Power and control strategies in online video services

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Context

- Internet presented as new distribution channel
- Requires transformation legacy business models
- Traditional players no longer control AV ecosystem
- Instead, development of wider ICT ecosystem
  - Dominant interface between online video and consumer
- **Power and control strategies in online video**
  - Build up or maintain market power
  - Reproduce scarcity circumstances
- Deeper insight into reinvention of dominant modes

Power and control strategies

- Power > control key points or bottlenecks
  - Claiming ownership infrastructure and/or content
  - Entering new sector (scale economies, diversification)
- Monopolization crucial in competitive advantage
  - Raise entry barriers
  - Foreclose markets
  - Lock-in customers
- Regulation and policy vital in ensuring free and fair competition in the market

Copyrights and patents

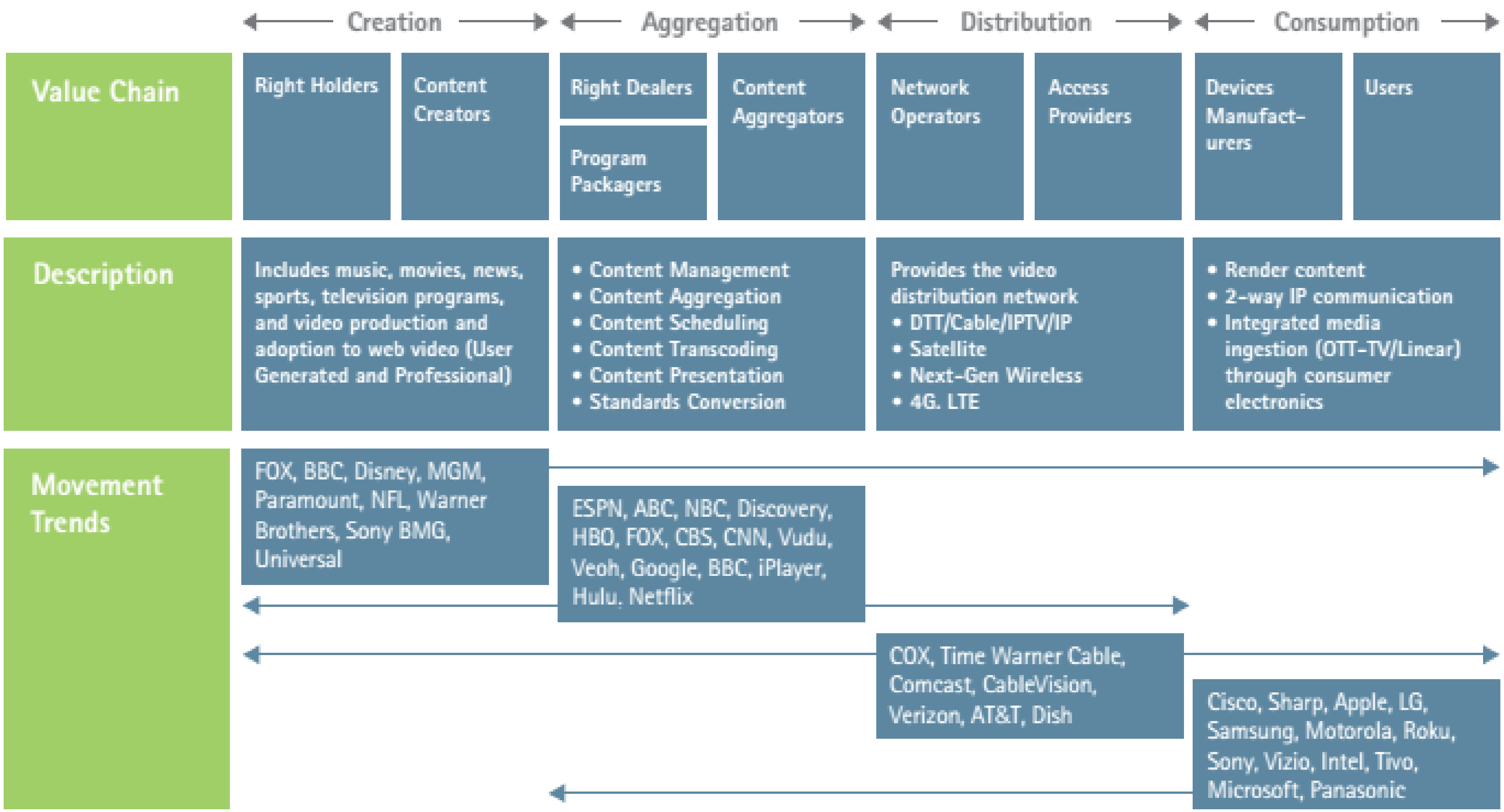
- From analogue scarcity to digital plenitude
  - Online video services rely on branded content
- Copyright management models
  - Transmission platform (retransmission payments)
  - Temporal distance (windows)
  - Territorial restrictions (sports rights)
  - Hardware/software copy control (DRM)
- Patent protection
  - Deter competitors from developing similar technology
  - Delay deployment of competitor's technology

Strategic alliances and M&As

- Increased concentration in media and ICT
- Efficiency vs. anti-competitive effects
  - Create efficiency, economies of scale, decrease TC
  - Raise rival's costs, deter entry, foreclose market

Parties	Types of strategic alliances	Forms of strategic alliances	
Competitors	Competitive alliances	Functional agreements	
		Joint ventures	
		M&A	Horizontal concentration
Non-competitors	Collaborative ventures	Functional agreements	
		Joint ventures	
		M&A	Upstream vertical integration
			Downstream vertical integration
			Diversification
			Conglomerate

Online video services/OTT



Source: Accenture (2011). The race to dominate the future of TV

Stakeholders and business models

- Five prevalent business models
  - Advertising
  - VOD subscription
  - Pay-to-download (own/rent)
  - TV package subscription
  - Hardware acquisition

	Content Producers	Broadcasters	Pay-TV operators	Online Video Aggregators	CE Vendors
Catch-up TV	X	X	X		
VOD	X	X	X	X	X
TV Everywhere			X		
Place-shifting				X	X

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Strategies: copyrights and patents (1)

- Broadcasters fighting with pay-TV operators for retransmission payments
  - Do OTT services need to pay copyright to channels?
  - TVCatchup streaming 50 channels without prior consent
- Cloud recorder Aereo sued for copyright infringement
  - Unauthorized rebroadcasts (reproductions)
  - Unfair competition with online platforms
  - Access to free content, undermining business model
  - Losing bargaining power, worse licensing deals

Strategies: copyrights and patents (2)

- slingbox transmits video to connected devices
  - Appealing to sport fans, able to circumvent geographical restrictions of sports broadcasting
  - MLB opposed, NHL partnered with Sling Media
- slingbox sued competitors belkin and MONSOON MULTIMEDIA
  - Infringement of six patents related to place-shifting
  - Prevent competitors from marketing competing offers
  - Agreed to drop patent accusations against Belkin
  - Monsoon was found to violate patents (import ban)

Strategies: alliances and mergers (1)

- Service agreements between VOD suppliers
  - Competing VOD platforms available on all media players (Apple TV, Google TV, Amazon Fire)
  - Blocking in the past, but currently supporting
- hulu as joint venture between US networks
  - Compete against Netflix, Amazon, YouTube
- Horizontal mergers in cable industry
  - Comcast and Time Warner Cable ($45.2b)
  - AT&T and DirecTV ($48.2b)

Strategies: alliances and mergers (2)

- Service agreements: VOD services and CE vendors, or with network operators
- youview as joint venture between channels and ISPs
- Vertical mergers and acquisitions
  - Comcast and NBC ($20b)(upstream)
  - RTL and Videoland (downstream)
- Diversification strategy: entering other business
  - Tesco and Blinkbox (music, TV) for loyalty card members

Conclusion

- Disruptive online video service market
  - OTT market still taking shape and developing
  - Global development with national players
- Preserve established position by controlling infrastructure and content
  - See Netflix: no network, no content
- At the expense of legacy business models?
- Is there a role for regulators?

Thank you!

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