

Clash of TV platforms

How broadcasters and distributors build platform leadership

Tom Evens

Context

- Cable/satellite operators moving to center
 - Business models resembled utility providers
 - Occupying a gatekeeping position in the market
- TV broadcasters enveloping into distribution
 - Subscriptions to control customer relationship
- Complex ecosystem, including OTT services
- **Conflicts of interests in the media ecosystem**
 - Established power relationships under pressure
 - Struggle for platform leadership: power and control
 - Levers to establish and stay a platform leader

Why is SpongeBob crying?

TIME WARNER CABLE IS TAKING HIM OFF THE AIR TONIGHT!

Along with 19 of your favorite channels!



CALL 1-212-358-0900 NOW!

Demand that Time Warner Cable keep Nickelodeon and your other favorite channels on your TV!

Why is Dora crying?



BRIGHT HOUSE NETWORKS IS TAKING DORA OFF THE AIR TONIGHT!

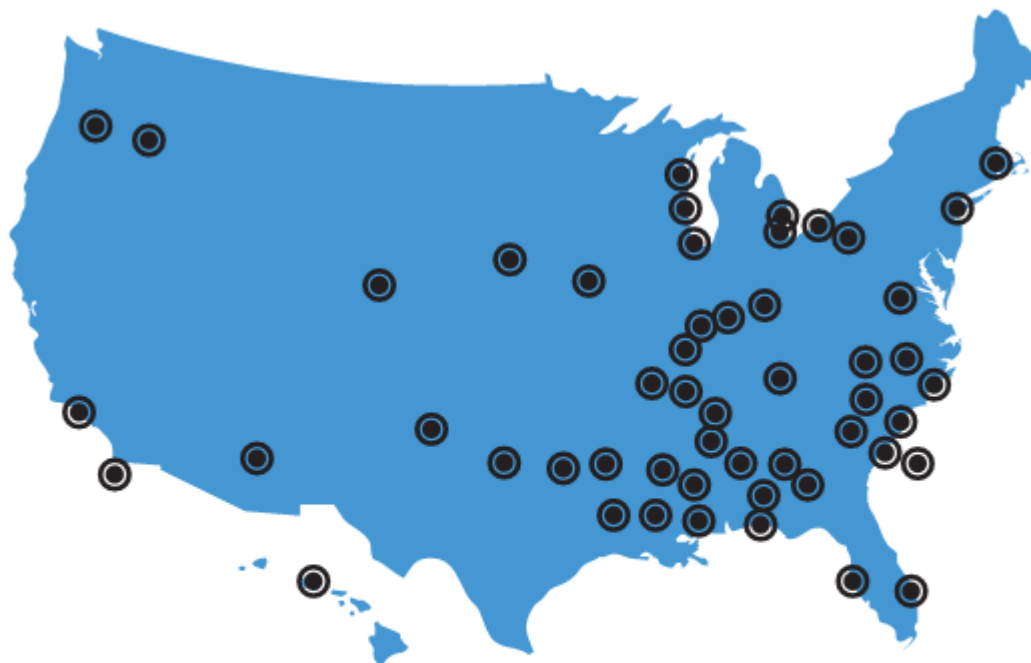
Along with 19 of your favorite channels!

CALL 1-866-309-3279 NOW!

Demand that Bright House Networks keep Nickelodeon and your other favorite channels on your TV!



What an August! In just one week, six different pay-TV providers in 58 markets were blacked out. And there's no end in sight.



2010 Blackouts

12

2011 Blackouts

51

2012 Blackouts

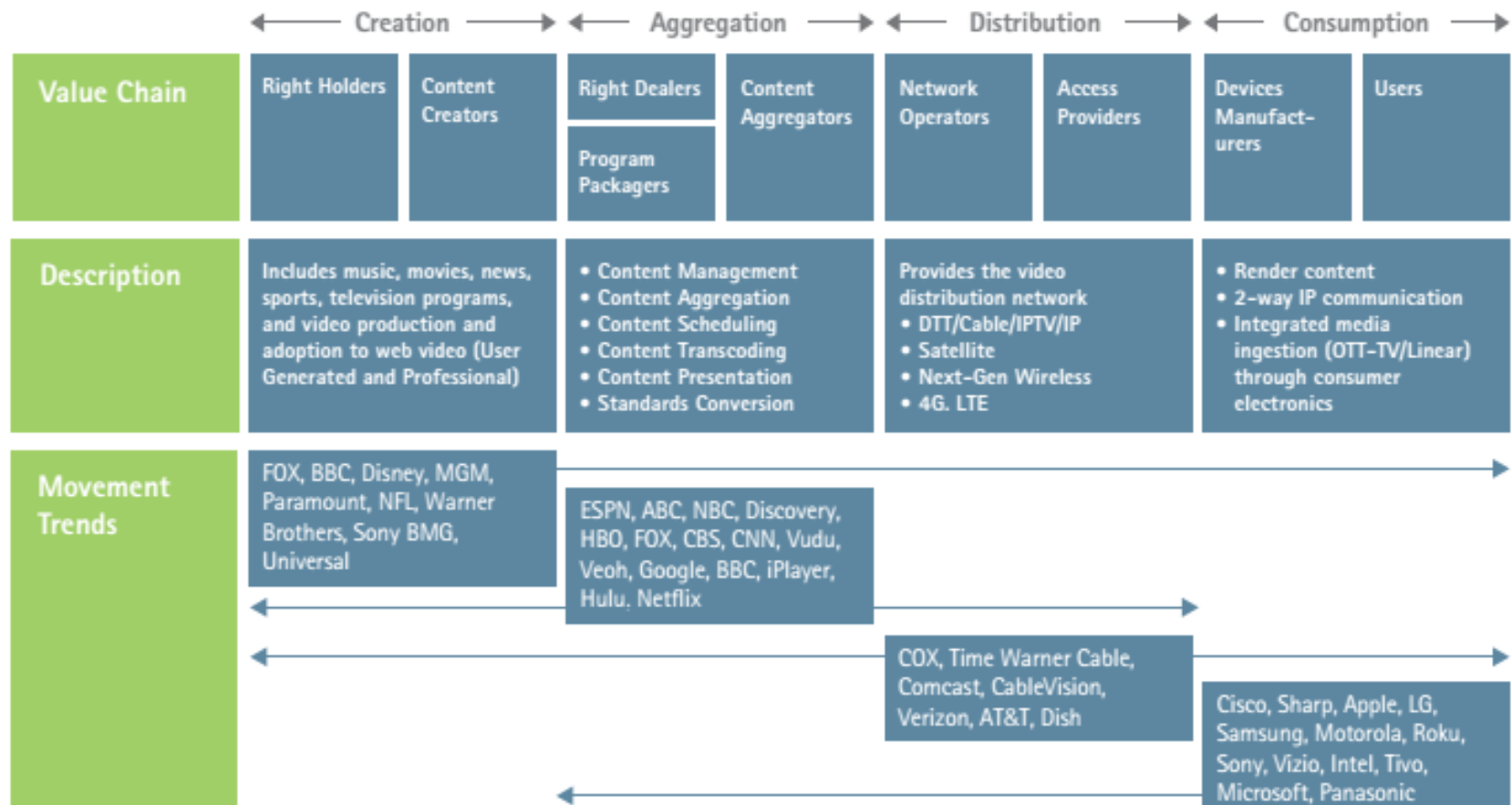
91

2013 Blackouts

80

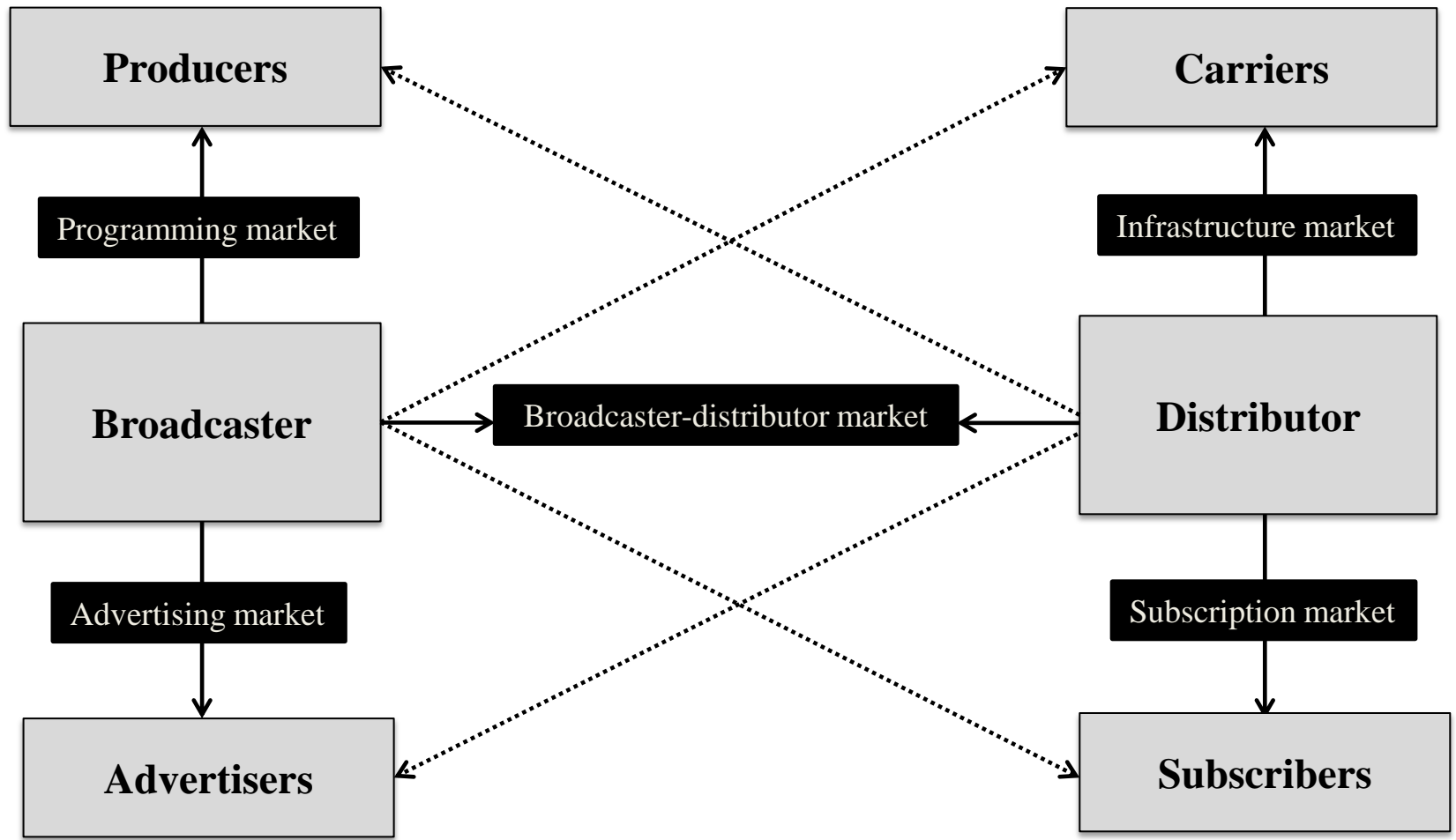
and counting

A multi-player environment



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

From two-sided to multi-sided



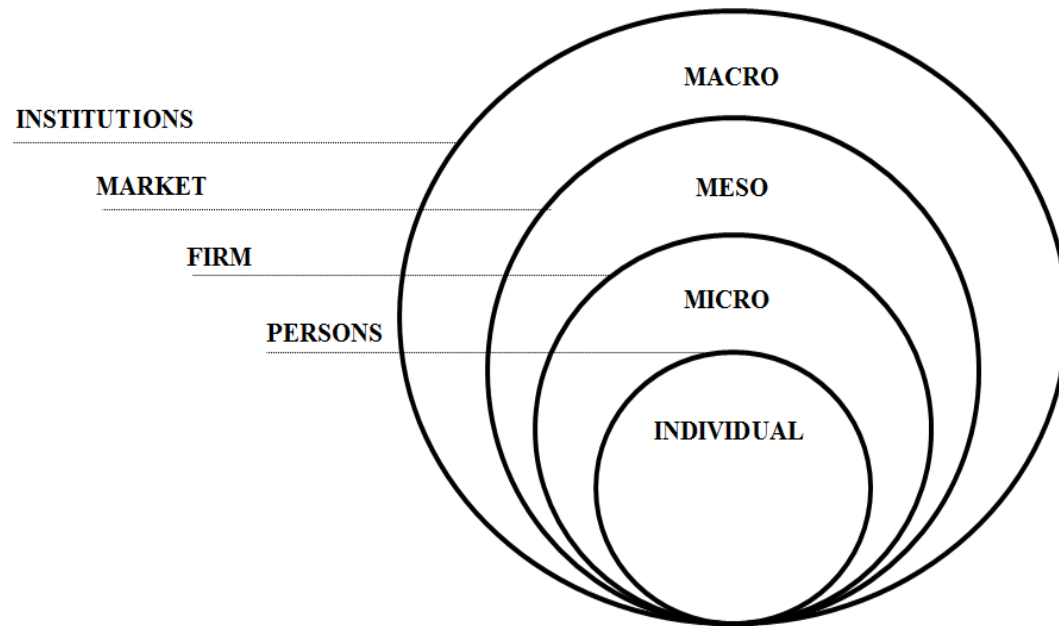
Platform envelopment

- Entering each others' primary markets
- Previously separate, now integrated platforms
- **Competitive, no cooperative strategies**
 - Complementary interests (win-win)
 - Strategic by-passing behavior
- Distributors have pricing power (positioning, EPG)
 - But also affiliated programming (cable networks)
- Platform envelopment most successful strategy
 - But stimulate third parties to bring them on-board

Clash of TV platforms

- Multi-tenant platforms: clash likely to intensify
- Create vibrant ecosystem with third-party content providers, advertisers and (paying) viewers
 - Cross-subsidization, service bundling, customer lock-in
- **Turn platform into winner-takes-all market**
- Advertisers
 - Consumer attention vs. return-path data
- Independent producers
 - Free-to-air vs. premium model

Critical levers of platform leadership



MACRO: Institutions

- COMPETITION LAW
 - Create level-playing field
- SECTOR-SPECIFIC LAW
 - Gradually replaced by competition law
- TELECOMMUNICATIONS POLICY
 - Stimulating investments vs. promoting competition
- COPYRIGHT LAW
 - Copyright protection for creative works

MESO: Market structure

- **INDUSTRY CONCENTRATION**
 - Power accumulation and asymmetries
- **NUMBER OF BUYERS/SUPPLIERS**
 - Hour-glass structure of media industry
- **ENTRY BARRIERS**
 - Scarcity and abundance
- **TECHNOLOGICAL CHANGE**
 - Disruptive impact of technology

MICRO: Firm structure

- FIRM SIZE
 - Economies of scale, consolidation
- VERTICAL INTEGRATION
 - Control of programming (backward)
- CONGLOMERATENESS
 - Collective strength, diversification
- FINANCIAL RESILIENCE
 - Financial capacity

MICRO: Products and services

- **PRODUCT DIFFERENTIATION**
 - Must-have programming vs. commodity
- **EXCLUSIVITY**
 - Differentiation purpose vs. monopoly power
- **BUNDLING**
 - Cross-subsidization
- **SWITCHING COSTS**
 - Churn vs. viewer impairment

INDIVIDUAL: Persons

- **NEGOTIATION STRATEGY**
 - Information asymmetry
- **RELATIVE FAMILIARITY**
 - Level of trust, good faith
- **REPUTATION FOR FAIRNESS**
 - Honesty, empathy, concessions
- **HISTORY OF CONFLICTS**
 - Influence of previous deals/negotiations

Conclusion

- Enduring platformisation in TV industry
 - Both ambition to become leading platform
 - Control partner network to become platform leader
- **Benefit from cooperative approach**
 - Complementors instead of competitors
 - Self-destructive: short-term vs. long-term sustainability
- Little attempts in regulating power conflicts
 - Understanding mechanisms in power play
 - Competition regulation against abuse of power
 - Sector-specific tailored to specificities of media and ICT
 - Coordinated approach between different regulators

Thank you!

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