behaviour might be the fact that peoples willingness to pay is more heavily dependent on the content that they receive. As long as the content added is equally desirable as the content already included, the increase in price for one, two or three partners might be fairly constant. If however the content added was something undesirable one might assume that the increase in willingness to pay would be significantly different. As the question was asked, where the person was free to choose the added partner. It seems reasonable to assume that the willingness to pay would be generally higher and the increases less decreasing than if the customer was given a choice of a predetermined partner.

Another explanation for the pricing behaviour might be that people are looking for a more complete content library, one that can cater towards the diversity in media consumption that was displayed in the previous section. The people would then be willing to pay a steady increase for an added partner as long as the media library is not complete. Then when the library is filled the increase in price for an added partner, will be significantly lower.

The survey was given out to people who are around 25 years old, which could affect the result. People in that age are used to watching video media on computers, tablets and phones, which might increase their willingness to pay for a service catered towards that kind of consumption. A streaming service for their part would be their main source of video media and not a complementary product to the TV as one might assume for the older generations, at least in the beginning. Because of this different view on the product, the pricing for the older generation might be lower. However the older generation usually have more discretionary funds, and might therefore not be as price sensitive as the young one.

For the bundle to be attractive for customers there has to be a price reduction on the bundle price compared to if the services were bought separately. This is evident for the partners as well, but initially DAKO was fairly reluctant to the idea. When a customer uses a bundle offer the cost of bandwidth will be spread out over the involved partners, which should increase the profit per customer. This was not taken into consideration by DAKO at the time of the question. If a concrete plan for a bundle were to be presented to them with this strength highlighted we believe that they could be willing to agree to a small price reduction if they see that the same profitability per user could be maintained. Since the partners would only be willing to partner with other strong premium brands the partnership has to be equal for it to work. Therefore the price reduction must be shared by all partners for it to be a viable long-term option. If DAKO is serious about their willingness to bundle they have to be able to agree on this, otherwise the negotiations could be very long and the chances of them being fruitful would decrease.

6.4.3 Place

The customers seem to prefer to gain access to all the content through one platform. 95% of all people would prefer to have all the content collected in one place.

According to ATC there are no technical obstacles with making a neutral platform that includes different content combined and searchable. However both interviewed partners sees other obstacles with this solution. No permanent obstacles, just that due to content rights and branding issues a neutral and shared platform could only be available after extensive discussions and negotiations and it is something that needs one partner taking the lead and proposing the solution. In Finland that leading partner is ECHOtv, this was brought out of necessity since they lost the rights to the Finnish hockey league and needed to come up with something new to offer

their customer base. The “place” in this situation is however sub-optimal since the customers get access to the content in different sites and the survey clearly shows that they want it gathered in one place. DAKO would be unwilling to include their content on another partners site, and since other potential partners also have to be strong brands, one can assume that their position would be similar. That leaves the option of a shared neutral platform where all partners share the customers, revenue and bandwidth costs and also promotional activity and brand visibility. This could be the place in the market for ATC. ATC could be the technical partner for all of them individually, at the same time as hosting the neutral platform. The partners will not actively pursue bundling opportunities because it is outside of their regular activities. But they do see the advantages in both filling a larger customer need, which should decrease churn rate, as well as the bundle offer’s attractiveness as a retention offer. ATC could create a neutral platform and present a simple partnership agreement to where the ingoing partners share everything equally, and they then sell it as the external third party desired by DAKO. DAKO can then use it as a retention offer when existing subscribers tries to cancel their accounts.

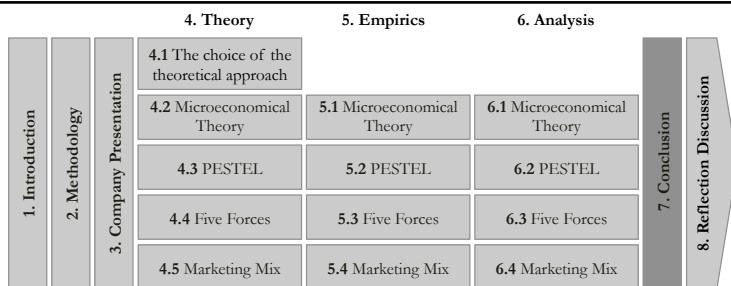
6.4.4 Promotion

There is no clear preference between the different alternatives on how to receive an offer, which could simply display that people prefer differently.

The limitations in the promotion come from what the partners are willing to do. As seen in Finland it is clear that ECHOTv are willing to promote the bundle, but it isn’t very surprising since the bundle is now the most attractive offer they have. For the other partners however the bundle is an addition for them, and they may not be too excited to spend a lot of time, money and effort on promoting other competitors. Especially, it might not be interesting for them to promote it to their existing client base since they are already paying customers of DAKO and would then only add value to their partners. The only way that would be interesting would be if the partners all have significant individual client bases and they make a mutual effort to make all clients customers of the bundle. Or the promotional effort could be done by a third party, but mutually funded by them.

7 CONCLUSION

The chapter will present the main conclusion of the thesis. This will be a short presentation of the main findings from the analysis and include the recommendation for ATC.



7.1 Describing and analysing the TV-industry

Todays market field is identified by an “all-against-all” system, where all stakeholders are competing rather than cooperating. The industry is trying to adapt to the customers needs, but not to the full extent that the customer demands. The major powerhouses are the content owners, who are the main influencers on the market. However today’s market is constantly changing, and during the thesis new up-and-comers are appearing every month. Therefore the focus of describing the industry will be put on the future of the industry;

In the empirics there are a few possible scenarios described, at this point any of them are possible. The authors believe that the driving force behind the coming change will be the customer. Much thanks to the powerful substitute that is piracy. If the competing companies want to attract and keep the customers, they must listen to what the customers want and deliver it to them. Previously in the TV-industry the customers had to adapt to where the content was in order to get access to it, nowadays it is available for free almost anywhere. This is a significant change in the power dynamic, and something that content owners will have to acknowledge and adhere to.

What people want is more control. They want to be more in control of what they can watch, when and where. The release of episodes has to compete with the release on piracy sites, which happens only within hours of the actual screening of the episode. People also want to be in control of their subscriptions, contractual subscription of 12 months is not a thing of the future according to the authors. If a company is confident in their offer they shouldn’t need the contract to keep the customer attached, they should do it on their own accord.

In the long run we believe that OTT-video solutions will move from being a complementary product to becoming a substitute to todays' TV-industry. As the penetration rate of smart-TVs increase and cord-less screen sharing from other devices increases in usability and frequency, the need for traditional TV will be diminishing. Especially with the younger audiences, the need to pay for linear TV will be seen as wasteful and strange since one could pay less to control more and pay for only what you actually want to see. As the service moves from being complementary to being a substitute the share of wallet will increase and we will see OTT-video subscriptions being larger and more costly. But still probably within todays' budget constraint on the whole TV-consumption.

If we look further into the future we see the role of traditional broadcasters as diminishing. Content owners will have the possibility to bypass them and reach final customers through service providers like ATC, which increases their profit margin. This by cutting out the middleman, and it also gives them global control of their content and their brand. This will make the TV-industry even more global and the role of service providers, as ATC could be as important as the distributors of today.

7.2 Identifying new business concepts for a technical provider of OTT-video services

One content owner does not supply the full need of a customer. The customer will want to subscribe to multiple content owners in order to get the full access that they desire. In the thesis it was shown that the willingness to pay increased significantly when multiple content owners were added to the bundle, a willingness to pay that was a lot higher than for the OTT-video solutions available today. The solution to solve the customer needs seems to align with an option that would be very fruitful for content owners, and it is product bundling.

7.2.1 Why bundle?

From a business standpoint the motivation for expansion are generally more profits. But short-term profits and long-term profits are not the same thing. In order to gain long-term profits you have to be customer-obsessed and deliver what they want and how they want it. At the same time as building a strong and sustainable company that is irreplaceable to its partners.

The short-term objectives of ATC are to increase their and their partners' profits while reducing the churn rate and increasing the number of

customers. The most efficient way to reduce churn is to make your customers happy. So how do they do that? They want access to more than one content owner and all the material gathered in one place. If they get that access their willingness to pay will be significantly higher than single purchases.

A solution where content owners are bundled into one platform would make all parties involved happy. The customer will get access to the content they desire and stay loyal which reduces churn. The budget constraint would be higher as the number of partners in the bundle increases. Which means that more value can be extracted from each customer. It is therefore profitable for both ATC and its partners, as the bundle itself creates marginal additional costs.

For this change to be possible their needs to be a company that supplies the infrastructure between the content owners and the customers. ATC already has the know-how and position to do it. When the content owners and customers are the most important actors on the market, ATC could be the indispensable link between the two. Taking this position is the most sensible and forward-thinking thing to do. It gives customers what they want and ensures long-term significant growth and power for ATC. Something that contractually reduced churn and unrelated bundling can't do.

A strong strategic push from ATC will increase their power in negotiations, something that might be lacking today. The five forces analysis shows that they have powerful forces on both side of their business. But if they push further and become the distributor of choice this will certainly be improved.

7.2.2 Who to bundle with?

The bundle theory clearly states that for the perception of a bundle to be favourable, the included parts should have similar perceived valuations. So in the ATC case they need to find content owners with similar valuations to DAKO. This is in alignment with what DAKO demands from a potential partner, that they are also perceived as a premium brand. As Mrs Thorbeck of DAKO told us, they are looking for sort of clever shows with a more narrow audience, because those are the shows that attract true fans and that is where the willingness to pay is created. A scan of the American market gives us a few examples of possible companies. Showtime, AMC, FX all have shows that fit the profile (Mr Tullgren has said that Showtime could be a potential partner). All of these except FX are also among the top content owners demanded in our survey so a bundle with DAKO and two of these could be a good start.

An important aspect when choosing partners is that if the customers are happy with the bundle offer, the perception of the bundle and especially the included partners will be significantly augmented. These customers will also be likely ambassadors of the brands and the bundle, in their everyday life but also on social media sites.

There are of course other bundle opportunities possible with other partners than DAKO, this is just a good starting point for ATC since it is their most prominent partner at the moment. But in a future where ATC has several content owners as partners DAKO will not be the only bundled partner.

Another possibility of bundling is mixing complementary content owners instead of similar, which is something that was demanded.

It is hard to find clear patterns in the preferences among the customers. The broad pattern that can be identified is that people want different things. A utopian option would be a neutral platform that can be modularized by the customer. Where they could pay monthly for access to the number of content owners they want and then pick and choose amongst the ones available through ATC. However this is probably not possible because the content owners want too much say in who they are bundled with and how.

7.2.3 How to bundle

For the bundles to happen and for the OTT-market to develop, someone has to take the lead, and we feel that ATC is exactly the type of company that could and should do that. DAKO will focus on developing their own customer base first and not actively pursue other partners to bundle with (one can assume that other content owners will act in a similar manner). If content owners truly want to develop the OTT-market they need to see that “holding hands with your competitors” will be very beneficial for their cause since their true competitors are outside of their immediate circle i.e. piracy.

ATC should develop a neutral platform where it is easy to add content and partners and obviously that platform should be very user-friendly and reliable to its end-users. The streaming must be in high quality and the release of shows at least at the same time as the piracy options come out, if not earlier. In this platform the content owners should get the possibility to tag their content with their brand. As for the financial partnerships it would be preferable with an equal sharing of revenues and costs between partners, as this would enable long-term partnerships. Perhaps down the line as data on what the customers are watching are collected, the revenues and costs could be split according to which partners content the users are watching.

7.2.4 Summary

Create one neutral platform where you can easily and quickly add new content, right after release. Give content owners the possibility to tag their content with their brand. Create equal partnerships between content owners, convince them that holding hands with competitors will help them beat their true competitors who are the substitutes like, piracy. It will reduce their churn rate and increase the revenue per user. This gives ATC a much stronger position in the value chain and ensures long-term growth and stability. At the moment ATC should use its existing partner DAKO and find two more similar partners and launch a first bundle to the public. Showtime and AMC would be potential partners that carry similar content and were highly favoured.

7.3 Contributions

7.3.1 Theoretical Contributions

When analysing an industry that is in the early stages of a major change, it becomes increasingly speculative and it is therefore interesting to interpolate between different theories. The thesis has used both the economics discipline and business theories, and within the business theories both a strategic and operational approach. This interdisciplinary approach could be usable for others in similar situations and as shown in the thesis the theories have confluence areas while bringing insight around different aspects.

7.3.2 Contributions to the Industry

The thesis has shown a way of increasing the customers willingness to pay for an OTT-video service, which is done by bundling different brands. Different insights around how to choose partners has been presented, which aspects to take into account and how these different aspects could be perceived by the customers. Building on that, there is also a contribution on how the choice of partners affect the included brands in the bundle. The thesis also present the preferred content brands in the Nordic region.

An attempt on how to possibly construct these partnerships have been presented, both from a short-term perspective and a long-term one. At the same time the thesis presents possible constraints and concerns that might be relevant when constructing the partnerships.

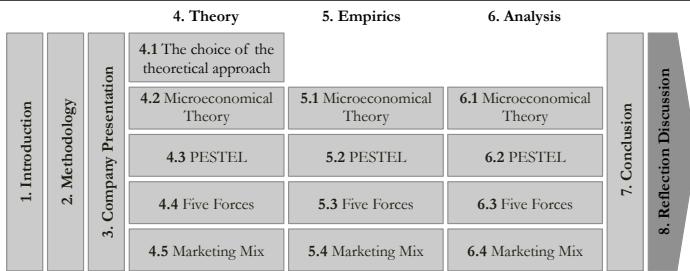
As one of the main goals, the thesis presents a possible future for the industry, how these changes might affect the current players and how to navigate in the new landscape for a technical provider to come out on top.

7.3.3 Contributions to the company, ATC

The thesis has presented a tweaked business model for ATC, that could increase the importance of ATC on the market, which in turn could increase their share of the market profits. A suggestion on which partners to include in a bundle has been made, taking into account their current partner DAKOs customer profile. How to construct this partnership has been presented, both from a financial perspective and operational perspective. An attempt on how the customer should gain access to the content has also been presented taking into account the different stakeholders constraints and wishes.

8 DISCUSSION

The chapter will be a section where the authors take a more personalized approach to the findings that have been found along the way. This will include reflections around the start up environment, partnering and where the industry is going, and where the authors believe that the industry should go.



Traditionally the distributors were “the kings”. From the content owners perspective, they were the ones with access to the customers, and from the customers perspective they were the ones with access to the content. This has completely changed today and the role of the distributors is diminishing. If the content owners are smart in this time of market disruption, they could completely re-draw the way the TV-industry works. By going OTT and reaching the customers directly they would be taking control for themselves and also giving it to the customers. The content owners and the customers will both be kings in the new OTT-ruled market place.

ATC has said it themselves, “we are running on everything at the moment”. It is clear to us that this is a start-up environment and it still isn’t clear to them what direction the company will take. It is a bit surprising in how they don’t have a joint vision of where the company is heading. It is even more surprising that the company we met in the interview with the CEO in April is very different from the company presented in the prospectus given to us at the start. We feel that they are looking for short-term revenue instead of trying to find a long-term growth and in doing so they have actually left their original idea.

The first thing that they need to figure out is who their customers are. In the interviews and discussions it became clear that they didn’t have a joint vision of whom their customers are. On our side we feel that the most important part of the value chain is the end-user. Even if the strategic (paying) customer might be the content owner, they must realise that the money comes from the end user and without happy end users they don’t have happy customers.

We believe our idea for the company to be a good viable long-term opportunity. Just as we're finishing up this rapport there are strong indications that our vision for the future of the industry isn't too far off. As this is written (may 2012) Warner Brothers, MGM and Universal have left their cooperation with Netflix in order to pursue their own OTT-video solution.¹³⁸ Also YouTube has announced that they will start having premium subscription channels for better content.¹³⁹ This gives us an indication that the direction we want the industry to go to is true and that there will be great possibilities for companies like ATC in this market. The question here though, is it possible for them right now? It would most likely take a long time getting the necessary contacts with all of the content owners and judging only from how long content-negotiations take today, a deal like this would take a long time to strike. One has to keep in mind that the end of this rapport is of a speculative nature. The industry we are describing and analysing is changing constantly and things can change quickly. The results that we have discussed stem from our own opinions and our own analysis' of the market. Things can happen in the next development of the industry that could make our solution impossible. But at the same time, change will happen because people and companies are pushing for it. So this change that we are predicting and that we are suggesting is possible as long as someone pushes in the right direction.

We have discussed in the report that unrelated bundling is according to theory something that can be difficult to succeed with without endangering the brand. From our personal opinions we don't see how we would be interested in signing up for new unrelated services through our video service provider.

As consumers we would love to see another development that isn't discussed previously in the rapport. It is a modularization where every user can even choose exactly what shows they want to have in their bundle. From our own perspective our willingness to pay for an option like this would be very high, and a lot higher than for the predetermined bundles that content owners sell. We have discussed this option with ATC and there are no technical limitations to creating this offer. But it is an even more hypothetical solution for the future and it would mean that content owners

¹³⁸ Gavelin, Fredrik. *Netflix tappar 1800 titlar – filmjätte sager upp avtal*. SvD. Maj 3, 2013. http://www.svd.se/naringsliv/netflix-tappar-1-800-titlar-filmjatte-sager-upp-avtal_8141670.svd Viewed: 03-05-2013

¹³⁹ Schröder, Linus. *Youtube börjar ta betalt*. SvD. Maj 6, 2013. http://www.svd.se/naringsliv/digitalt/youtube-borjar-ta-betalt_8150376.svd Viewed: 07-05-2013

would have to believe more in the strength of their shows instead of trying to secure revenues up front.

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APPENDIX

Survey

Survey, in Swedish, as it was sent out

Vi håller på att undersöka videostreaming-marknaden i Sverige, som är under stark frammarsch med nya spelare så som Netflix, Filmnet, HBO Nordic och Viaplay. Detta är en del av vårt exjobb och vi är väldigt tacksamma för att ni tar er tid att delta/
Willem & Joakim

1. Är du
 - Man
 - Kvinnan
2. Om ni skulle få välja vilka videoproducenter som skulle erbjudas i en streamingtjänst tillsammans, vilka skulle ni välja, välj max 4?
 - Discovery Channel (Deadliest Catch, MythBusters, Man vs Wild)
 - ESPN (Sport Center)
 - E-Channel (Keeping up with the Kardashians, The Girls Next Door)
 - Cartoon Network (Tom & Jerry, Adventure Time)
 - FX (Sons of Anarchy, It's Always Sunny in Philadelphia, Anger Management)
 - TBS (Cougar Town, Men at Work, Are we there yet)
 - NBC (The Office, Parks and Recreation, The Apprentice)
 - CBS (CSI, How I Met your Mother, Two and a Half Men)
 - Showtime (Dexter, Californication, Homeland)
 - AMC (Mad Men, The Walking Dead, Hells on Wheels)
 - History
 - HBO (Game of Thrones, Newsroom, Entourage, True Blood)
 - Animal Planet (Meerkat Manor, Orangutan Island)
 - USA Networks (Suits, Burn Notice, White Collar)
 - Fox (Simpson, Bones, Glee, The Following)
 - ABC (Grey's Anatomy, Modern Family, Scandal)
 - MTV (The Real World, The Osbournes)
 - Eurosport
 - Bravo TV (Project Runway, Top Chef, The Real Housewives of ..)
 - Comedy Central (The Daily Show, South Park, Futurama)

- Nat Geo
3. Om ni skulle välja att prenumerera på en streamingtjänst med 2 valfria producenter från föregående sida tex. HBO & Showtime, hur mycket skulle detta paket som mest få kosta? Separat kostar en producents streamingtjänst 79 SEK/Månad.
- 169 SEK/Månad
 - 149 SEK/Månad
 - 129 SEK/Månad
 - 109 SEK/Månad
 - 89 SEK/Månad
4. Om ni skulle välja att prenumerera på en streamingtjänst med 3 valfria producenter från föregående sida tex. HBO, Showtime & FOX, hur mycket skulle detta paket som mest få kosta? Separat kostar en producents streamingtjänst 79 SEK/Månad.
- 229 SEK/Månad
 - 209 SEK/Månad
 - 189 SEK/Månad
 - 169 SEK/Månad
 - 149 SEK/Månad
 - 129 SEK/Månad
 - 109 SEK/Månad
 - 89 SEK/Månad
5. Om ni skulle välja att prenumerera på en streamingtjänst med 4 valfria producenter från föregående sida tex. HBO, Showtime, FOX & CBS hur mycket skulle detta paket som mest få kosta? Separat kostar en producents streamingtjänst 79 SEK/Månad.
- 309 SEK/Månad
 - 289 SEK/Månad
 - 269 SEK/Månad
 - 249 SEK/Månad
 - 229 SEK/Månad
 - 209 SEK/Månad
 - 189 SEK/Månad
 - 169 SEK/Månad
 - 149 SEK/Månad
 - 129 SEK/Månad

- 109 SEK/Månad
 - 89 SEK/Månad
6. Om du redan är prenumerant av en streamingtjänst med en av producenterna, hur skulle du vilja bli erbjuden att lägga till ytterligare en producent till ett reducerat pris?
- Via mail
 - Via annons på den befintliga streamingtjänsten
7. Ni är prenumerant för FOX streaminglösning. Ni har köpt till ytterligare en producent till er tjänst, hur skulle ni vilja få tillgång till detta nya material?
- Genom en neutral app & hemsida som samlar allt material du har tillgång till
 - Genom den befintliga FOX appen & hemsidan
 - Genom en separat app & hemsida för den nya producenten
8. Om ni ska välja en streamingtjänst att börja prenumerera på, vilket innehåll är det viktigaste?
- Film
 - Serier
 - Båda är lika viktiga

Survey Translated to English

We are analysising the video streaming market in Sweden, a market that is changing a lot due to new players such as Netflix, Filmnet, HBO Nordic and Viaplay. This is a part of our master thesis and we are very grateful that you are willing to participate.

Willem and Joakim

1. Are you a
- Man
 - Woman

2. If you could choose which video producers to be included in a streaming service, which would you choose? (Choose a maximum of 4 producers)
 - Discovery Channel (Deadliest Catch, MythBusters, Man vs Wild)
 - ESPN (Sport Center)
 - E-Channel (Keeping up with the Kardashians, The Girls Next Door)
 - Cartoon Network (Tom & Jerry, Adventure Time)
 - FX (Sons of Anarchy, It's Always Sunny in Philadelphia, Anger Management)
 - TBS (Cougar Town, Men at Work, Are we there yet)
 - NBC (The Office, Parks and Recreation, The Apprentice)
 - CBS (CSI, How I Met your Mother, Two and a Half Men)
 - Showtime (Dexter, Californication, Homeland)
 - AMC (Mad Men, The Walking Dead, Hells on Wheels)
 - History
 - HBO (Game of Thrones, Newsroom, Entourage, True Blood)
 - Animal Planet (Meerkat Manor, Orangutan Island)
 - USA Networks (Suits, Burn Notice, White Collar)
 - Fox (Simpson, Bones, Glee, The Following)
 - ABC (Grey's Anatomy, Modern Family, Scandal)
 - MTV (The Real World, The Osbournes)
 - Eurosport
 - Bravo TV (Project Runway, Top Chef, The Real Housewives of ..)
 - Comedy Central (The Daily Show, South Park, Futurama
 - Nat Geo

3. If you had chosen to subscribe to 2 of the producers on the previous page, for instance HBO and Showtime, what would be the upper limit on how much you would be willing to pay for it? Separately each producer costs 79 SEK/Month.
 - 169 SEK/Month
 - 149 SEK/Month
 - 129 SEK/Month
 - 109 SEK/Month
 - 89 SEK/Month

4. If you had chosen to subscribe to 3 of the producers on the previous page, for instance HBO, Showtime & Fox, what would be the upper limit on how much you would be willing to pay for it? Separately each producer costs 79 SEK/Month.
 - 229 SEK/Month
 - 209 SEK/Month
 - 189 SEK/Month
 - 169 SEK/Month
 - 149 SEK/Month
 - 129 SEK/Month
 - 109 SEK/Month
 - 89 SEK/Month
5. If you had chosen to subscribe to 4 of the producers on the previous page, for instance HBO, Showtime, Fox & CBS, what would be the upper limit on how much you would be willing to pay for it?
Separately each producer costs 79 SEK/Month.
 - 309 SEK/Month
 - 289 SEK/Month
 - 269 SEK/Month
 - 249 SEK/Month
 - 229 SEK/Month
 - 209 SEK/Month
 - 189 SEK/Month
 - 169 SEK/Month
 - 149 SEK/Month
 - 129 SEK/Month
 - 109 SEK/Month
 - 89 SEK/Month
6. If you subscribe to a service with one of the producers, how would you like to receive an offer to add an additional producer at a reduced price?
 - Via E-mail
 - Through an advertisement on the existing streaming service
7. You are subscribing to the FOX streaming service. You have just bought an additional producer to your service, how would you like to gain access to the additional material?

- Through a neutral application and webpage where you gain access to all your material
 - Through the existing FOX app and webpage
 - Through a separate app and webpage for the added producer
8. If you are choosing a streaming service to subscribe to, which content is the most important
- Movies
 - Series
 - Both are equally important

Correlation Figures

General Correlation

	HBO	Fox	FX	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo
HBO	1,00	0,04	0,07	0,23	0,08	0,05	0,17	0,10	0,01	0,08	-0,06
Fox		1,00	0,14	0,02	0,08	0,06	-0,06	-0,03	0,00	0,13	0,01
FX			1,00	-0,05	0,12	-0,05	0,09	-0,04	-0,07	-0,06	-0,10
Showtime				1,00	-0,06	-0,08	0,24	-0,02	-0,13	0,02	-0,10
CBS					1,00	0,18	0,04	-0,08	-0,17	-0,22	0,12
ABC						1,00	-0,16	-0,11	-0,14	-0,14	0,19
USA							1,00	0,06	0,09	-0,05	-0,01
AMC								1,00	0,26	-0,12	-0,04
Eurosport									1,00	-0,05	-0,07
ESPN										1,00	-0,06
Bravo											1,00

	E-Channel	MTV	Discovery	Nat Geo	Animal	History	Cartoon	Comedy	TBS	NBC
HBO	1,00	0,04	0,07	0,23	0,08	0,05	0,17	0,10	0,01	0,08
Fox	0,04	1,00	0,14	0,02	0,08	0,06	-0,06	-0,03	0,00	0,13
FX	0,07	0,14	1,00	-0,05	0,12	-0,05	0,09	-0,04	-0,07	-0,06
Showtime	0,23	0,02	-0,05	1,00	-0,06	-0,08	0,24	-0,02	-0,13	0,02
CBS	0,08	0,08	0,12	-0,06	1,00	0,18	0,04	-0,08	-0,17	-0,22
ABC	0,05	0,06	-0,05	-0,08	0,18	1,00	-0,16	-0,11	-0,14	-0,14
USA	0,17	-0,06	0,09	0,24	0,04	-0,16	1,00	0,06	0,09	-0,05
AMC	0,10	-0,03	-0,04	-0,02	-0,08	-0,11	0,06	1,00	0,26	-0,12
Eurosport	0,01	0,00	-0,07	-0,13	-0,17	-0,14	0,09	0,26	1,00	-0,05
ESPN	0,08	0,13	-0,06	0,02	-0,22	-0,14	-0,05	-0,12	-0,05	1,00
Bravo	-0,06	0,01	-0,10	-0,10	0,12	0,19	-0,01	-0,04	-0,07	-0,06
E-Channel	-0,08	-0,04	-0,01	-0,07	-0,03	0,28	-0,05	-0,14	-0,07	-0,04
MTV		-0,05	-0,04	-0,12	-0,10	0,02	0,04	-0,06	-0,03	0,04
Discovery			0,01	-0,16	-0,03	-0,12	-0,03	-0,03	-0,04	0,02
Nat Geo				0,07	-0,06	-0,08	0,01	0,05	0,08	0,06
Animal					-0,07	-0,03	-0,05	-0,14	0,04	-0,04
History						-0,09	-0,11	-0,14	0,03	0,17
Cartoon							-0,04	-0,04	0,35	-0,04
Comedy								0,02	-0,08	0,13
TBS									-0,03	-0,06
NBC										0,04

Figure 27: Correlation between producers

Correlation of 2 Producers

	HBO	Fox	FX	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo
HBO	1,00	0,22	0,22	0,56	0,45	0,44	0,43	0,38	0,22	0,45	0,23
Fox		1,00	-0,02	0,04	0,18	0,16	0,09	0,27	0,23	0,22	0,16
FX			1,00	0,04	0,18	0,05	0,09	-0,04	-0,02	0,09	-0,03
Showtime				1,00	0,26	0,21	0,42	0,16	-0,07	0,28	0,08
CBS					1,00	0,43	0,29	0,05	-0,06	0,01	0,20
ABC						1,00	0,06	0,03	-0,07	0,05	0,34
USA							1,00	0,09	0,23	0,13	0,15
AMC								1,00	0,43	0,08	-0,06
Eurosport									1,00	0,09	-0,03
ESPN										1,00	0,04
Bravo											1,00
	E-Channel	MTV	Discovery	Nat Geo	Animal	History	Cartoon	Comedy	TBS	NBC	
HBO	0,20	0,16	0,20	0,27	0,27	0,17	N/A	0,26	N/A	0,26	
Fox	0,15	-0,02	0,13	0,12	0,18	0,16	N/A	0,15	N/A	0,15	
FX	-0,04	-0,02	0,13	-0,04	-0,03	-0,03	N/A	-0,04	N/A	0,15	
Showtime	0,14	-0,05	0,18	0,16	0,19	0,08	N/A	0,22	N/A	0,06	
CBS	0,09	-0,04	0,22	0,20	0,13	0,11	N/A	0,26	N/A	0,18	
ABC	0,39	0,11	0,11	0,17	0,20	0,08	N/A	0,23	N/A	0,15	
USA	0,13	0,17	0,20	0,09	0,06	0,04	N/A	0,03	N/A	0,03	
AMC	-0,06	-0,03	-0,07	0,12	-0,05	-0,06	N/A	0,05	N/A	0,05	
Eurosport	-0,04	-0,02	-0,04	0,12	-0,03	-0,03	N/A	-0,04	N/A	-0,04	
ESPN	0,12	-0,04	0,10	0,25	0,05	0,35	N/A	0,12	N/A	0,12	
Bravo	0,37	-0,02	0,07	0,18	0,12	0,10	N/A	0,09	N/A	0,23	
E-Channel	1,00	-0,03	0,06	0,05	0,11	0,23	N/A	0,08	N/A	0,21	
MTV		1,00	0,20	-0,03	-0,02	-0,02	N/A	-0,03	N/A	-0,03	
Discovery			1,00	0,24	0,09	0,32	N/A	0,30	N/A	0,18	
Nat Geo				1,00	0,34	0,18	N/A	0,28	N/A	0,28	
Animal					1,00	0,28	N/A	0,26	N/A	0,26	
History						1,00	N/A	0,09	N/A	0,23	
Cartoon							N/A	N/A	N/A	N/A	
Comedy								1,00	N/A	0,21	
TBS									N/A	N/A	
NBC										1,00	

Figure 28: Correlation where the customers willingness to pay is above average for a bundle of two producers

Correlation of 3 Producers

	HBO	Fox	FX	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo
HBO	1,00	0,19	0,20	0,51	0,38	0,34	0,39	0,35	0,18	0,39	0,17
Fox		1,00	0,18	0,00	0,16	0,09	-0,02	0,10	0,13	0,29	0,16
FX			1,00	0,03	0,28	-0,02	0,09	-0,07	-0,04	0,00	-0,05
Showtime				1,00	0,15	0,15	0,37	0,17	-0,08	0,23	0,01
CBS					1,00	0,34	0,29	-0,02	-0,07	-0,06	0,18
ABC						1,00	-0,01	0,04	-0,07	0,04	0,33
USA							1,00	0,09	0,18	0,09	0,07
AMC								1,00	0,38	0,02	-0,07
Eurosport									1,00	0,06	-0,04
ESPN										1,00	0,07
Bravo											1,00
	E-Channel	MTV	Discovery	Nat Geo	Animal	History	Cartoon	Comedy	TBS	NBC	
HBO	0,14	0,13	0,15	0,21	0,22	0,09	N/A	0,20	N/A	0,26	
Fox	0,04	-0,03	0,02	0,03	0,09	0,18	N/A	0,06	N/A	0,03	
FX	0,06	-0,03	0,04	-0,06	-0,04	0,08	N/A	-0,05	N/A	0,05	
Showtime	0,13	-0,06	0,19	0,11	0,15	0,03	N/A	0,17	N/A	-0,01	
CBS	0,09	-0,05	0,11	0,14	0,09	0,13	N/A	0,21	N/A	0,21	
ABC	0,37	0,10	0,05	0,14	0,18	0,05	N/A	0,21	N/A	0,08	
USA	0,06	0,13	0,24	0,05	0,03	0,00	N/A	0,00	N/A	0,05	
AMC	-0,08	-0,03	-0,09	0,09	-0,06	-0,07	N/A	0,03	N/A	0,01	
Eurosport	-0,04	-0,02	-0,05	0,12	-0,03	-0,04	N/A	-0,04	N/A	-0,04	
ESPN	0,06	-0,04	0,17	0,20	0,03	0,26	N/A	0,09	N/A	0,12	
Bravo	0,39	-0,03	0,03	0,15	0,10	0,07	N/A	0,07	N/A	0,15	
E-Channel	1,00	-0,03	0,02	0,03	0,09	0,18	N/A	0,06	N/A	0,14	
MTV		1,00	0,17	-0,03	-0,02	-0,03	N/A	-0,03	N/A	-0,03	
Discovery			1,00	0,19	0,06	0,25	N/A	0,25	N/A	0,19	
Nat Geo				1,00	0,34	0,17	N/A	0,28	N/A	0,22	
Animal					1,00	0,26	N/A	0,26	N/A	0,21	
History						1,00	N/A	0,08	N/A	0,17	
Cartoon							N/A	N/A	N/A	N/A	
Comedy								1,00	N/A	0,17	
TBS									N/A	N/A	
NBC										1,00	

Figure 29: Correlation where the customers willingness to pay is above average for a bundle of three producers, only the correlation numbers above 0,35 are displayed

Correlation of 4 Producers

	HBO	Fox	FX	Showtime	CBS	ABC	USA	AMC	Eurosport	ESPN	Bravo
HBO	1,00	0,19	0,18	0,50	0,38	0,40	0,40	0,33	0,20	0,42	0,20
Fox		1,00	0,07	0,01	0,11	0,16	-0,01	0,12	-0,06	-0,04	0,01
FX			1,00	0,06	0,25	-0,01	0,22	0,34	0,15	-0,08	-0,05
Showtime				1,00	0,15	0,22	0,34	0,00	-0,07	-0,05	0,04
CBS					1,00	0,36	0,29	0,00	-0,08	0,16	0,04
ABC						1,00	0,00	0,05	-0,08	0,04	0,28
USA							1,00	0,04	0,16	0,05	0,10
AMC								1,00	0,47	0,03	-0,07
Eurosport									1,00	0,04	-0,04
ESPN										1,00	0,09
Bravo											1,00
	E-Channel	MTV	Discovery	Nat Geo	Animal	History	Cartoon	Comedy	TBS	NBC	
HBO	0,20	0,13	0,21	0,22	0,22	0,09	N/A	0,24	N/A	0,27	
Fox	0,06	-0,03	0,01	0,03	0,09	0,18	N/A	0,04	N/A	0,12	
FX	0,09	-0,02	0,04	-0,06	-0,04	0,09	N/A	-0,05	N/A	0,06	
Showtime	0,19	-0,05	0,14	0,17	0,16	0,04	N/A	0,14	N/A	-0,01	
CBS	0,06	-0,05	0,11	0,14	0,10	0,14	N/A	0,25	N/A	0,21	
ABC	0,28	0,10	0,04	0,13	0,18	0,05	N/A	0,16	N/A	0,13	
USA	0,10	0,14	0,17	0,05	0,04	0,01	N/A	-0,01	N/A	0,05	
AMC	-0,07	-0,03	-0,01	0,09	-0,06	-0,07	N/A	0,02	N/A	0,00	
Eurosport	-0,04	-0,02	0,07	0,09	-0,03	-0,04	N/A	-0,04	N/A	-0,05	
ESPN	0,09	-0,04	0,15	0,25	0,03	0,26	N/A	0,22	N/A	0,11	
Bravo	0,34	-0,03	0,03	0,15	0,11	0,08	N/A	0,06	N/A	0,15	
E-Channel	1,00	-0,03	0,03	0,05	0,11	0,21	N/A	0,06	N/A	0,15	
MTV		1,00	0,17	-0,03	-0,02	-0,03	N/A	-0,03	N/A	-0,03	
Discovery			1,00	0,17	0,06	0,24	N/A	0,29	N/A	0,17	
Nat Geo				1,00	0,32	0,15	N/A	0,22	N/A	0,19	
Animal					1,00	0,26	N/A	0,22	N/A	0,19	
History						1,00	N/A	0,06	N/A	0,15	
Cartoon							N/A	N/A	N/A	N/A	
Comedy								1,00	N/A	0,12	
TBS									N/A	N/A	
NBC										1,00	

Figure 30: Correlation where the customers willingness to pay is above average for a bundle of four producers, only the correlation numbers above 0,35 are displayed

Competition

Direct Competition to ATC

Ooyala

Ooyala is a direct competitor to ATC as it is a service provider of a wide range of streaming solutions for their partners. Ooyala was founded in 2007, by a former Google employee that worked with how to monetise YouTube. They now have 1000 partners, and 2012 reached nearly 200 million unique viewers.¹⁴⁰ Ooyala offers streaming service, but focus is on the analytics that enables a very personalized viewing experience and recommendation feature for the customers. The streaming service is offered on “all”¹⁴¹ devices, and they also offer costumer management for their partners.

Today Ooyala has partnerships with amongst others Dell, ESPN, Yahoo! Japan, Telegraph, TV Guide, Wenner Media, The Hearst Corporation and Miramax. Ooyala has its’ headquarters in Mountain View, California, but has offices in 5 different countries and has a global reach with a presence in 30 countries.¹⁴² Ooyala works as a backend solution for their partners.

KIT Digital

KIT Digital offers video management services that help their partners deliver video on multiple screens and help their customers manage their customers. KIT Digital delivers a full range service, including OTT for a lot of different devices and has up to 1000 partners. A sample of their customers are; ABC-Disney, Fox News, ESPN, VH1 and MTV.

KIT Digital was introduced on the Nasdaq stock exchange in 2009. Since listed on the Nasdaq it has had an expansive period, where the focus was on expansion through acquisition. KIT Digital announced account errors that forced them to resubmit the fiscal statements for 2009, 2010, 2011 and 2012 Q1-Q2. In late 2012 KIT Digital announced that they had received notice from Nasdaq, since they had failed to submit a finical statement for 2013

¹⁴⁰ Ooyala. *The Leading cross-device TV solution for content providers*. 2012

<http://www.ooyala.com/solutions/providers>. Viewed: 4-03-2013

¹⁴¹ Ibid

¹⁴² Ibid

Q3. As a consequence KIT Digital fired their independent auditor Grant Thornton.¹⁴³

Perform

Perform is a streaming solution provider focusing on sporting events and helping their partners deliver and monetize those sporting events to customers. Perform also help deliver betting solutions in relation to those sports, the company prides themselves in the real-time accuracy and speed that the stats can be delivered. Perform both deliver subscription based sports and sports on a Pay-Per-View basis. Perform operates their own webpages designed for sports, and that is where their content is distributed. Perform also offer commercial and advertisement opportunities for the partners and other potential companies.

Perform owns some of the rights themselves, but also offer their solution to other content providers on the market. Some of their broadcasting partners include; BBC, TV2 (Danish broadcaster), ESPN, Al Jazeera Sport, CBS, FOX Sports. Some other NDSF connected brands that have partnerships with Perform are; dn.se, Expressen.se, Metro.se, Aftonbladet.se, Volvo Ocean Race, Canal+ Events. Some of the betting sites in partnership with Perfrom are; Bet365, William Hill, Danske Spil and Unibet.

Competition for ATC together with partner

Netflix

Is the world's largest provider of OTT-video, with 30 million customers and geographically present in 40 countries, including the NDSFs. The company was founded in 1997 and is considered as one of the pioneer companies within online video distribution. It started its business as a online subscription for video rentals, where a customer signed up to get a couple of videos a month delivered to their home and then started its streaming service in 2007. The company was founded by Reed Hastings and was introduced on the Nasdaq in 2002. It has a market capitalization of \$9.76 billion as of 6-02-2013.¹⁴⁴

¹⁴³ McIntyre, Werbayne. *KIT digital to Change Auditors and Announces Delisting From NASDAQ*. Reuters. 18-12-2012
<http://www.reuters.com/article/2012/12/18/idUS131146+18-Dec-2012+MW20121218>.
Viewed 04-03-2013

¹⁴⁴ Yahoo Finance. *Netflix Inc. (NFLX)*. 06-02-2013
<http://finance.yahoo.com/echarts?s=NFLX+Interactive#symbol=nflx;range=20020607,201>

Netflix offers a variety of material, with an undisclosed size of their library, but does not focus on delivering new TV-series the day after airing.¹⁴⁵ Netflix has produced two original programming series, *Lillyhammer* and *House of Cards*. Netflix has contract with major and minor studios, including studios like The Walt Disney Company, DreamWork Animations and Epix. Compared to Viaplay, DAKO, Filmnet and Mubi, Netflix is considered to have a library mostly consisting of older material.¹⁴⁶ Netflix is currently available in the NDSF region for 79 SEK/month subscriptions.

Viaplay

Viaplay started off as Viasat OnDemand, and changed it's name to Viaplay as it became it's own company in 2011. Viasat OnDemand launched in 2007 and focuses on sporting event and TV series. Viaplay stems from the traditional Pay-TV operator Viasat which is part of the media house MTG. MTG is a media house that operates within, radio, Pay-TV and video production. When Viaplay was launched in 2011 it was the first OTT-video solution for the NDSF market.

Viaplay includes content from Viasat's regular content, which includes series and films from TV3, TV6 and the Viasat film channels. Compared to Netflix, DAKO, Filmnet and Mubi, Viaplay is considered to have newer movies, but a little scarce series library.¹⁴⁷ As for movie rights they have partnerships with amongst others 20th Century Fox, Warner Bros, Metro-Goldwyn Myers and Walt Disney Pictures. Viaplay has a strong focus on directly broadcasting sporting events as it has exclusive contracts with UEFA Champions League, Formula 1, MotoGP, NASCAR Sprint Cup Series and European Tour in Golf. This would bring them into a premium provider of content.¹⁴⁸

30206;compare=;indicator=volume;charttype=area;crosshair=on;ohlcvalues=0;logscale=off
;source=undefined; Viewed: 06-02-2013

¹⁴⁵ Russle, Holly. *Netflix vs. Hulu Plus: Who best fits your video streaming needs?*, Geek.com. December 12, 2012. <http://www.geek.com/articles/mobile/netflix-vs-hulu-plus-video-streaming-2012123>. Viewed: 06-02-2013

¹⁴⁶ Ilijason, Robert. *Del 1: Prenumerara på Film och TV*. Macworld Idg. 5-02-2013.

<http://macworld.idg.se/2.1038/1.490306/del-1--prenumerera-pa-film-och-tv/sida/2/netflix>. Viewed: 04-03-2013

¹⁴⁷ Ilijason, Robert. *Del 1: Prenumerara på Film och TV*. Macworld Idg. 5-02-2013.

<http://macworld.idg.se/2.1038/1.490306/del-1--prenumerera-pa-film-och-tv/sida/2/viaplay>. Viewed: 04-03-2013

¹⁴⁸ Viaplay, 2013 <http://viaplay.se/tv?page=2> visited. Viewed: 02-07-2013

Viaplay is available in three different price categories. The TV package cost 49 SEK/Month, and includes Viaplay's TV content. The next bundle is the TV and Film package, for 79 SEK/Month. The largest package includes TV, Movies and Sports and is available for 249 SEK/Month.

Filmnet.se & Cmore.se/play

Is a distributor of premium content in Europe, with a start in 1980. Filmnet was sold to Canal+ in 1996, and the name was retracted from the Scandinavian market. In 2008 the C More Group, who owns Canal+ was bought by TV4-Group, and Filmnet was launched as the online part of the C More Groups content distribution.

FilmNet has property partnerships with studios such as Metro-Goldwyn Myer, Fox, Universal Studios, Showtime and TV4 and SF. Compared to Netflix, DAKO, Viaplay and Mubi, Filment is considered to have a good update on new series but lacks older season of those same series.¹⁴⁹

FilmNet is available at 99 SEK/Month.¹⁵⁰ Cmore also offers OTT-video solution for their Pay-Tv customers, while the offer is made for customers that are already paying for the service; it works as a substitute product for an additional OTT-video solution. Cmore.se/play offers similar content that is available on their Pay-Tv solution.

Mubi

Mubi offers a video streaming service for the person with a genuine interest in non-commercial movies. The focus is on movies that are considered classics, new or old, but not on Hollywood movies. The site is available for computers with flash players, but not for mobile devices. On the webpage they state that Mubi is created to view, discover and discuss auteur cinema.

Mubi is available for 25SEK/movie or on a subscription basis of 70SEK/month.¹⁵¹

¹⁴⁹ Ilijason, Robert. *Del 1: Prenumerara på Film och TV*. Macworld Idg. February 2, 2013
<http://macworld.idg.se/2.1038/1.490306/del-1--prenumerera-pa-film-och-tv/sida/3/filment>. Viewed: 04-03-2013

¹⁵⁰ C More. *Filmnet*. 2013 <http://www.filmnet.se/articles/2148-las-mer>. Viewed: 07-02-2013

¹⁵¹ MUBI Europe. *About MUBI*. <http://mubi.com/about>. Viewed 04-03-2013

LoveFilm.com

LoveFilm.com is an UK based company started in 2004, with the goal to create an European online DVD rental service. In 2006 it launched the first UK base mass-market download service. In 2008 LoveFilm acquired Amazon's UK and German DVD rental business and Amazon then became the largest shareholder. In 2010 they launched their direct streaming service, and today they have more then 2 million worldwide subscribers.

In the NDSFs, LoveFilm is available in Sweden, Denmark and Norway. LoveFilm offers streaming of movies as well as renting of games for gaming-console. They have around 20 000 titles in their DVD rental library, but only around 600 titles in their streaming library.

They offer five different packages, where the smallest package is without the streaming service. Their other different packages range form 79 to 209 SEK/Month, where the streaming package is the same, but the DVD and gaming rental changes.¹⁵²

Voddler Plus

Voddler started off as a Swedish streaming service started in 2005, and released in 2009 in Sweden. It started off as a commercially financed service, but has since moved to a pay-per-view model as well as a pay for access model, called Voddler Plus.

Voddler Plus gives the user access to around more the 1000 movies and the ability to download all the movies that are available. The content available on Voddler Plus is not the newest and they do not focus on newly released material. Voddler Plus is available for 79 SEK/Month.¹⁵³

Magine

Magine is a Swedish start-up, dedicated to changing the media consumption marketplace. Their OTT service is based on the idea that the material that has been shown on linear channels will be saved in their service for a week, and during that week, their customers can pick and choose what to watch

¹⁵² Lovefilm *Välkommen till LOVEFiLMs streaming!*, 2013

<http://streaming.lovefilm.se/home>. Viewed: 07-02-2013

¹⁵³ Voddler, *Voddler Plus*, 2013

<http://www.voddler.com/sv/subscription/view/2798385727395793574/> Viewed: 02-07-2013

and when to watch it.¹⁵⁴ Their library only contains content that has been aired the previous week. Although not officially launched, the service has gotten some press and the video content community are talking about the product.¹⁵⁵

YouTube

Rumours have it that YouTube is about to introduce a subscription based service for top shelf content. How and what this subscription based service could include, is unclear to date. But with YouTube's dominant standing as the largest online video service, they should be considered a potential competitor with a great distribution network already in place.¹⁵⁶

¹⁵⁴ Magine. *Magine a new way of watching TV*. <http://www2.magine.com/>. Viewed: 6-05-2013

¹⁵⁵ Byttner, Karl-Johan. *TV-experten Kjell Häglund sägar Magine*. Resume. January 23, 2013. <http://www.resume.se/nyheter/tv/2013/01/23/tv-experten-kjall-haglund-sagar-magine/> Viwed: 06-05-2013

¹⁵⁶ Atkinson, Claire. *YouTube considering introducing subscription-based streaming service*. New York Post. May 11, 2012.

http://www.nypost.com/p/news/business/youpay_for_tube_PjqG1dnxtSrVa2NHRwg5VP. Viewed: 04-03-2013