PLATFORM MANIA IN TELEVISION DISTRIBUTION

Prof. dr. Tom Evens (imec-mict-UGent)
PLANET OF THE PLATFORMS
INTERNATIONAL ‘VERTICALISATION’
PLATFORMISATION OF THE TV INDUSTRY

— Platform ‘wannabes’ competing for leadership of the industry
— Not necessarily a technical infrastructure (‘Lego bricks’) but foremost intermediary position
— Dominant business model in ICT/online, also coming to TV/video
  — Change of market structure, but especially of the business logics of economic transactions and competitive strategies
  — Coordinate transactions between economic agents through the platform (cross-side network effects, lock-in effects)
UPGRADING STRATEGIES: INTRA-CHAIN

Production: Create video programming (series, sports, entertainment)

Aggregation: Select, schedule and package into channels

Services: Monetize bundles, catalogues to consumers through subscription and/or advertising

Distribution: Transmit through network infrastructure

Consumers

Production companies → Free-to-air broadcaster → Pay-television operators → Diversify into OTT service provider → OTT service providers → Potential to eliminate legacy aggregation players → Still need network capacity
UPGRADING STRATEGIES: INTER-CHAIN

ONE-SIDED

Platform

Agent

TWO-SIDED

Agent

Platform

Agent

MULTI-SIDED

Agent

Platform

Agent

brands: WhatsApp, Skype, Netflix, Disney, Amazon, BT
STRUCTURAL POWER IN THE TV INDUSTRY

— Unravel underlying structures of control in global TV industry
  — Truly global since Internet-distributed television
  — Prominence of most often U.S.-owned ‘platforms’
  — Numerous platform wannabes, only few leaders
— Control of critical (infra)structures creates structural power
  — Based on interviews with +30 industry execs
  — Based on industry statistics, policy documents, …
Policy & regulations, economic climate, technology etc.
— Content is critical part of the value proposition
  — Exclusive premium content to differentiate
  — Murdoch with sports, Netflix with series
  — Rising trend of live TV streaming
  — SVOD as online counterpart of pay-TV (vMVPD)
— Excessive demand drive prices sky high
— Not always for the content itself, but as retention strategy (lock-in)
— Battle of the bundles may be expected (stand-alone services?)
— Control of **infrastructure** remains key bottleneck
  — Gateway of the digital economy; demand for connectivity
  — Services need access network to reach consumer (last mile)
  — Hard to eliminate **bottleneck** (or duplicate network)
— Explosion of video consumption has impact on broadband capacity
  — Gatekeeper: control all traffic, possibility to charge services
— Connectivity allows to **bundle services** (up-selling, cross-selling)
  — Opportunity to cross-subsidise video service
Control first point of access is crucial

- All platforms pursue customer relationship
- The closer to the customer, the higher the margin
- Collect data: consumption patterns, advertising, content creation
- Analyse data: skills in data analytics (big data)
- Use data: create the best possible viewing experience: algorithms
- Leverage installed base to break into other markets
- Implement lock-in strategies (multi-play bundles, compatibility)
— Capital outperforms creativity
  — Capital intense sector perform better (EBITDA %)
  — Mainly U.S.-owned platforms, hardly EU players
— **Deepest pockets** will stand the platform invasion (balance war)
  — Ability to cross-subsidise (or stand the losses)
  — Ability to invest in content and experience
WAR OF THE (SUPER)PLATFORMS

— No prediction of which platform(s) will win
  — Ownership of critical control points → structural power
  — Critical assets to win (or sustain) the platform war
  — Tension ‘global vs. localness’ (players, content, regulation)
— TV is not dead, simply entering a new era of competition
  — TV as ‘content’ is popular, more consumed than ever
  — TV as ‘experience’ is enhanced, but shared community remains
  — TV as ‘business model’ under threat, new life for pay-TV
  — TV as ‘distribution channel’ likely to change (internet-distributed)
Tom Evens • Karen Donders

Platform Power and Policy in Transforming Television Markets

Palgrave Macmillan
Palgrave Global Media Policy and Business

April 2018 (H/bk, 304 pp.)
CONTACT

Prof. dr. Tom Evens

DEPARTMENT OF COMMUNICATION SCIENCES
GHENT UNIVERSITY, BELGIUM

E-MAIL    tom.evens@ugent.be
WEBSITE   http://www.mict.be

@EvensTom
http://be.linkedin.com/in/tomevens