

# Power of platforms

Keynote NEM SUMMIT 2019 Zagreb

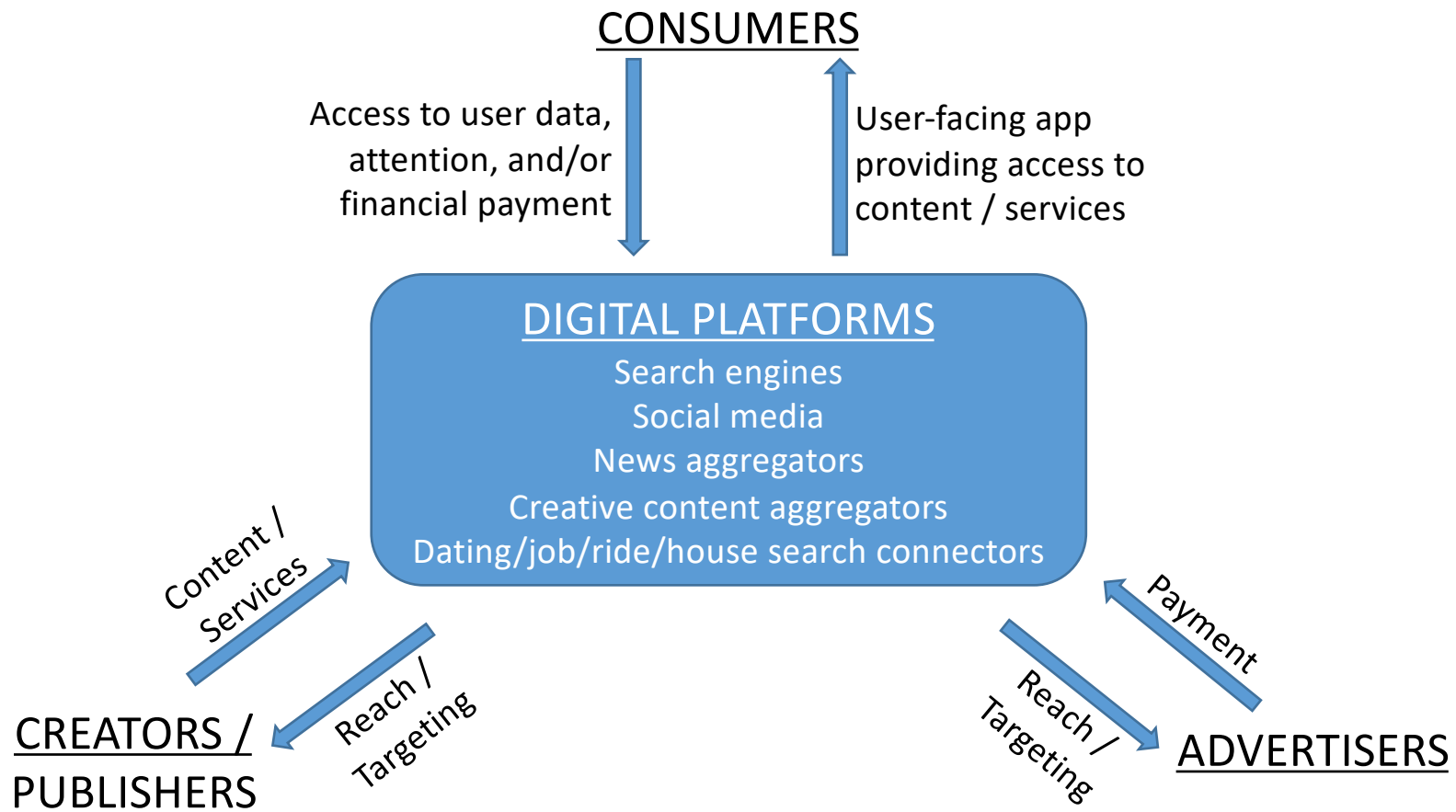
Olivier Braet

Imec-SMIT, Vrije Universiteit Brussel

@Obraet



# Defining platforms in media markets





# Platforms are nothing new

- Two/more **different** users brought together by middleman
- One market side (partly) **subsidized** by other + **feedback** loop

	Subsidized side	Paying side	Middleman
News media	<i>Reader</i>	<i>Advertiser</i>	<i>Publisher</i>
Yellow pages	“	“	“
Private broadcasting	<i>Viewer</i>	“	<i>Broadcaster</i>
Software	<i>Free version</i>	<i>Professional version</i>	<i>Software publisher</i>
Shopping mall	<i>Shoppers free entry &amp; parking</i>	<i>Concession holder</i>	<i>Mall &amp; parking owner</i>
Credit card	<i>Cardholder</i>	<i>Merchant</i>	<i>Credit card company</i>

Walking  
among  
giants

Platform  
power

Content and  
revenue  
models

Living with  
powerful  
platforms

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**a.**

ADVERTISING  
GIANTS

**b.**

CONTENT  
GIANTS

**c.**

PLATFORM  
GIANTS

**d.**

FUTURE GIANTS

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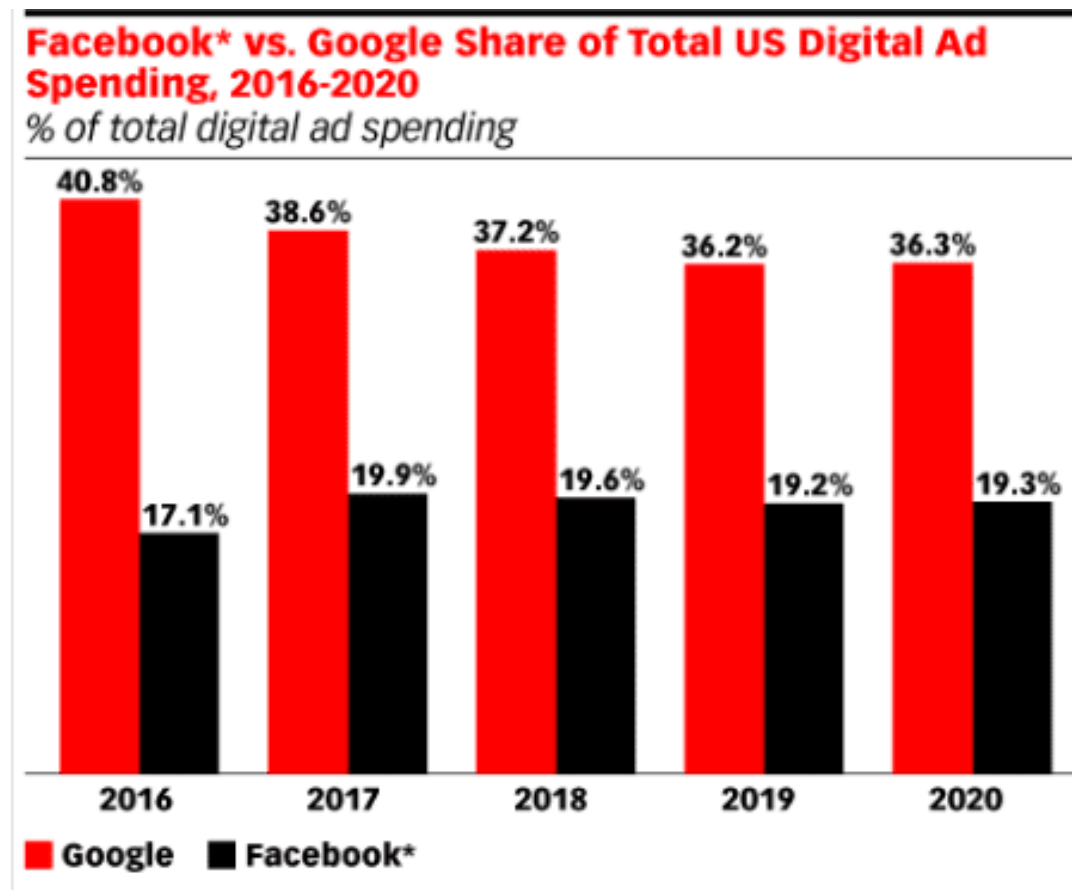
**c.**

PLATFORM  
GIANTS

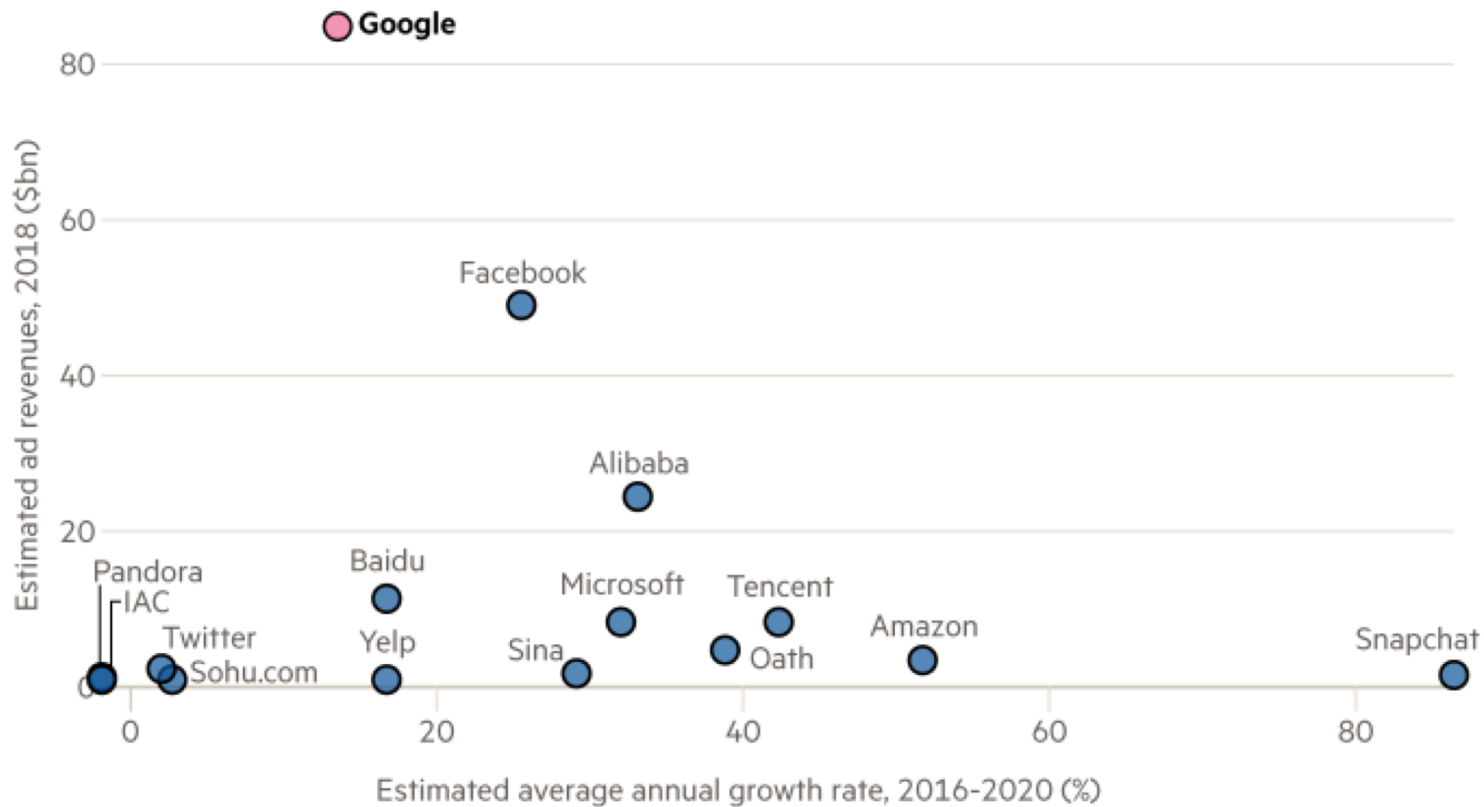
**d.**

FUTURE GIANTS

40% global ad spending now digital.  
55% for Google & Facebook in western economies



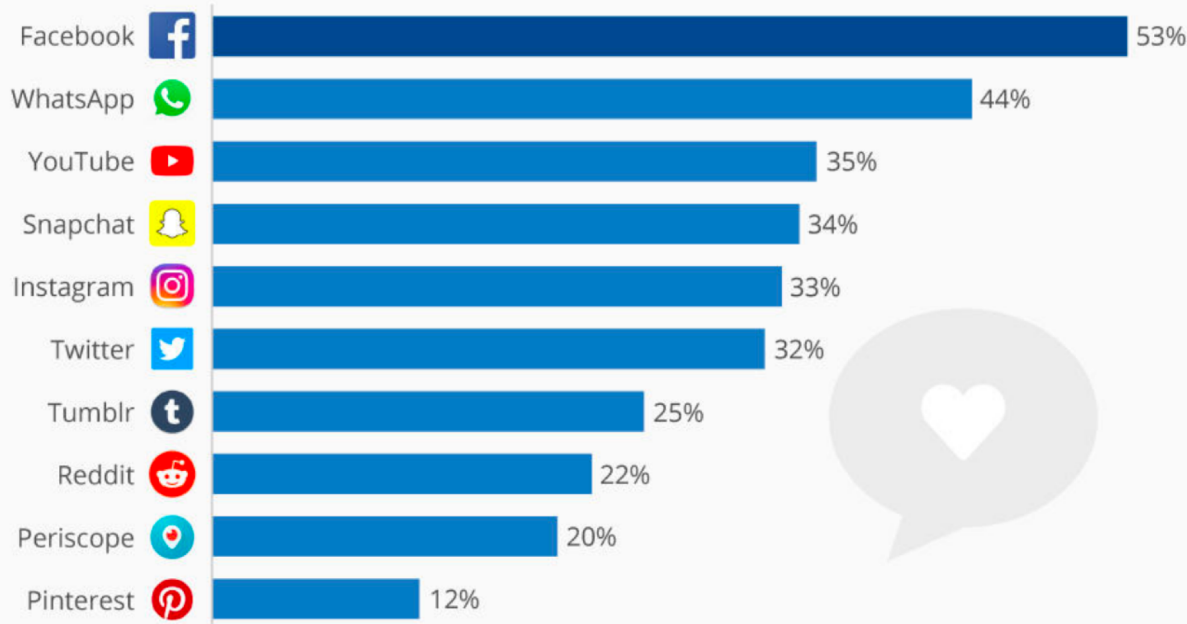
# Google towers over rivals in digital advertising



Waters, Richard (2018) For Google, all roads lead back to search. Financial Times, 30 May 2018. <https://www.ft.com/content/a9a66f24-5afa-11e8-bdb7-f6677d2e1ce8>

# Marketeers love the ease of advertising on Facebook

Share that use the following social media apps "several times a day" in the U.S.\*

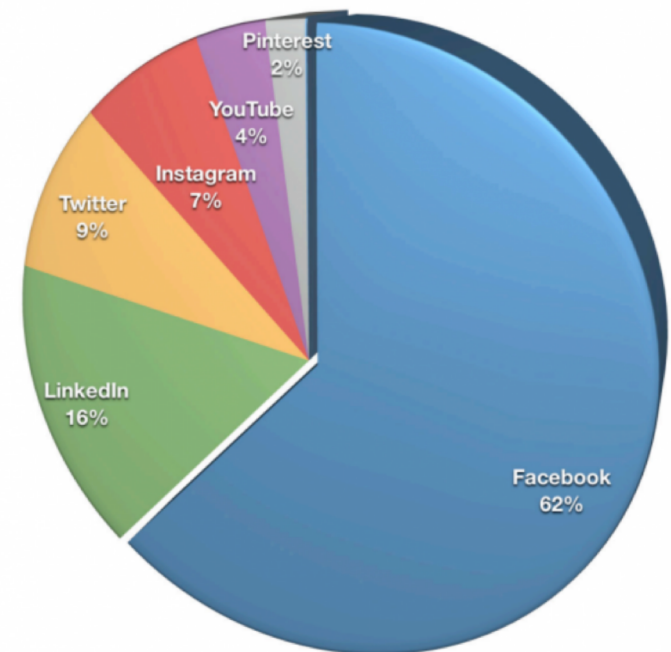


\* mobile only  
Q1 and Q2 2017; multiple responses possible  
Source: Audience Project



AudienceProject statista

The most important social platform for marketers is...



(Source: Social examiner)

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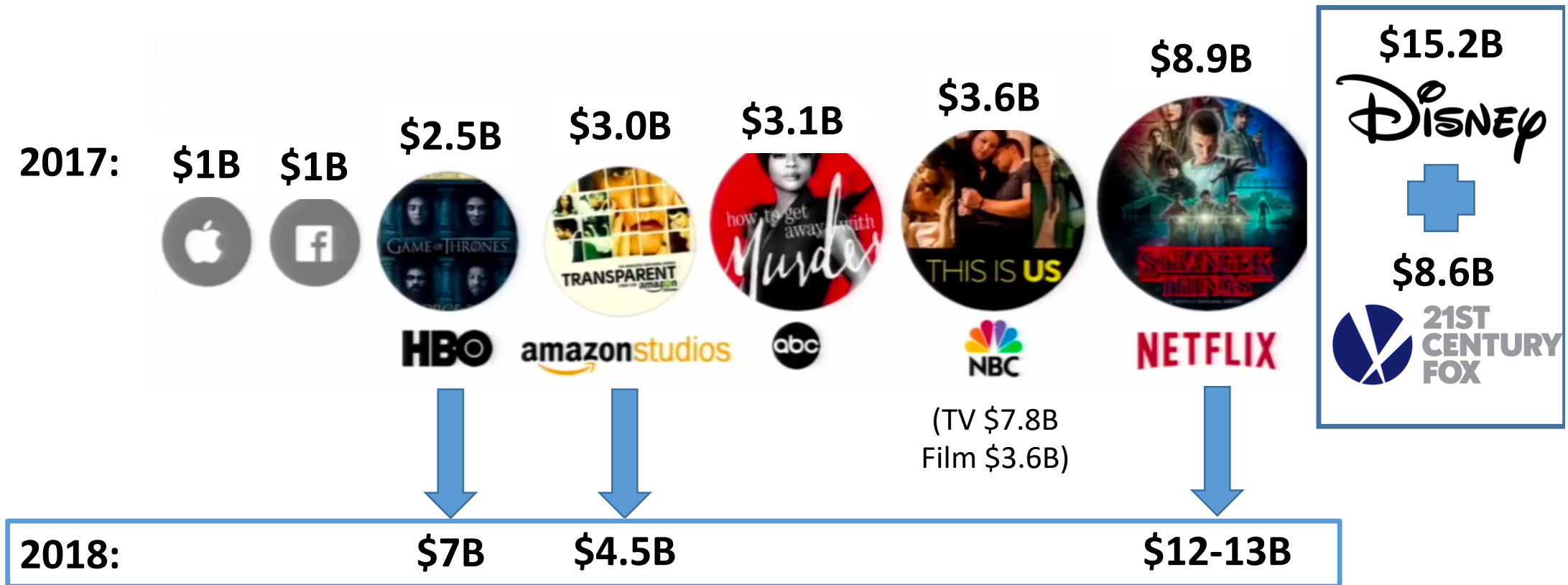
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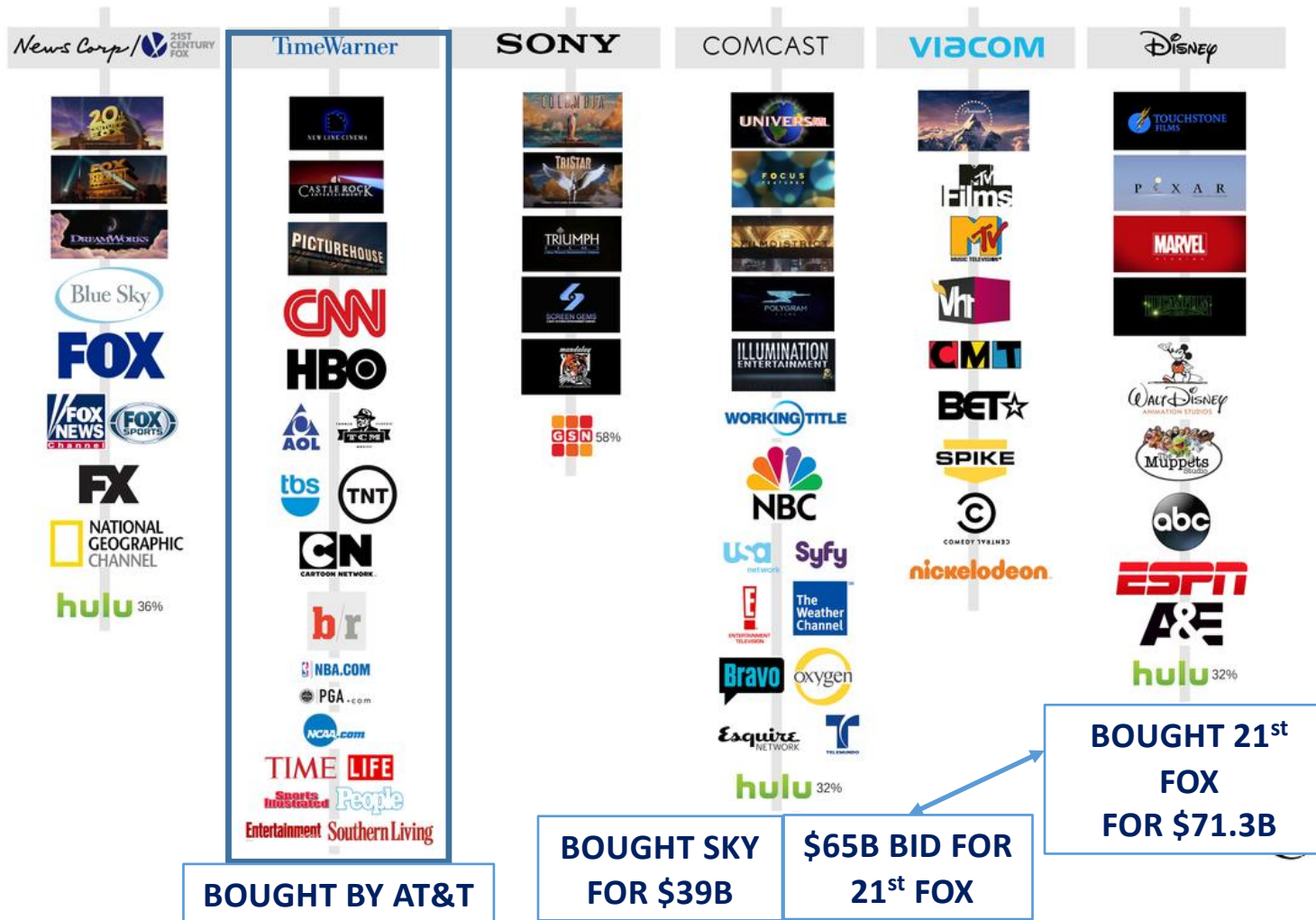
FUTURE GIANTS



# International huge production budgets 2017 & 2018



# US media-Telco conglomerates



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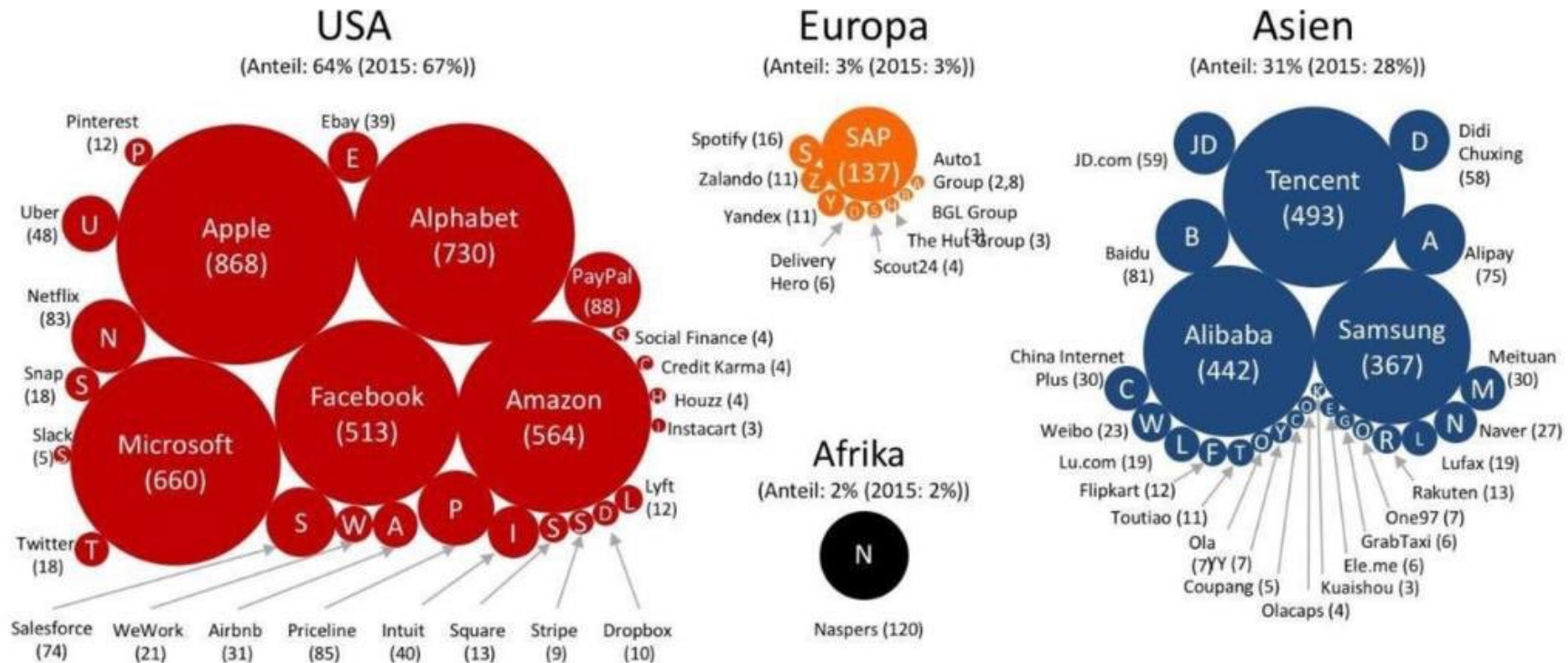
**c.**

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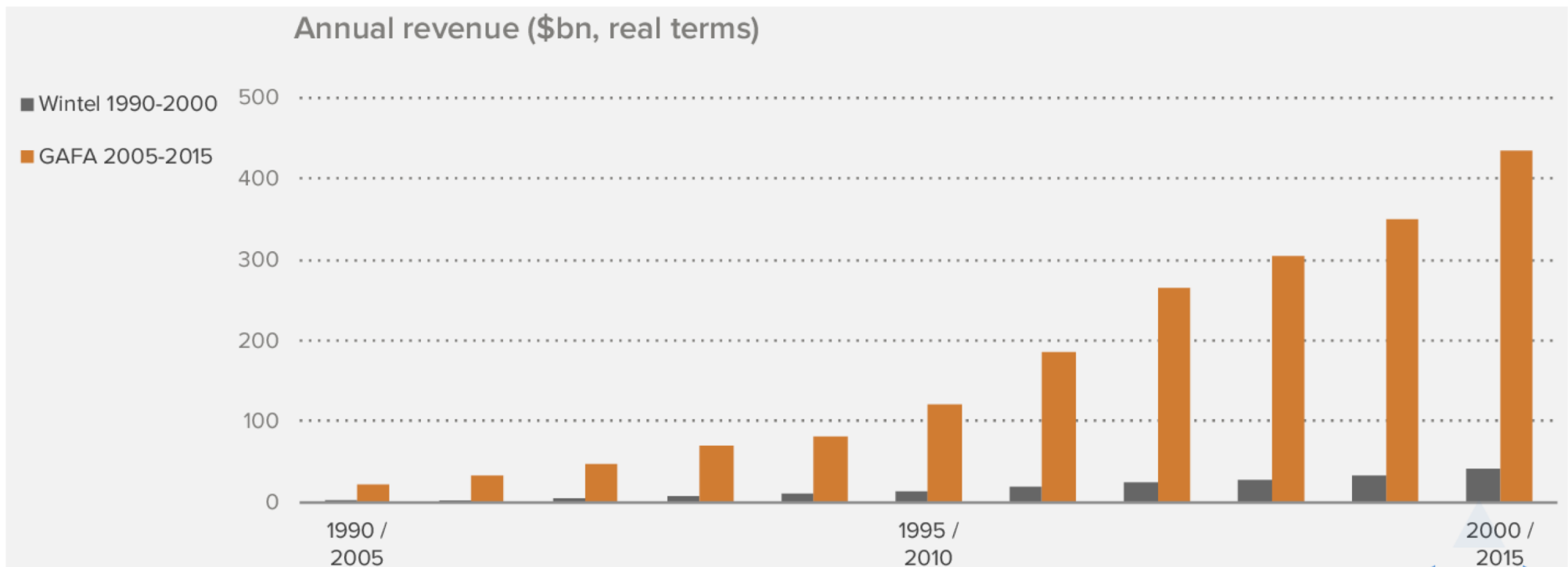
FUTURE GIANTS

# 60 most valuable platforms in market cap.



Quelle: Netzoekonom.de / Idee: Peter Evans

# GAFA eclipses Wintel (gross revenues)

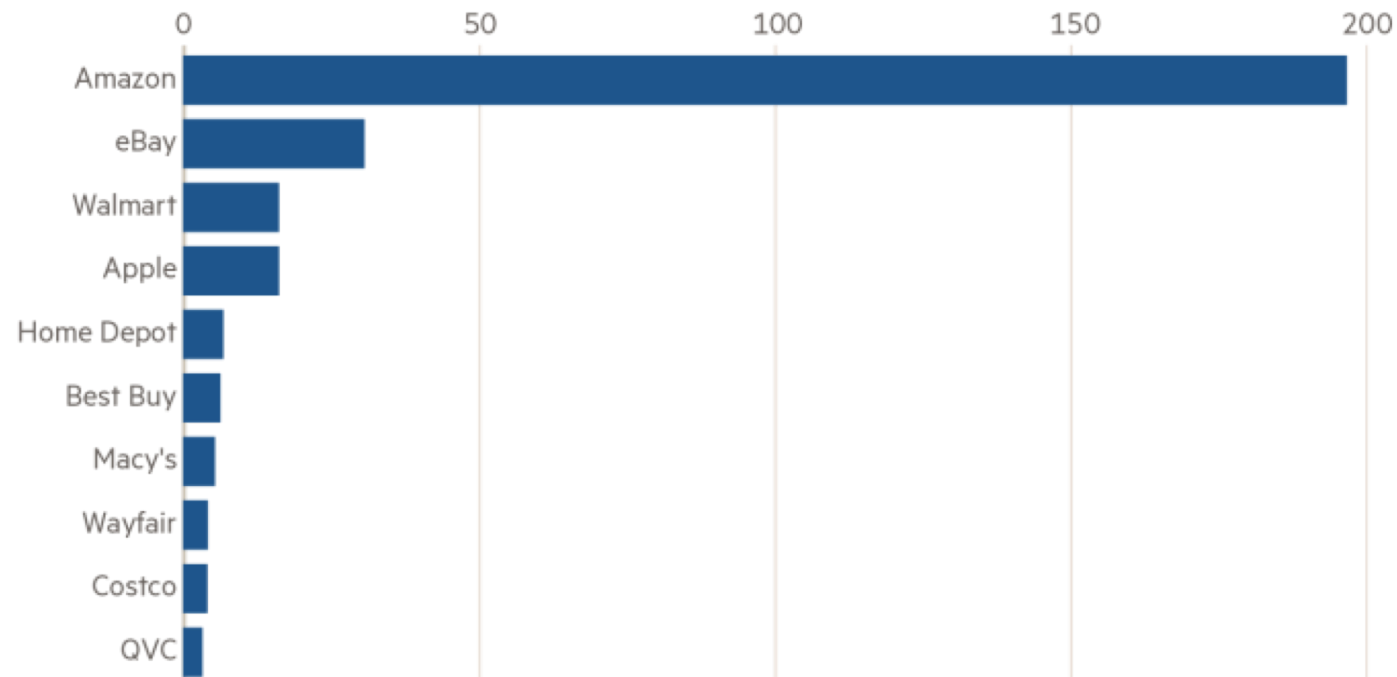


Evans, B. (2016) Mobile is eating the world. Andreesen Horowitz presentation, December 6 2016.

<http://ben-evans.com/benedictevans/2016/12/8/mobile-is-eating-the-world>

# Amazon dwarfs other *online* retail rivals

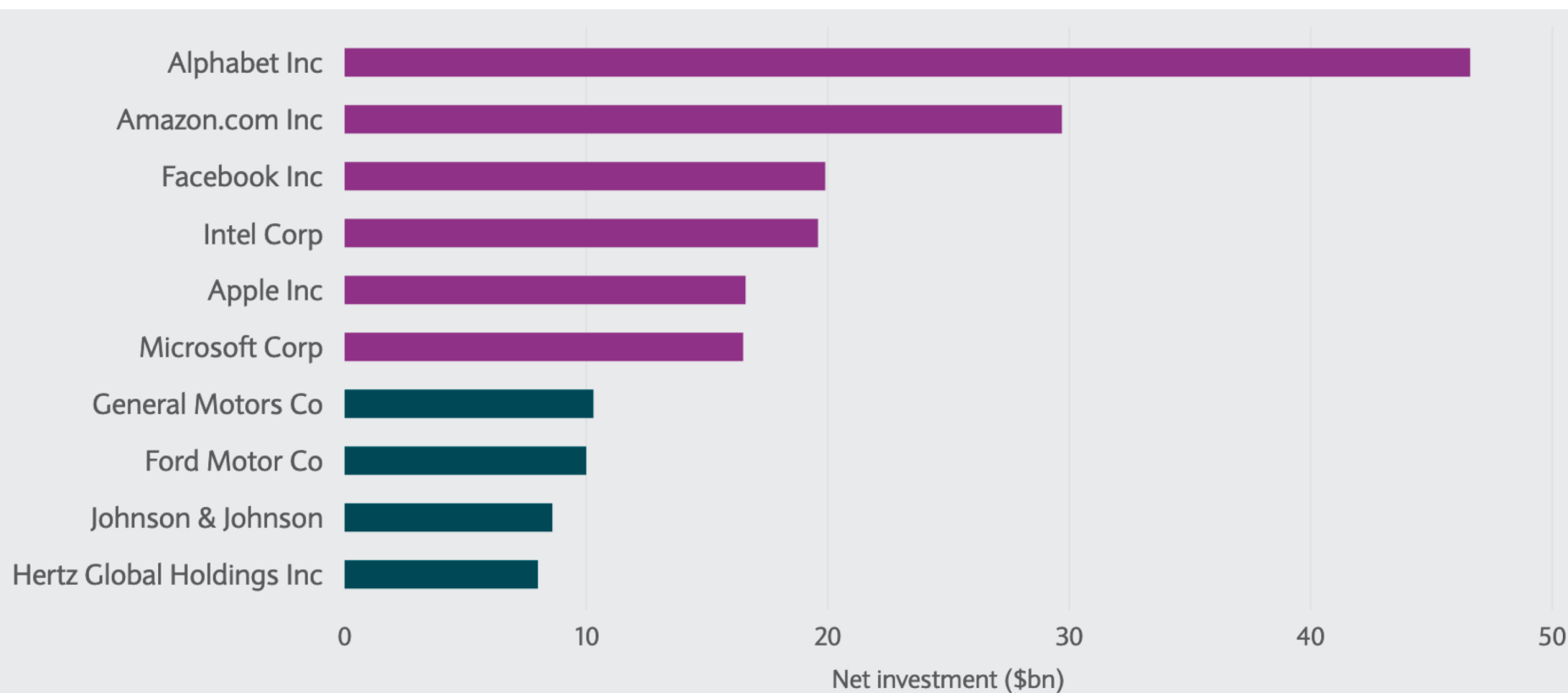
US ecommerce retail sales (\$bn), 2017



Source: eMarketer  
© FT

<https://www.ft.com/content/73d8dd9c-57fc-11e8-bdb7-f6677d2e1ce8>

# Top 10 in capital expenditures (S&P 500)



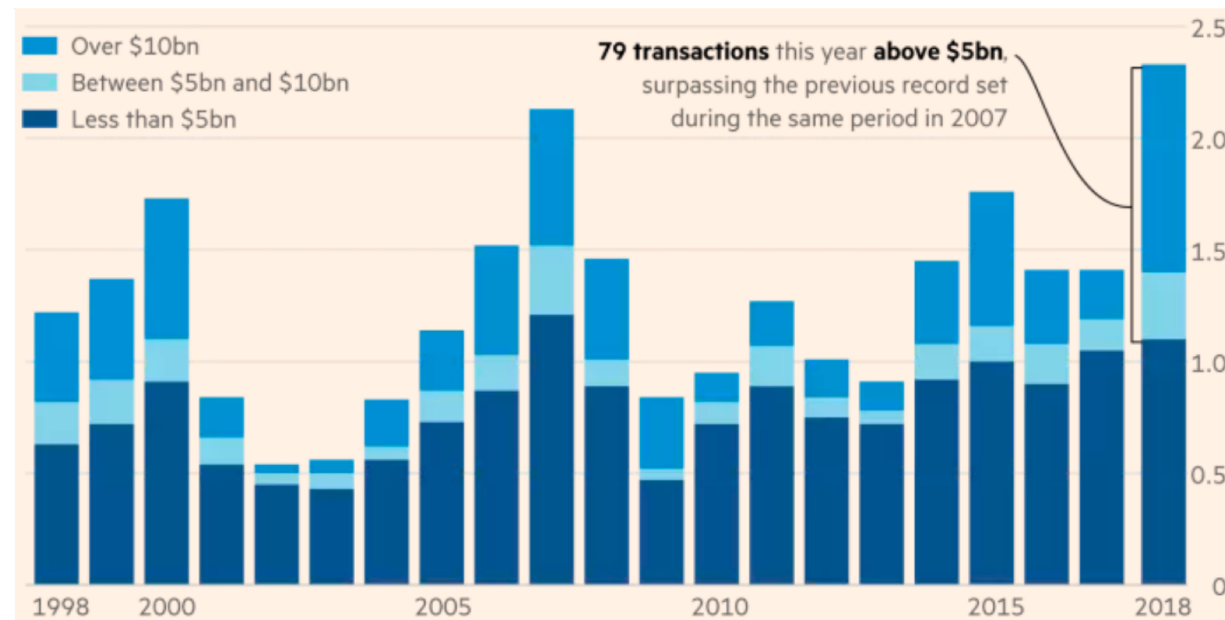
Note: Note: Net of depreciation and amortization, includes outlays on research and development

Source: Compustat, Barclays Research

[https://www.investmentbank.barclays.com/content/dam/barclaysmicrosites/ibpublic/documents/our-insights/MarketPower/Barclays-ImpactSeries5-MarketPower\\_final\\_2.4MB.pdf](https://www.investmentbank.barclays.com/content/dam/barclaysmicrosites/ibpublic/documents/our-insights/MarketPower/Barclays-ImpactSeries5-MarketPower_final_2.4MB.pdf)

# Mergers & Acquisitions in the (ending?) age of cheap capital

- 500,000 M&A deals in period 2006-2017 (Google + Motorola Mobility 2011; Facebook + Instagram 2012; FB + Whatsapp 2014; Microsoft + LinkedIn 2016)
- 50,000 in 2016, 2017, 2018
- Size of deals surged in 2018
- 2017-2018 important media/telco mergers
  - Discovery + Scripps
  - AT&T + Time Warner
  - Walt Disney + Twentieth Century Fox
  - Viacom + CBS



<https://www.ft.com/content/7c3e6cb2-7a12-11e8-8e67-1e1a0846c475>



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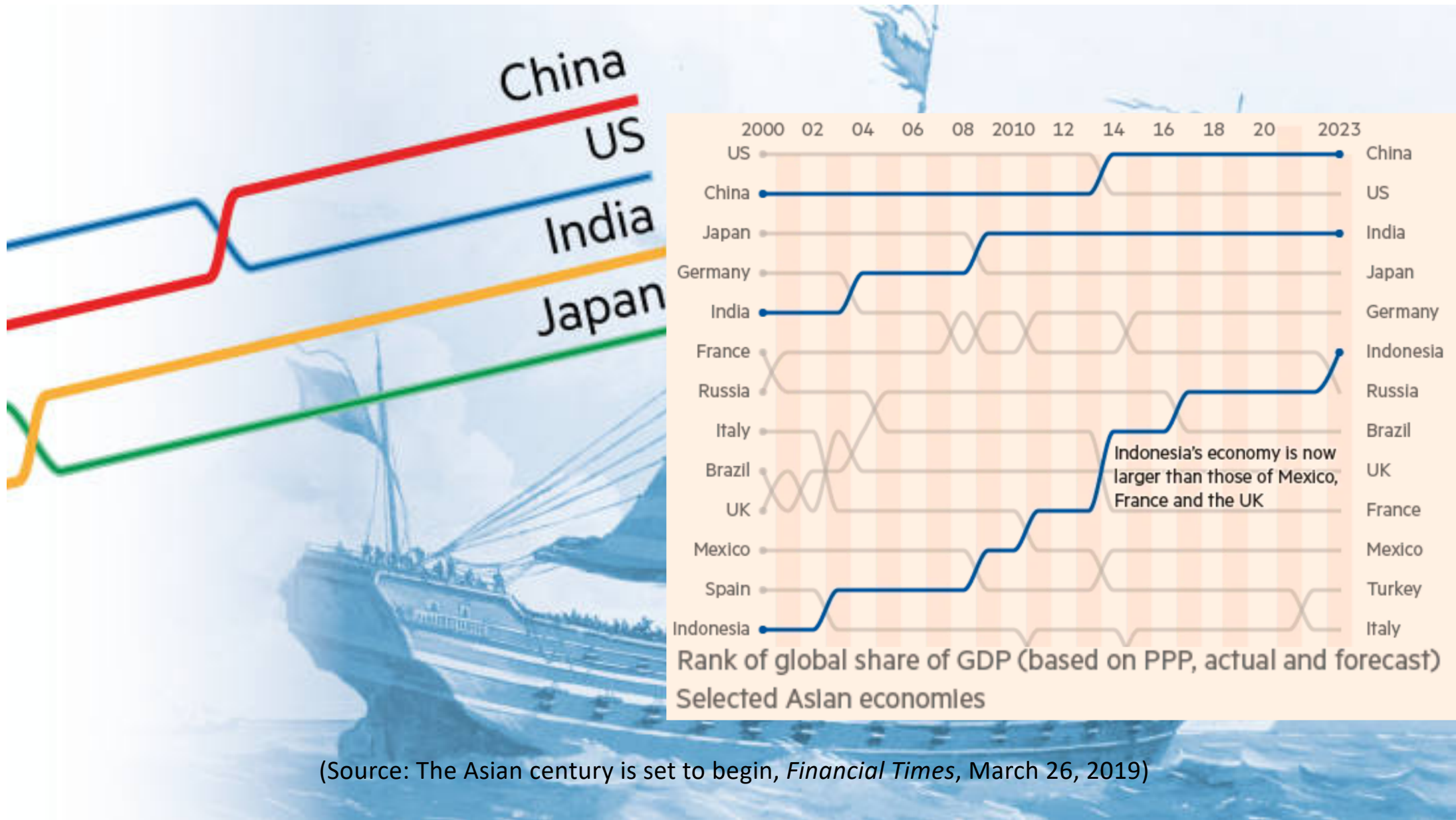
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FUTURE GIANTS



(Source: The Asian century is set to begin, *Financial Times*, March 26, 2019)

# Pipeline of unicorns

Company	Valuation (US \$billion)	Valuation date	Country/Region
Ant Financial	150.0	April 2018 <sup>[9]</sup>	China
Bytedance	78.0	November 2018 <sup>[10]</sup>	China
Uber	72.0	August 2018 <sup>[11]</sup>	US
DIDI	56.0	April 2017 <sup>[12]</sup>	China
WeWork	45.0	November 2018 <sup>[5]</sup>	US
Airbnb	38.0	March 2018 <sup>[13]</sup>	US
JUUL Labs	38.0	December 2018 <sup>[14]</sup>	US
SpaceX	30.5	December 2018 <sup>[15][16]</sup>	US
Lufax	30.0	June 2018 <sup>[17]</sup>	China
Stripe	22.5	January 2019 <sup>[18]</sup>	US
Cainiao Network	20.0	September 2017 <sup>[17]</sup>	China
Kuaishou	18.0	April 2018 <sup>[17]</sup>	China
Paytm	16	January 2018 <sup>[19]</sup>	India
DJI	15.0	September 2016 <sup>[11]</sup>	China
Jiedaibao	10.77	March 2018 <sup>[12]</sup>	China
Grab	10.0	June 2018 <sup>[20]</sup>	Singapore
Go-Jek	10	April 2019 <sup>[21]</sup>	Indonesia
WeBank	9.23	March 2018 <sup>[12]</sup>	China
Coupang	9.0	March 2018 <sup>[22]</sup>	South Korea
PingAn Health Insurance Tech	8.8	March 2018 <sup>[12]</sup>	China
Coinbase	8.0	October 2018 <sup>[23]</sup>	US
OneConnect	8.0	February 2018 <sup>[17]</sup>	China
Instacart	7.6	October 2018 <sup>[24]</sup>	US
JD Finance	7.3	January 2016 <sup>[17]</sup>	China
DoorDash	7.1	February 2019 <sup>[25]</sup>	US
Tokopedia	7.0	December 2018 <sup>[26]</sup>	Indonesia
Roivant Sciences	7.0	November 2018 <sup>[27]</sup>	Switzerland

Slack Technologies	7.0	August 2018 <sup>[28]</sup>	US
Tanium	6.5	October 2018 <sup>[29]</sup>	US
Ola Cabs	6.2	September 2018 <sup>[30]</sup>	India
Lianjia	6.0	November 2017 <sup>[17]</sup>	China
Palantir Technologies	6.0	April 2018 <sup>[31]</sup>	US
Homelink	5.7	April 2016 <sup>[5][32]</sup>	China
Robinhood	5.6	March 2018 <sup>[33]</sup>	US
Byju's	5.4	October 2018 <sup>[34][35]</sup>	India
Bluehole	5.0	March 2018 <sup>[22]</sup>	South Korea
NIO	5.0	November 2017 <sup>[1][5]</sup>	China
OYO	5.0	September 2018 <sup>[36]</sup>	India
United Imaging Healthcare	5.0	September 2017 <sup>[17]</sup>	China
Magic Leap	4.5	February 2016 <sup>[1][5]</sup>	US
Zenefits	4.5	May 2015 <sup>[2][5]</sup>	US
Compass	4.4	December 2017 <sup>[37]</sup>	US
Meizu	4.4	October 2016 <sup>[17]</sup>	China
BAIC BJEV	4.2	August 2017 <sup>[17]</sup>	China
Yello Mobile	4.05	November 2016 <sup>[5][38]</sup>	South Korea
Megvii	4.0+	May 2019 <sup>[39]</sup>	China
Nubank	4.0	October 2018 <sup>[40]</sup>	Brazil
Peloton	4.0	August 2018 <sup>[41]</sup>	US
UBTech Robotics	4.0	November 2017 <sup>[17]</sup>	China
Niantic	3.95	January 2019 <sup>[42]</sup>	US
Opendoor	3.8	March 2019 <sup>[5][43][44]</sup>	US
Garena	3.7	September 2016 <sup>[5]</sup>	Singapore
Shouqi Car Rental	3.55	December 2016 <sup>[17]</sup>	China
Credit Karma	3.5	June 2015 <sup>[1][2][5]</sup>	US
Swiggy	3.3 <sup>[45]</sup>	December 2018 <sup>[45][46][47][48]</sup>	India
Rubrik	3.3	Jan 2019 <sup>[49]</sup>	US

One European company in top 50 (Swiss biopharma)

[https://en.wikipedia.org/wiki/List\\_of\\_unicorn\\_startup\\_companies](https://en.wikipedia.org/wiki/List_of_unicorn_startup_companies)

e-Shang Redwood	3.25	July 2017 <sup>[17]</sup>	 China
Oscar Health	3.2	March 2018 <sup>[50]</sup>	 US
SmileDirectClub	3.2	October 2018 <sup>[51]</sup>	 US
Zoox (company)	3.2	July, 2018 <sup>[52]</sup>	 US
Fanatics	3.17	August 2015 <sup>[5]</sup>	 US
UiPath Inc.	3.0	September 2018	 US
VIPKID	3.0	June 2018 <sup>[53]</sup>	 China
All Music	3.0	September 2016 <sup>[17]</sup>	 China
ContextLogic (Wish)	3.0	November 2016 <sup>[5][1][54]</sup>	 US
Jia.com	3.0	February 2015 <sup>[17]</sup>	 China
LY.com	3.0	August 2016 <sup>[17]</sup>	 China
Meili United Group	3.0	November 2015 <sup>[17]</sup>	 China
Ping An Good Doctor	3.0	May 2016 <sup>[5]</sup>	 China
Royole Corporation	3.0	November 2016 <sup>[5]</sup>	 China
SoFi	3.0	September 2015 <sup>[5]</sup>	 US
VANCL	3.0	February 2014 <sup>[5]</sup>	 China
Wanda E-commerce	3.0	January 2015 <sup>[5]</sup>	 China
Yixia Technology	3.0	November 2016 <sup>[17]</sup>	 China
Luckin Coffee	2.9	April 2019 <sup>[17][55]</sup>	 China
Affirm	2.9	April 2019 <sup>[56][57]</sup>	 US
OakNorth	2.8	February 2019 <sup>[58]</sup>	 UK
UnionPay Merchant Services	2.8	October 2016 <sup>[17]</sup>	 China
Toast	2.7	March 2019 <sup>[59][60]</sup>	 US
Plaid	2.65	December 2018 <sup>[61]</sup>	 US
Ofo	2.6	March 2018 <sup>[17]</sup>	 China
AmWINS Group	2.6	October 2016 <sup>[62]</sup>	 US
Woowa Brothers	2.6	March 2018 <sup>[22]</sup>	 South Korea
Vice Media	2.55	December 2015 <sup>[5]</sup>	 US
Confluent	2.5	January 2019 <sup>[63]</sup>	 US

Cambricon	2.5	June 2018 <sup>[17]</sup>	 China
Roblox	2.5	September 2018 <sup>[64]</sup>	 US
Zomato	2.5	May 2017 <sup>[65]</sup>	 India
Face++	2.5	July 2018 <sup>[17]</sup>	 China
Qualtrics	2.5	April 2017 <sup>[66]</sup>	 US
Zhihu	2.5	August 2018 <sup>[17]</sup>	 China
Kingsoft Cloud	2.4	January 2018 <sup>[17]</sup>	 China
Mozido	2.39	October 2014 <sup>[5]</sup>	 US
Houzz	2.32	October 2014 <sup>[5]</sup>	 US
Klarna	3.6	March 2018 <sup>[5][67]</sup>	 Sweden
Babytree	2.19	June 2018 <sup>[17]</sup>	 China
Taobao Movie	2.1	May 2016 <sup>[5]</sup>	 China
Three Squirrels	2.09	September 2015 <sup>[17]</sup>	 China
Applovin	2.0	July 2018 <sup>[68]</sup>	 US
Beijing Weiyang Technology	2.0	April 2016 <sup>[5]</sup>	 China
Bird	2.0	July 2018 <sup>[69]</sup>	 US
Deliveroo	2.0	September 2017 <sup>[70]</sup>	 UK
Domo	2.0	March 2016 <sup>[5][71]</sup>	 US
Firstp2p	2.0	September 2016 <sup>[5]</sup>	 China
Huimin.cn	2.0	September 2016 <sup>[17]</sup>	 China
Meicai.cn	2.0	June 2016 <sup>[17]</sup>	 China
Maoyan-Weiyang	2.0	November 2017 <sup>[17]</sup>	 China
Oxford Nanopore Technologies	2.0	November 2012 <sup>[72]</sup>	 UK
ReNew Power	2.0	February 2017 <sup>[73]</sup>	 India
Sensetime	2.0	December 2017 <sup>[17]</sup>	 China
SurveyMonkey	2.0	August 2018 <sup>[74]</sup>	 US
Taopiaopiao	2.0	July 2017 <sup>[17]</sup>	 China
Traveloka	2.0	February 2018 <sup>[75]</sup>	 Indonesia
Trendy International Group	2.0	February 2012 <sup>[5][76]</sup>	 China



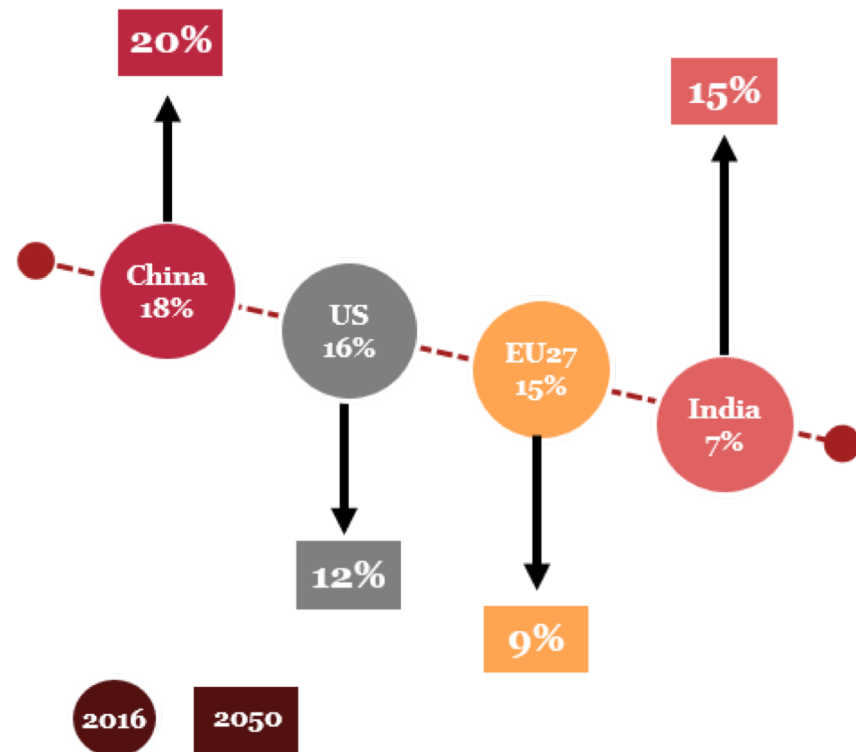
# Prediction: Books will be sold in airport bookstores on the inherent superiority of the China model

	2016	2050	
China	1	1	China
US	2	2	India
India	3	3	US
Japan	4	4	Indonesia
Germany	5	5	Brazil
Russia	6	6	Russia
Brazil	7	7	Mexico
Indonesia	8	8	Japan
UK	9	9	Germany
France	10	10	UK

E7 economies
  G7 economies

Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

Share of world GDP (PPPs) from 2016 to 2050...



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

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# Amazon's cycle of dominance



Inspired by: Khan, Lina (2017) Amazon's Antitrust Paradox. Yale Law Journal, Vol. 126, pp. 96.



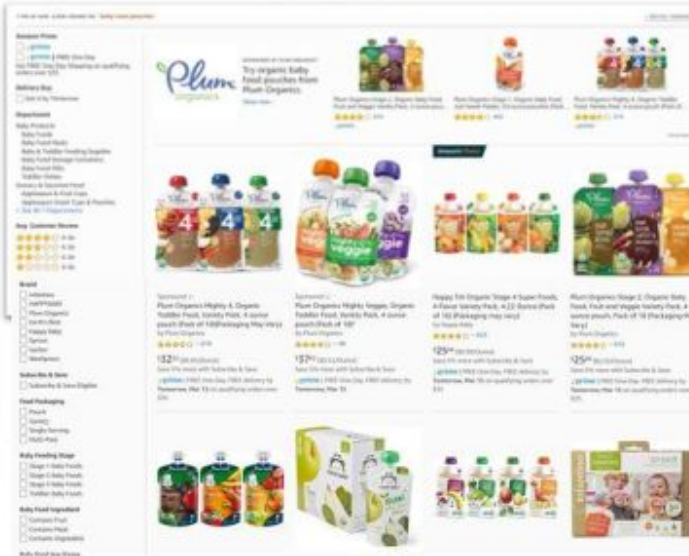
# Prominent ads for AmazonBasics private label

Search for “baby food pouches”

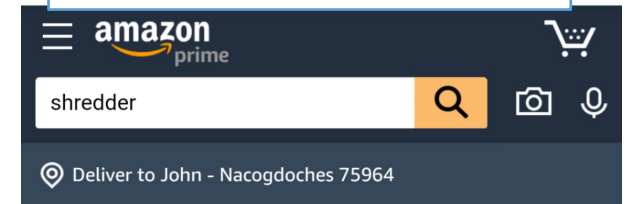
BEFORE



AFTER



Search for “shredder”



Over 8,000 results

prime Filter

Sponsored by AmazonBasics



Durable shredders at affordable prices.  
[Shop now >](#)



Ami  
Higl  
\$9c



Sponsored  
AmazonBasics 12 Sheet Cross-Cut Paper/CD/ Credit Card Shredder

★★★★☆ 652

\$44.46 ~~\$54.39~~

prime FREE Delivery Fri, Apr 5

Best Seller

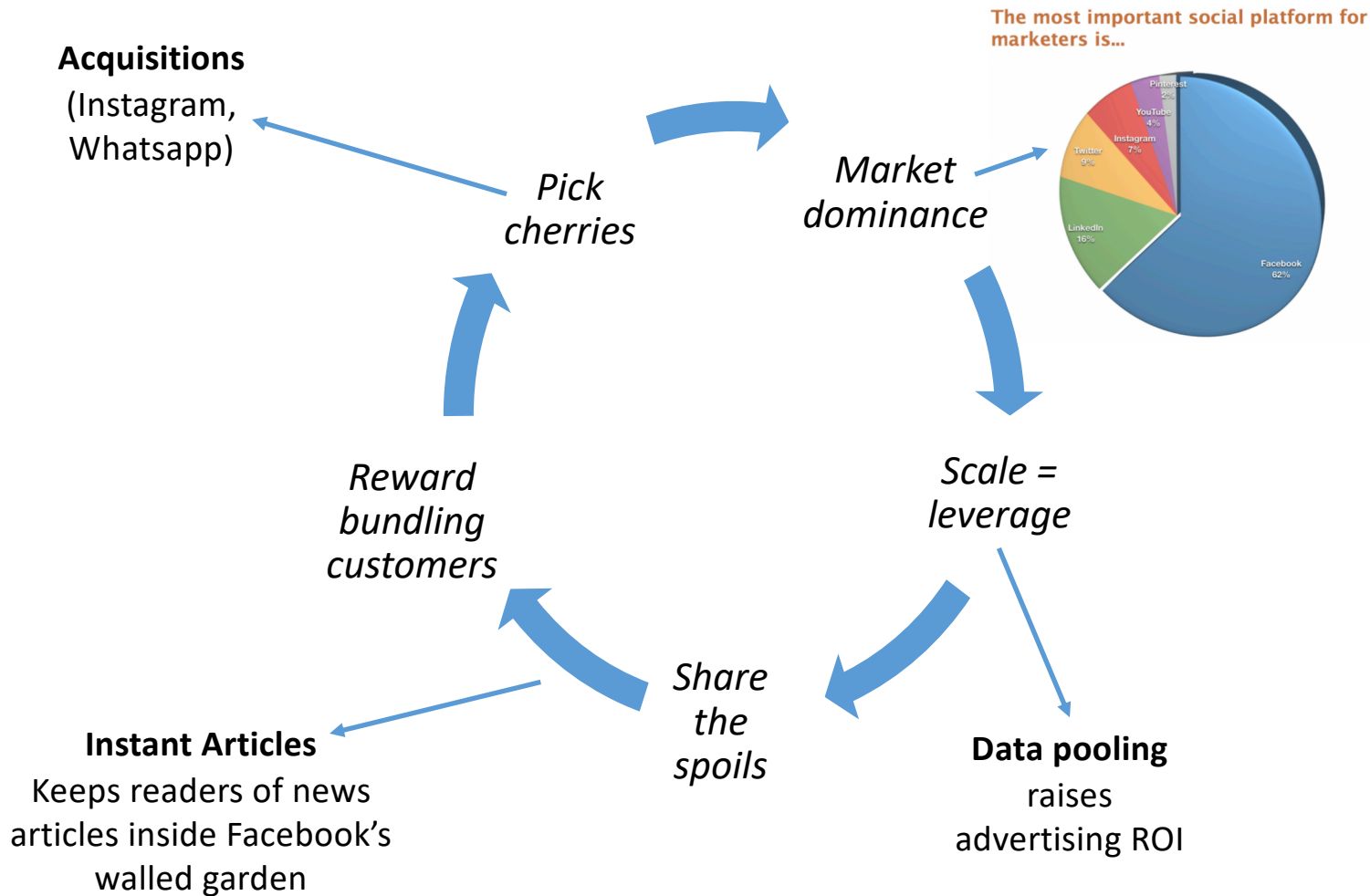


Sponsored  
AmazonBasics 8-Sheet Strip-Cut Paper, CD, and Credit Card Shredder

★★★★☆ 1,766

‘Amazon quietly removes promotional spots that gave special treatment to its own products as scrutiny of tech giants grows’, Apr 3 2019 @ <https://www.cnbc.com/2019/04/03/amazon-removes-special-promo-spots-for-private-label-products.html>

# Facebook's cycle of dominance



**Misleading on WhatsApp**  
 FB misleads Commission in 2014: "We would be unable to establish reliable automated matching between Facebook users' accounts and WhatsApp users' accounts."

**Exclusionary conduct**  
 Vine launches competitor to Facebook's video => Facebook cuts off Vine's access to the Facebook friends' data API

# Building media strategy on Facebook is a shaky foundation

- 2018: Vice Media fires 250 employees; BuzzFeed 220; HuffPost 800
- If Facebook changes its algorithm to prioritize personal stories over shared news links, advertising revenues of online media dry up

## **Disney put more than \$400 million into Vice Media. Now it says that investment is worthless.**

A now-familiar story: Investors say they overvalued a high-flying digital publisher.

By Peter Kafka | May 8, 2019, 9:04pm EDT

<https://www.vox.com/recode/2019/5/8/18537617/disney-vice-write-off-400-million>

# Competition policy issues

- Traditional red lights (cf. Tirole *Economics for the Common Good*)
  - Price gouging => Lower consumer welfare
  - Corrupting influence on legislative or executive power
  - Underinvestment in innovation
- New red lights ('New Brandeis' school)
  - Competitor elimination: 'Kill zone' around dominant platforms; Exclusionary contracts
  - Leverage power in adjacent markets
  - Exploitative conduct: Consumer privacy; User data value; Vendor subjugation

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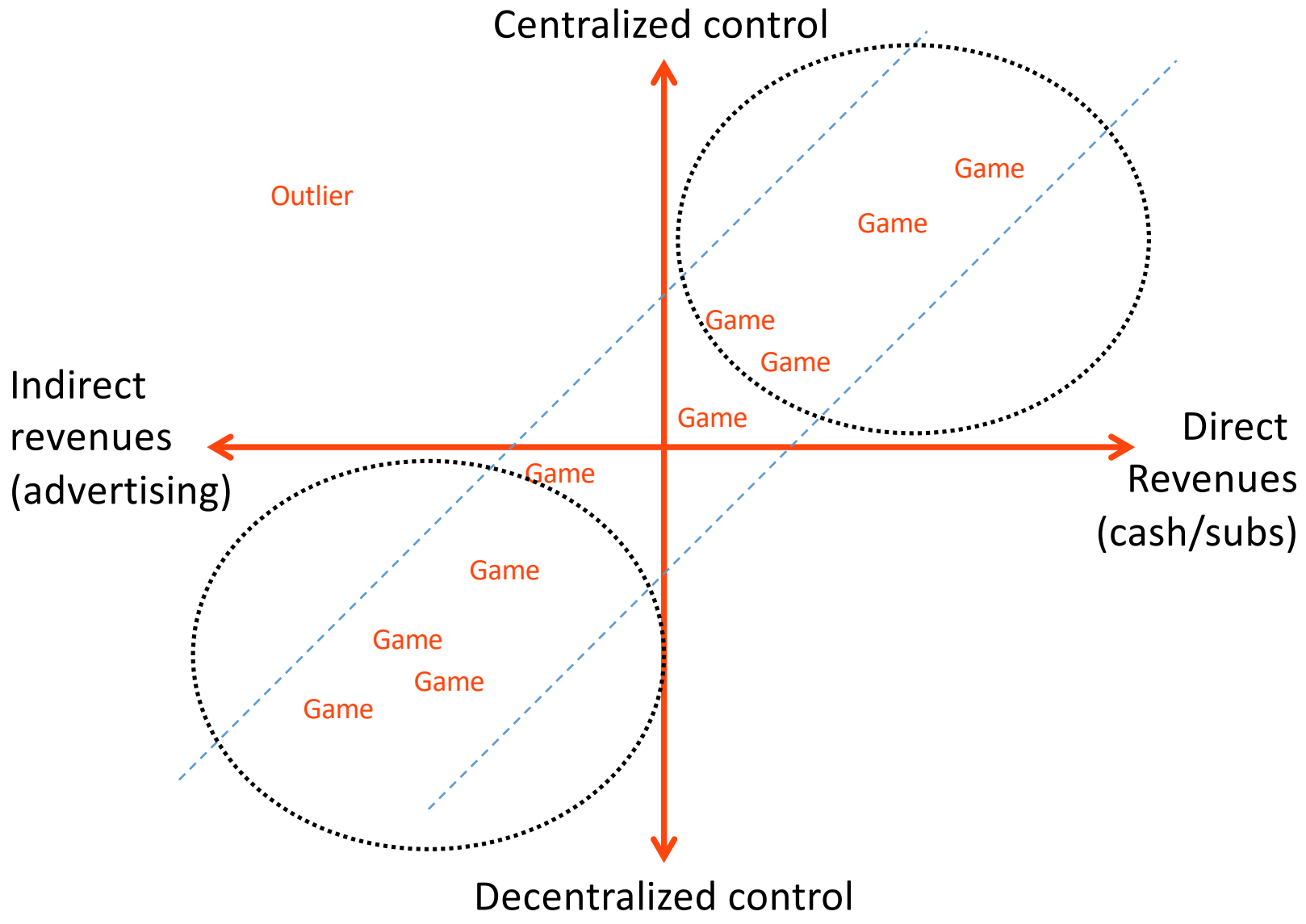
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# Looking at platforms for educational games

- Three revenue models
  - **Pay-per-download:** Direct revenues, €0.99 to €3.99
  - **Freemium model:** Indirect revenues (ads) + in-game purchasing
  - **Indirect revenue model:** Indirect revenues (ads/sponsor/public)







**Companies that ignored the control-revenues link were selected away?**



**Or: Managers imitated successful examples from their industry?**



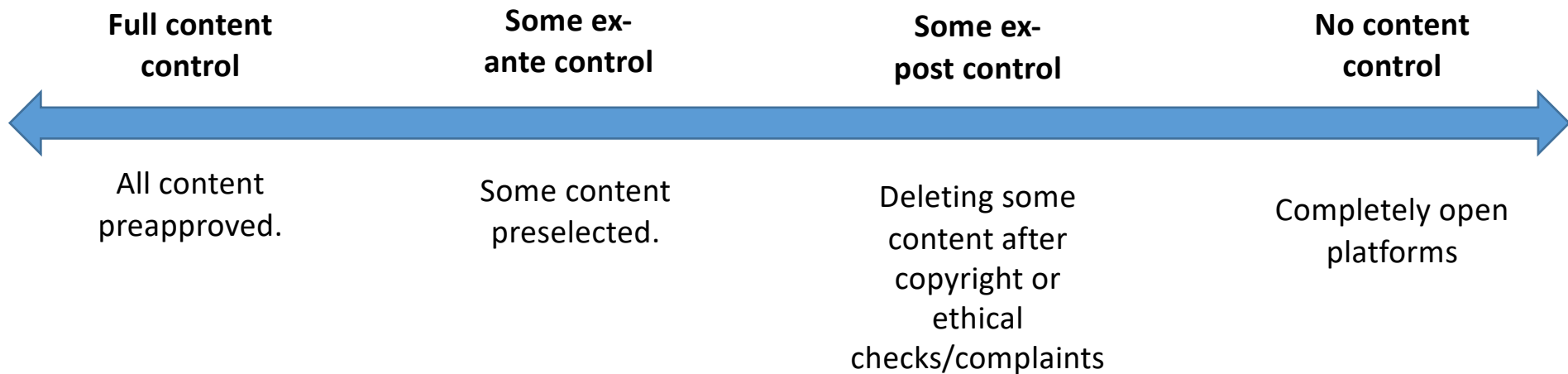
The three core dimensions to understand  
media industry in an age of platforms

**CONTENT CONTROL**

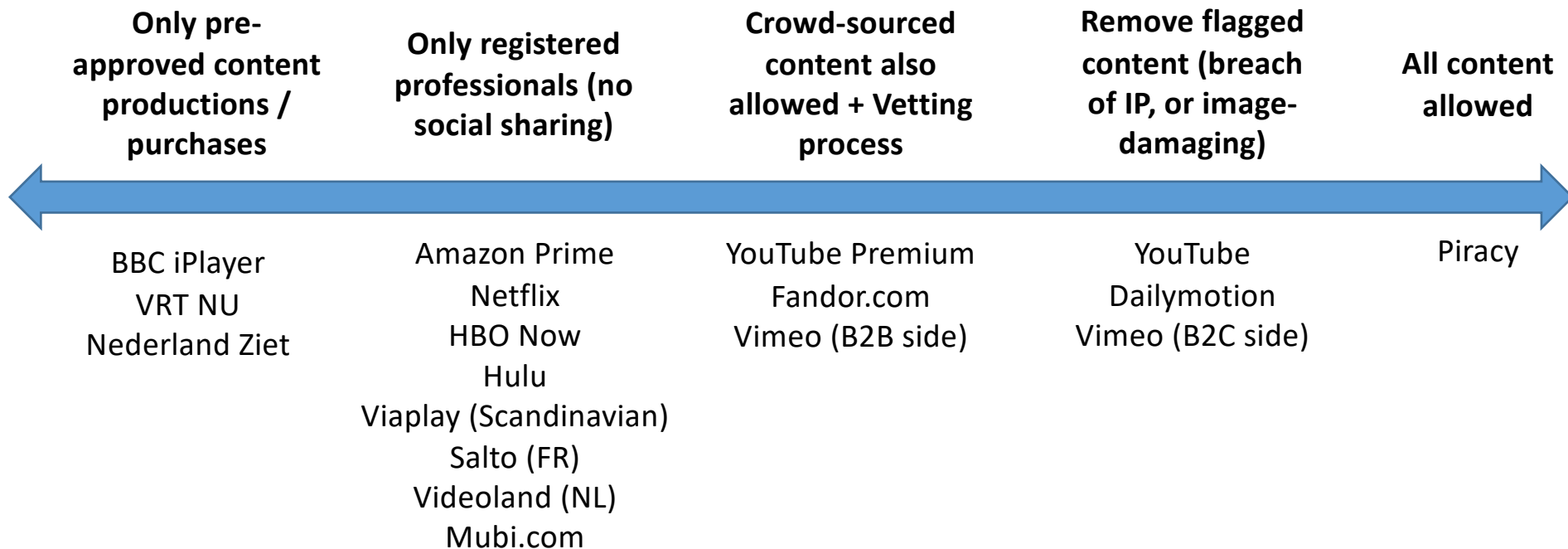
**REVENUE MODEL**

**CUSTOMER OWNERSHIP**

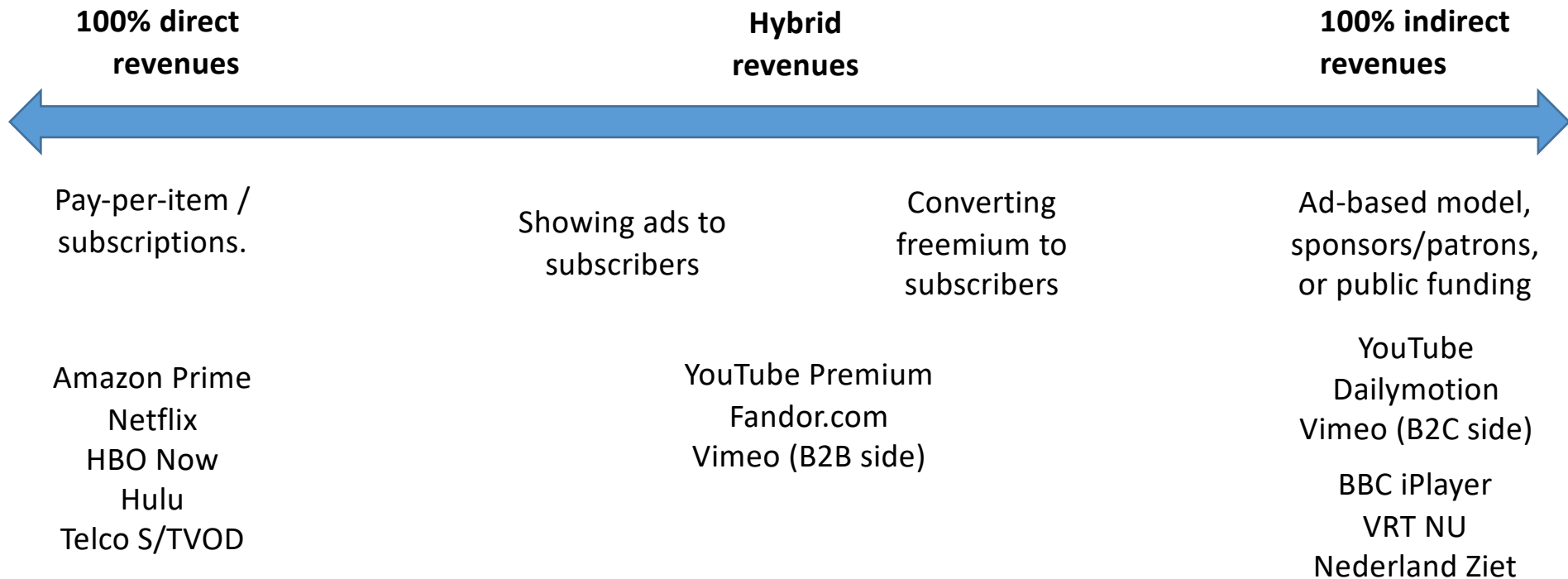
# Editorial content control continuum



# Over-the-top video industry cases for editorial content control continuum

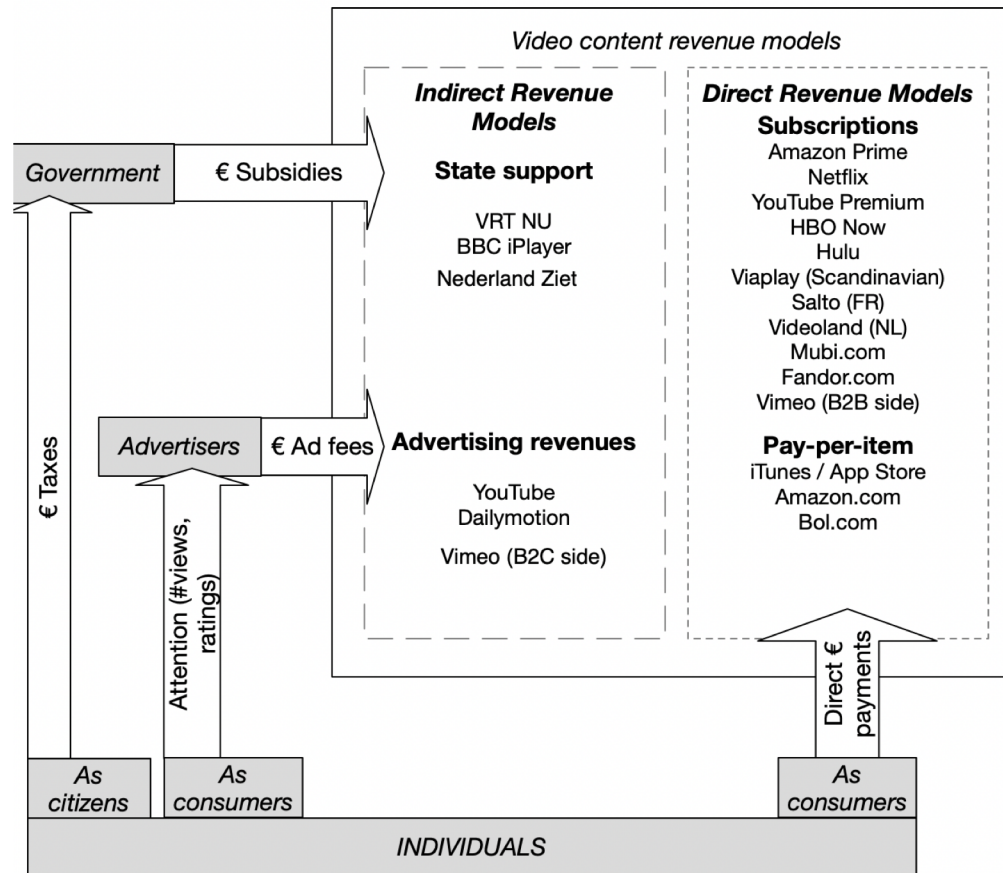


# Revenue model continuum

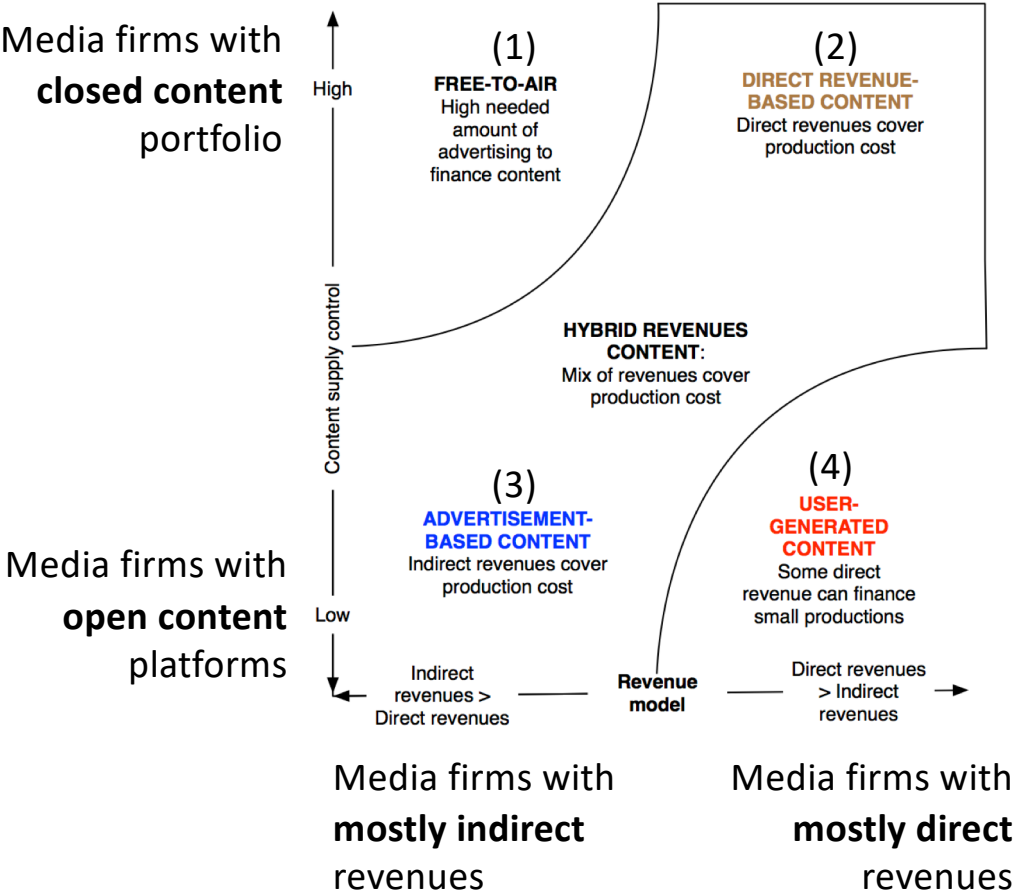


# Over-the-top video industry cases

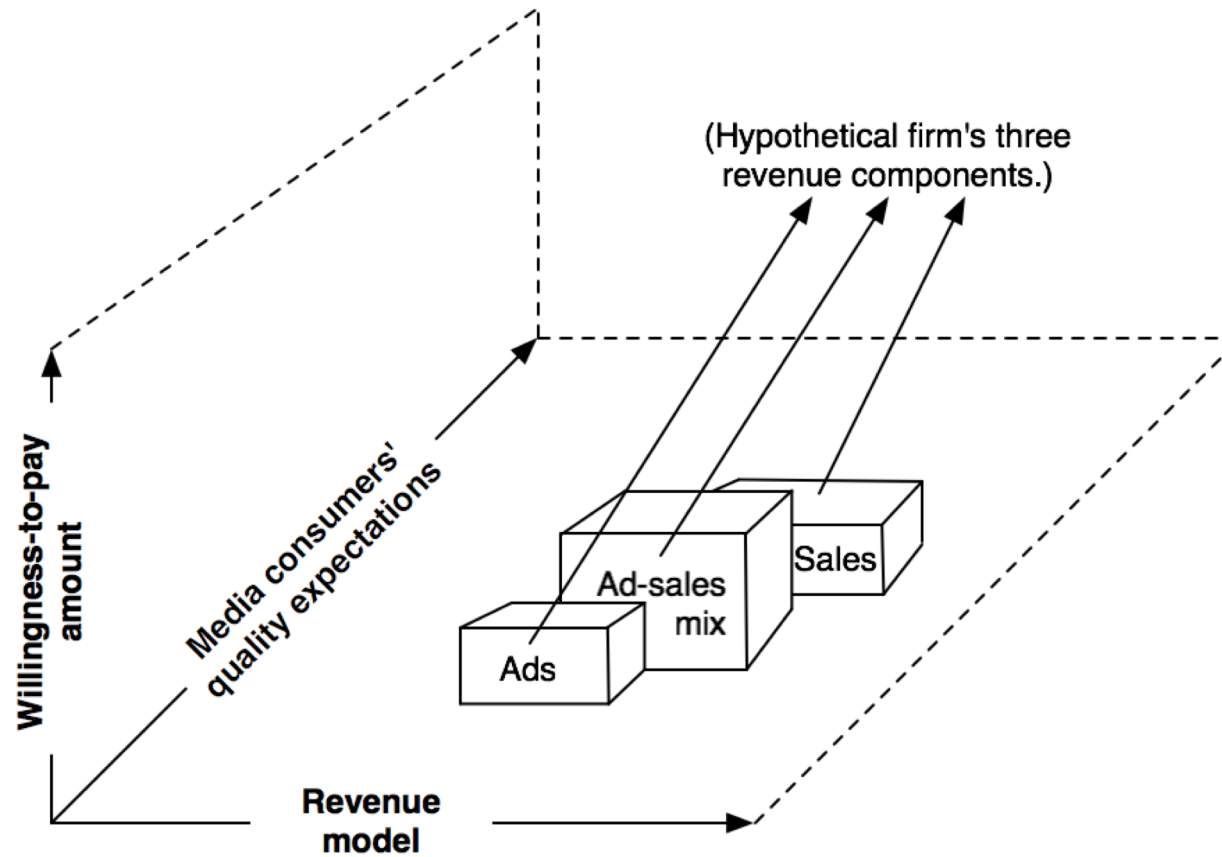
## Two core revenue models: Direct and indirect



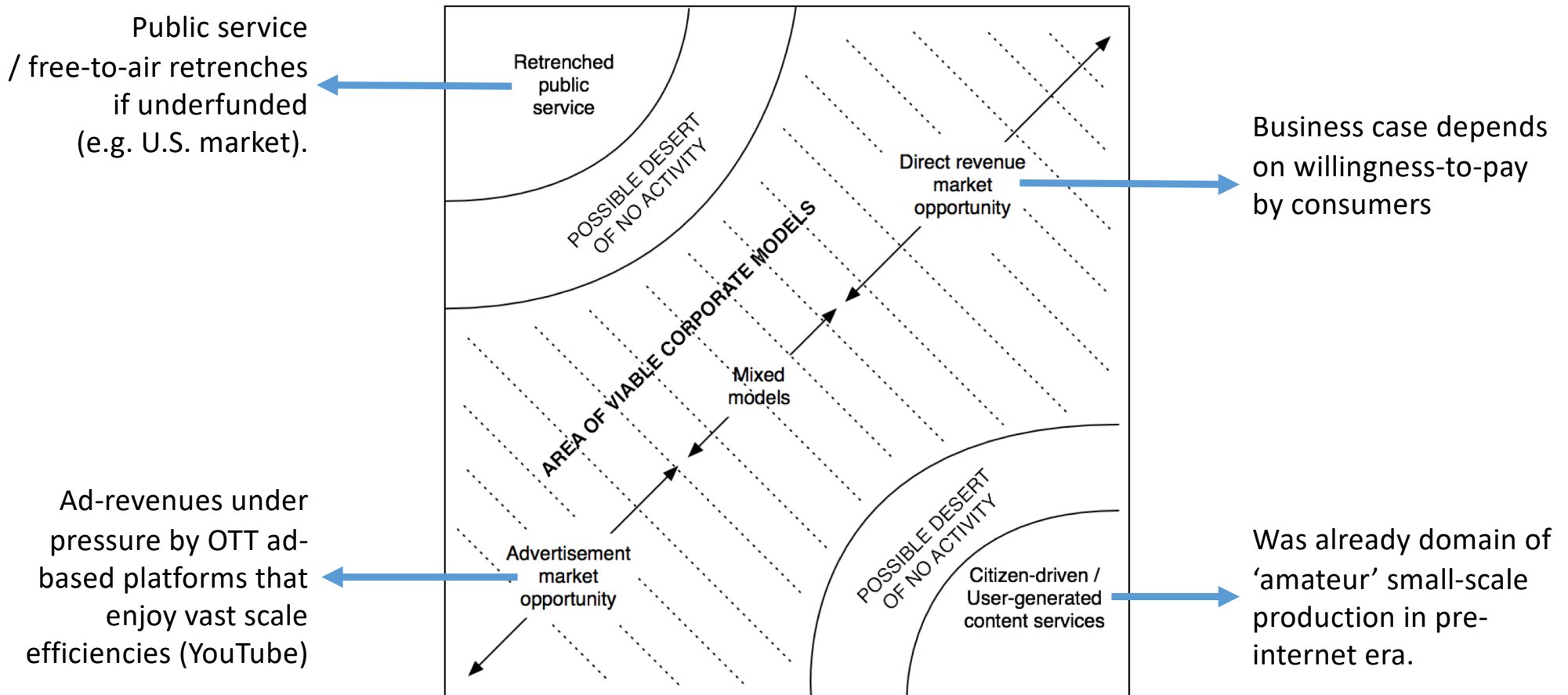
# Media content firm archetypes



# Revenues stacks of one hypothetical media firm in a media market



# Areas of viable corporate activity





# Customer ownership continuum



# Platforms with and without customer ownership

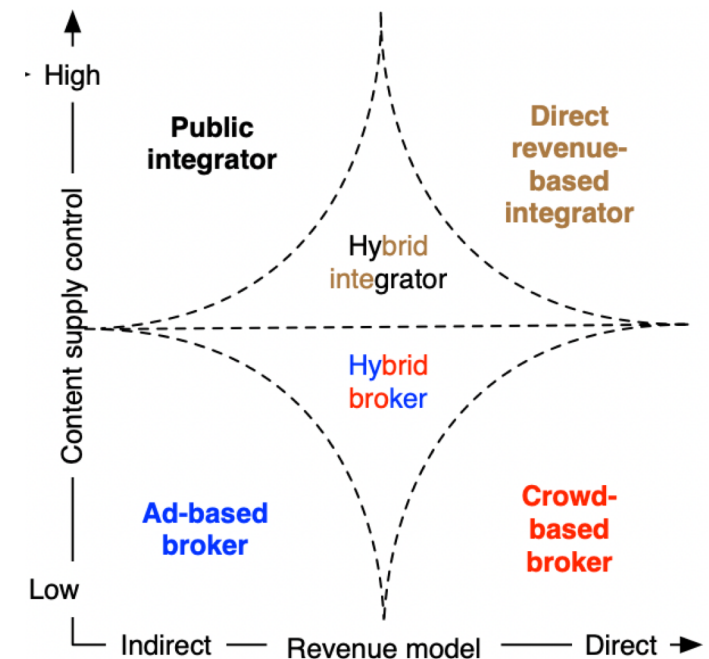
## **Control of end-user customer ownership =**

Content providers have to reach end-users through the platform. Users see this platform as the main point of contact.

- Yes = Customer ownership => Platform top of mind when end-user decides to consume content
- No = No customer ownership => Platform is merely a middleman between end-user and content supplier.

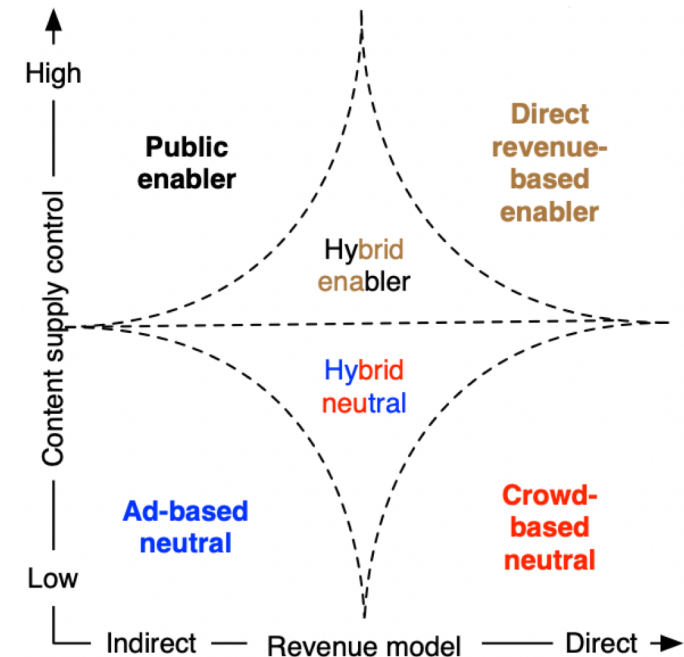
# Media platforms **with** customer ownership are ‘integrators’ or ‘brokers’

- *Free-to-air broadcasting*
  - Indirect revenue model + content control = **PUBLIC INTEGRATOR**
- *Netflix, Amazon Prime, HBO Now, iTunes*
  - Direct revenue model + content control = **DIRECT REVENUE-BASED INTEGRATOR**
- *YouTube*
  - Indirect revenue model + little content control = **AD-BASED BROKER**
- *eBay*
  - Direct revenue model + little content control = **CROWD-BASED BROKER**



# Media platforms **without** customer ownership are 'enablers' or 'neutrals'

- DVB-T network provider
  - Indirect revenue model + content control = **PUBLIC ENABLER**
- Apple TV, TV Overal, Yelo TV
  - Direct revenue model + content control = **DIRECT REVENUE-BASED ENABLER**
- Dailymotion
  - Indirect revenue model + little content control = **AD-BASED NEUTRAL**
- Youtube Premium, Patreon
  - Direct revenue model + little content control = **CROWD-BASED NEUTRAL**



Walking  
among  
giants

Platform  
power

Content and  
revenue  
models

**Living with  
powerful  
platforms**

Beware geeks bearing gifts:  
Market entry and its impact

## Disruption by market entry

- Market entry is important engine of market dynamism.
- **If Entries < Exits, Then Increasing market concentration** in same size market.
- [Side note: 'high market concentration' does not necessarily equal 'Uncompetitive market'. A monopolist could (theoretically) operate in very contestable market.]
- **Observation:** Increasing market concentration in IT, telecom and media markets past 20 years.

# US media market concentration

FIGURE 13

Concentration in media has risen steadily

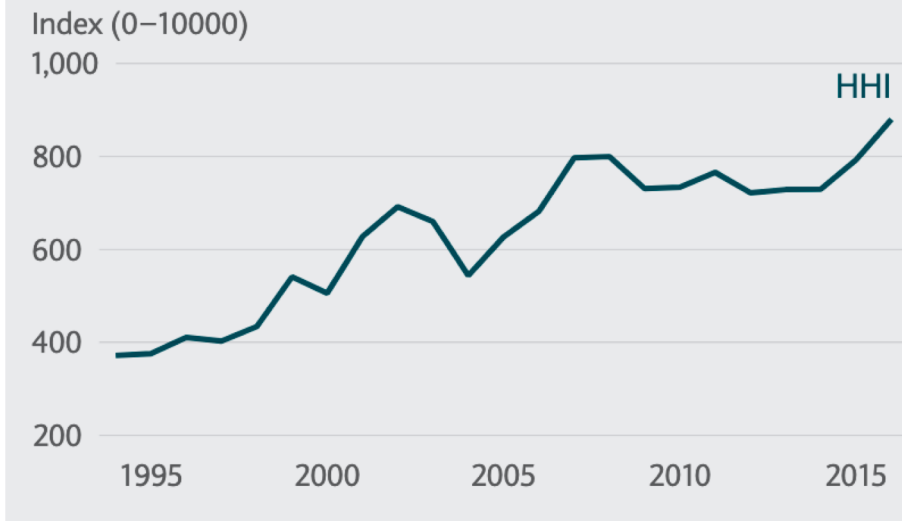


FIGURE 15

Media competition has declined as concentration rose

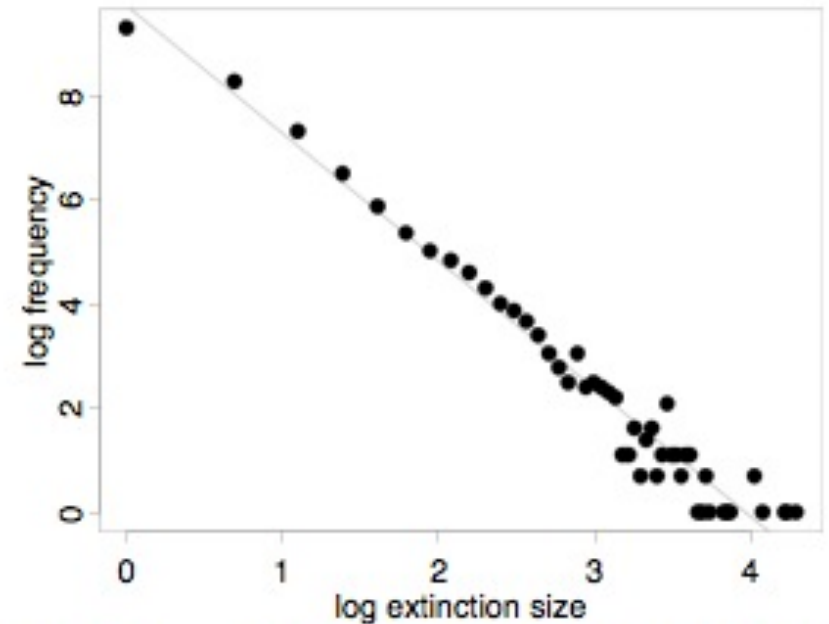


Source: Barclays, March 2019, Increased corporate concentration and the influence of market power.



# From my 'Dictionary of common sense and received ideas'

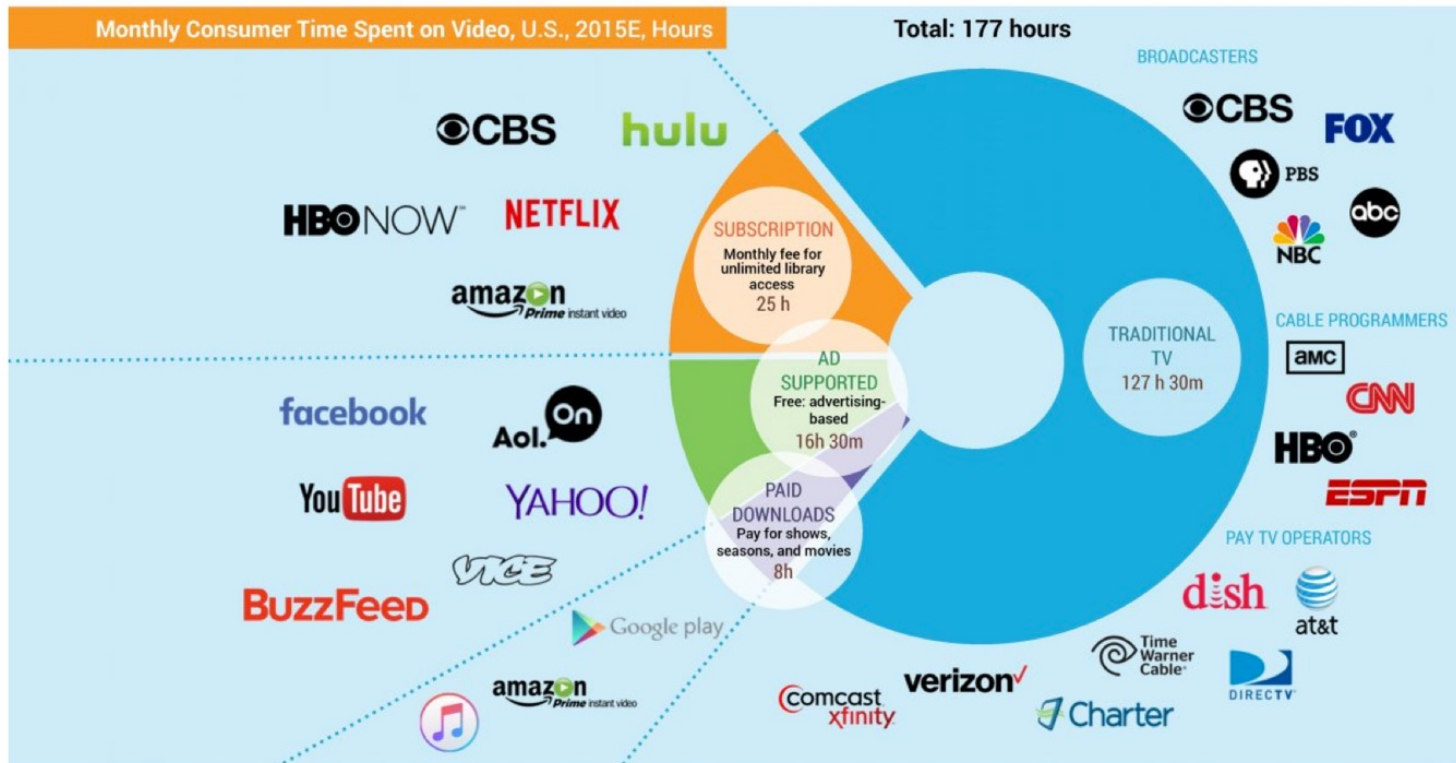
- “40% of the Fortune 500 companies in 2009 no longer existed in 2019”
- Is the same as: “60% still exists after 10 years.”
- The average company's 10 year survival ratio is **29%**
- So: “Fortune 500 companies have **double the survival ratio** than the average company.”



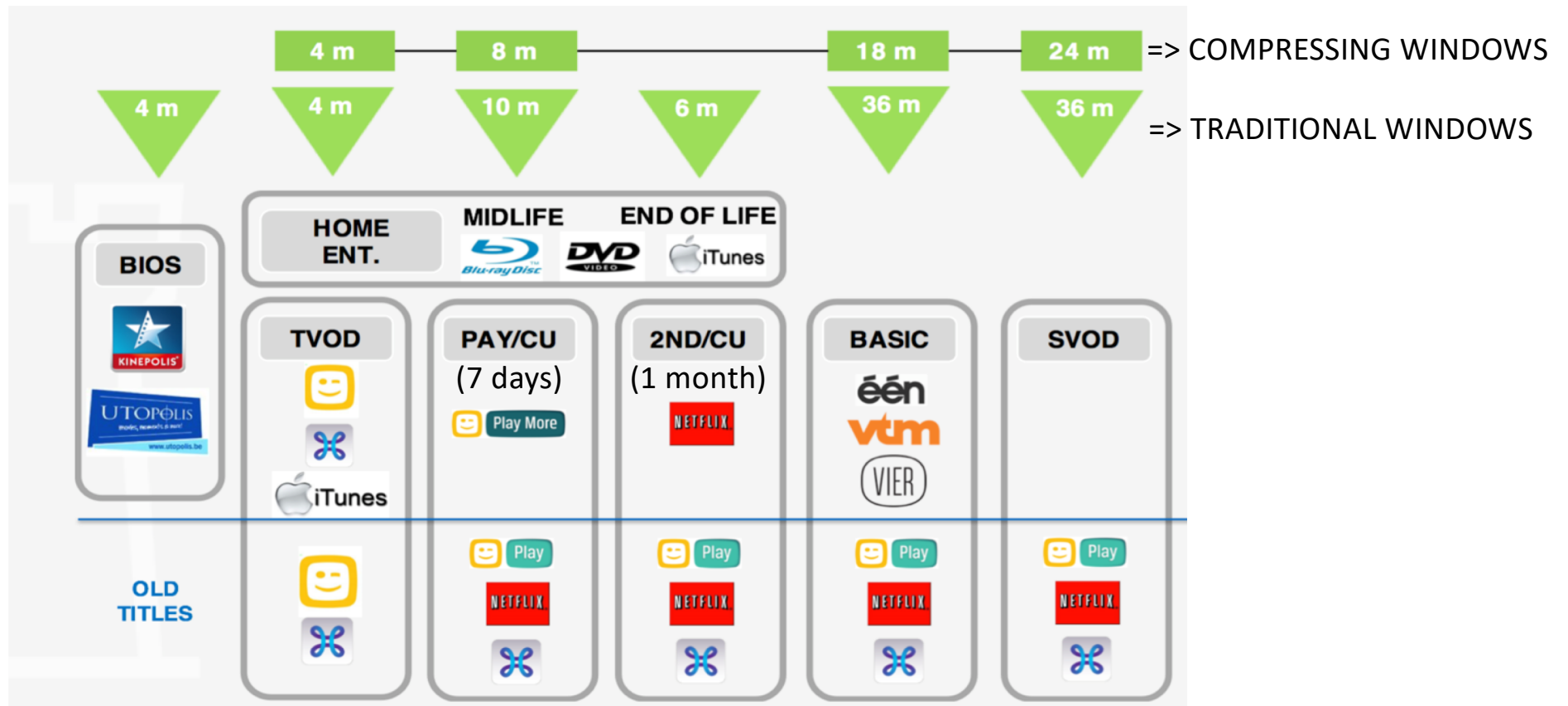
**Figure 1** *Typical power law extinction size/frequency*  
*50,000 iteration run of the standard model.*

# Market entry by new exploitation windows

An increasingly large number of players are competing for consumers' video time and attention, with traditional TV still capturing 72% of all viewing

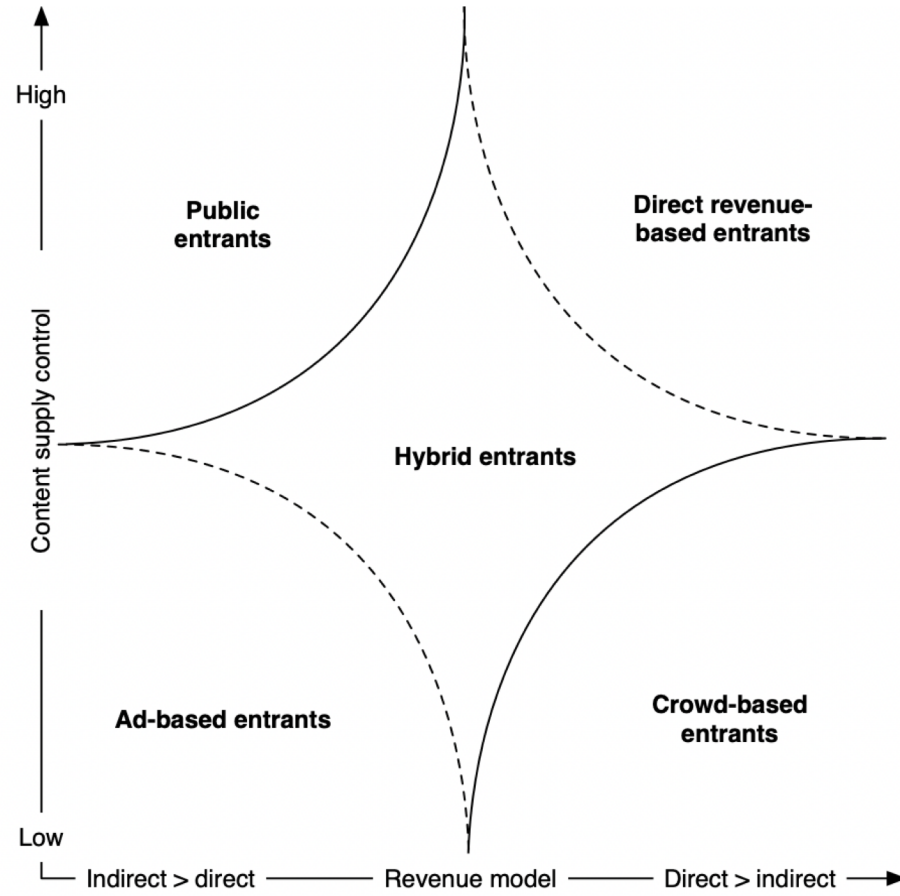


# New & compressing release windows for movies

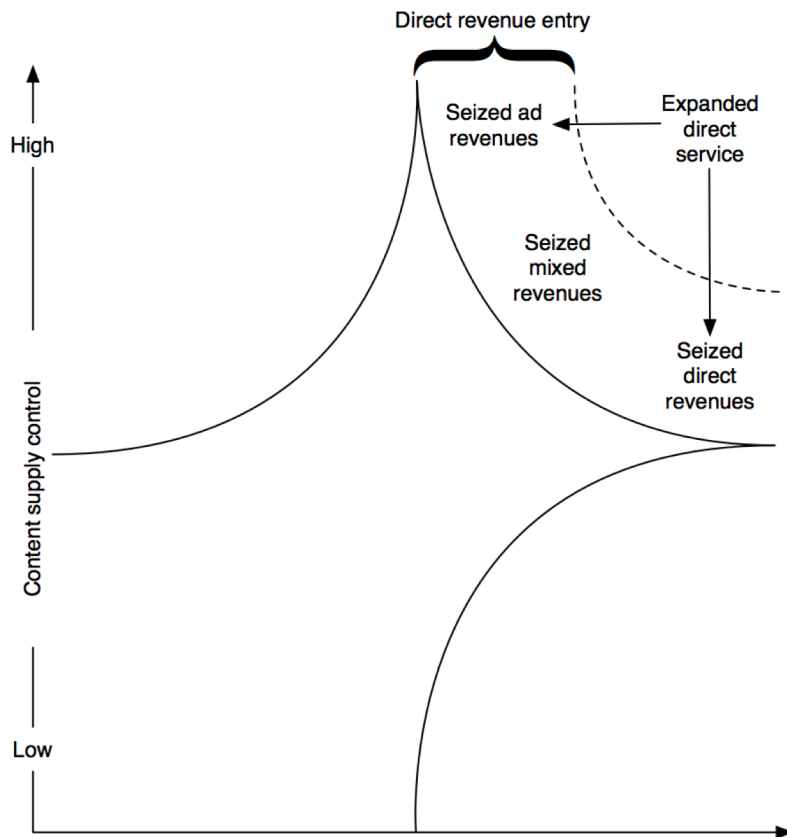


(S. Moens in Wauters, Dirk en Raats, Tim (2017) Screening of Flemish Audiovisual policy)

# Types of entrants



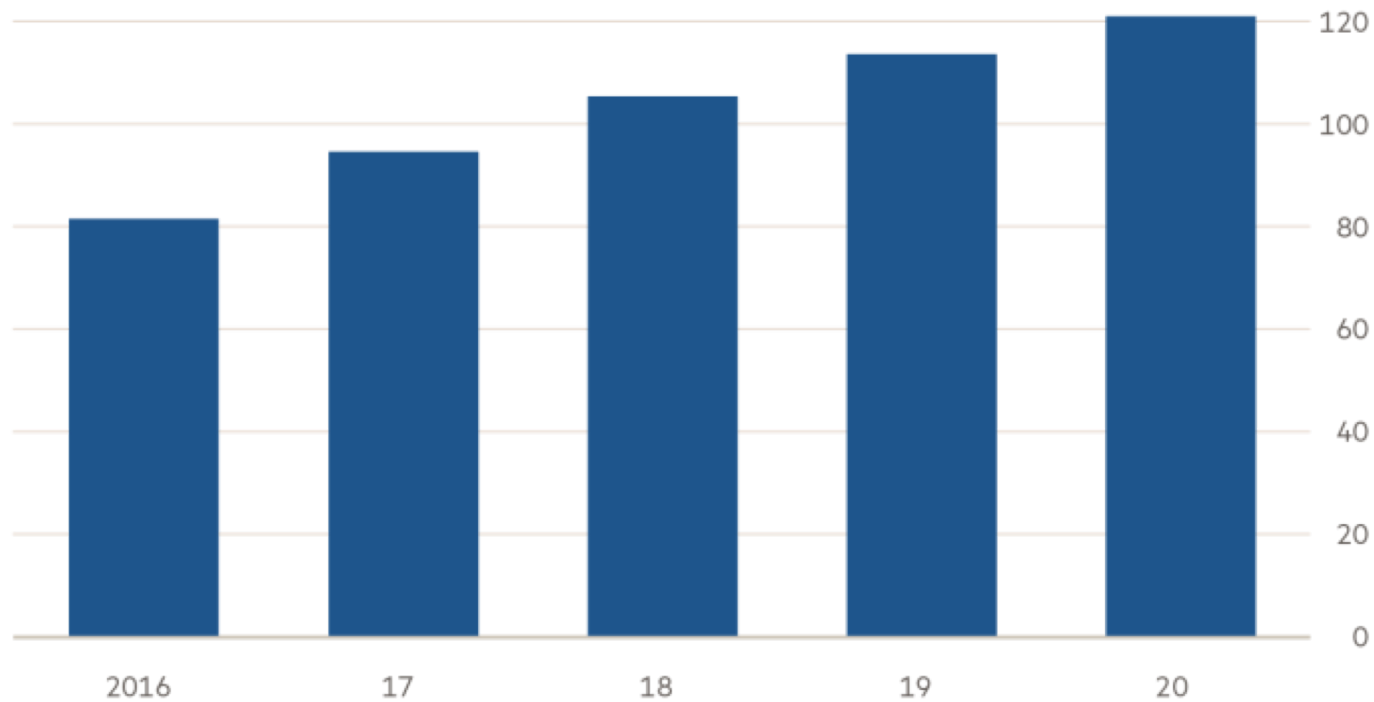
# Direct revenue based entry



- **Two main business models:**
- ***Subscription-based***
  - Global: Amazon Prime; Netflix; YouTube Premium; HBO Now; Hulu; Fandor.com
  - European: Viaplay (nordic); Salto (France-pending reg. approval); Videoland (NL); Mubi.com (pan-EU)
- ***Pay per item***
  - iTunes; Amazon; Bol.com; ...

# Rise in US Amazon Prime users

Millions

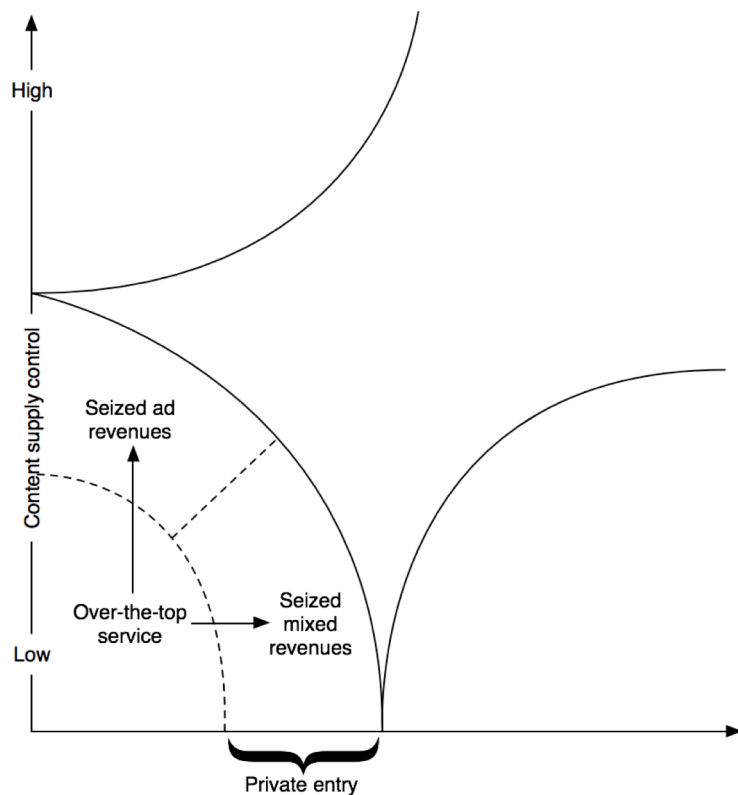


Source: eMarketer  
© FT

## Amazon / Netflix: Direct revenue model

- Amazon's + Netflix's content strategy:
- A few **flagship productions** (House of Cards, Stranger Things) + **inexpensive leftovers**
- Content supply of AMZN/Netflix can become hard to distinguish from local broadcasters if they focus on licensing/acquiring (relatively) cheap content

# Market entry by ad-based open platforms

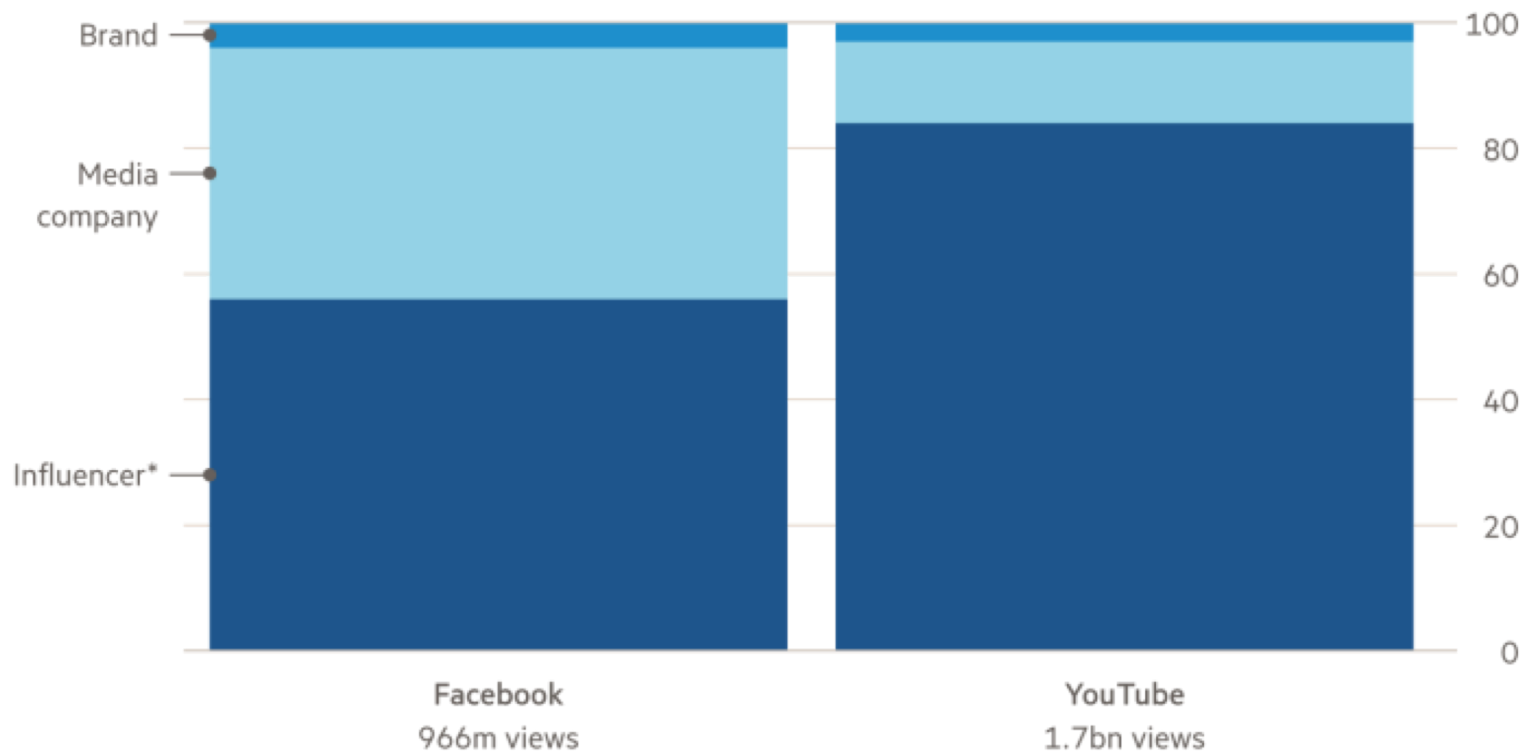


- Decentralized content control + indirect revenue model
- Platforms enable/allow creators to earn indirect revenues from end-users
- YouTube, Facebook, ...
- The brand name of YouTube supercedes brand name strength of many local broadcasting channels



# YouTube dominated by vloggers & musicians

Share of views, Q1 2018 (%)



Don't pin your hopes on EU Copyright Directive art. 17

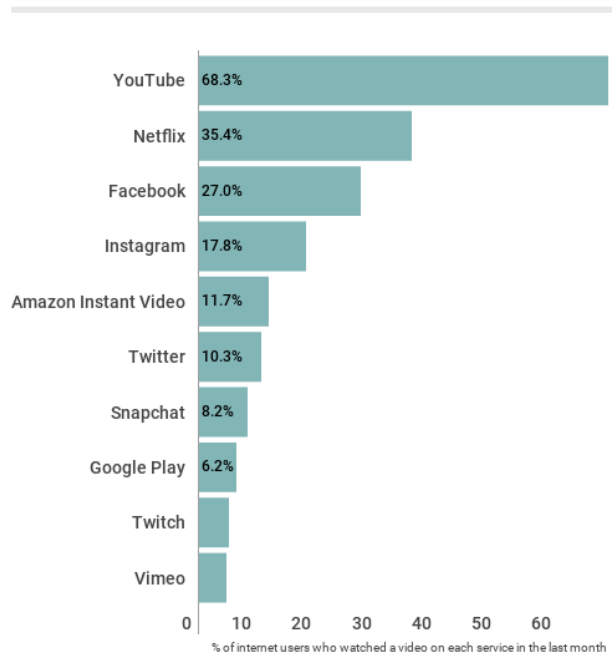
\*Influencers are online video creators who promote brands to their followers

Source: Tubular Labs

© FT

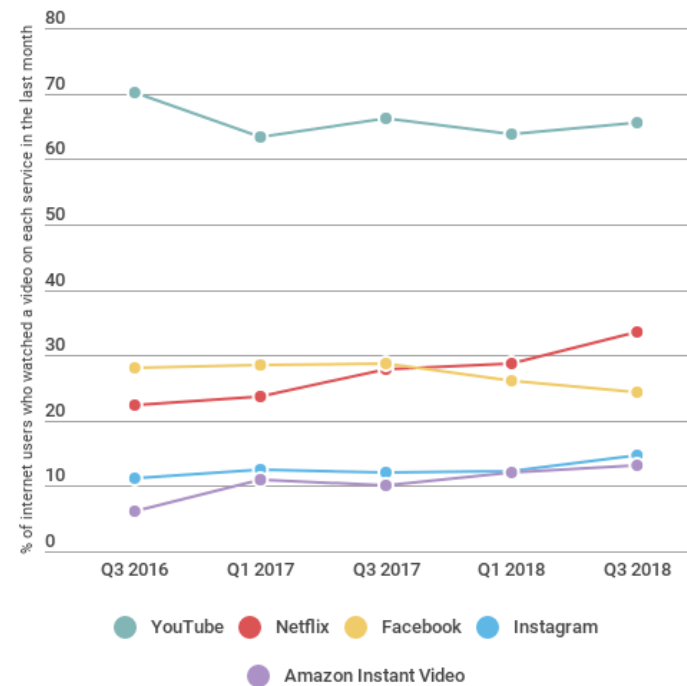
# Online video: YouTube, Netflix, Amazon rising. Facebook declining (but: owns Instagram)

Top 10 online video services



Based on 33,000 internet respondents in 16 markets in Q3 2018.

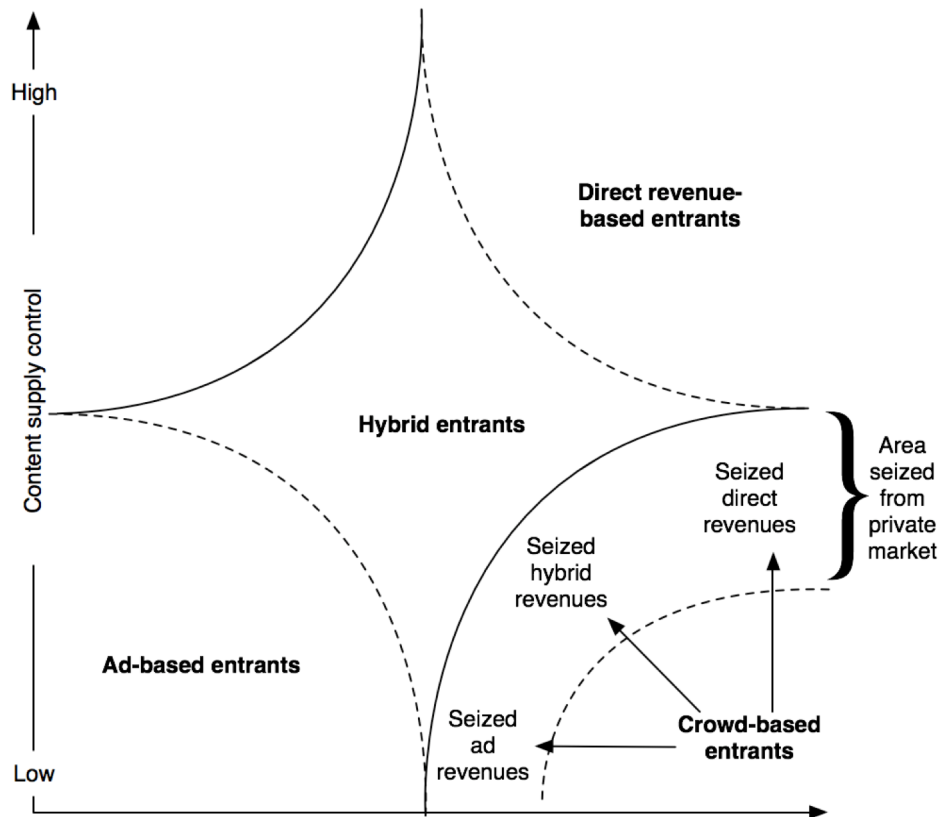
Online video audiences for Netflix and Amazon are increasing, but Facebook is declining



Based on analysis of 22,000 respondents in 10 markets, including the US.

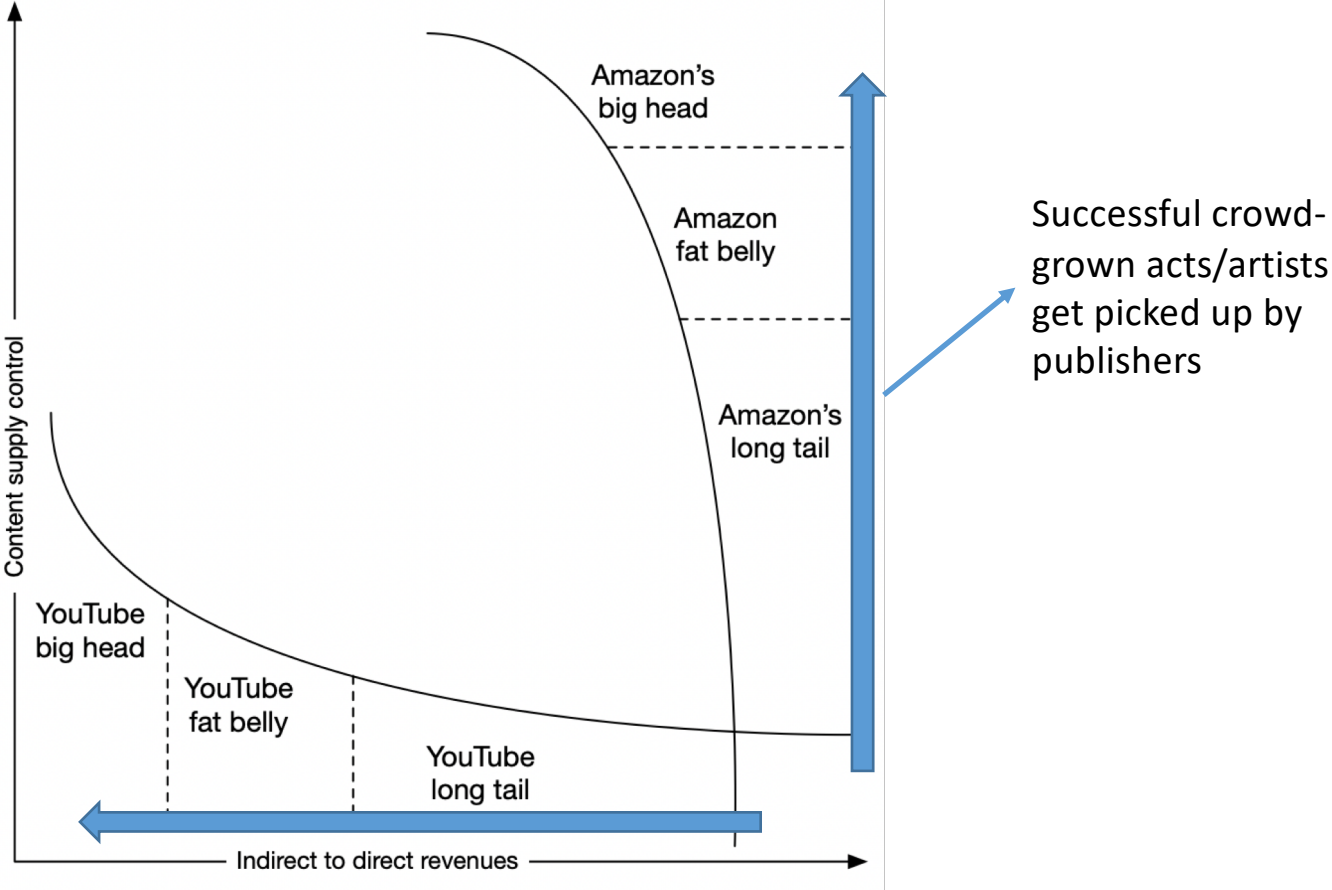
(Source: Richard Broughton, Ampere Analysis 2019)

# Crowd-based entry and expansion



- Members of the crowd produce content, and directly earn revenues from patrons
- Reminiscent of artisanal production pre-mass media era, except...
- Strong dependence on payment service providers: If Patreon or Paypal cancels your account, you're lost.

# Crowd-based content feeds the direct and indirect revenue areas



# Crowdfunding no panacea in small markets

(Numbers for Flanders from Braet, Spek & Pauwels 2018)

Budget	Short fiction	Documentary	Theatrical fiction
Low	€0-60.000	€80.000-120.000	€500.000-1.000.000
Medium	€80.000-100.000	€180.000-200.000	€1.500.000-2.000.000
High	€100.000-120.000	€500.000-750.000	€2.500.000-4.000.000

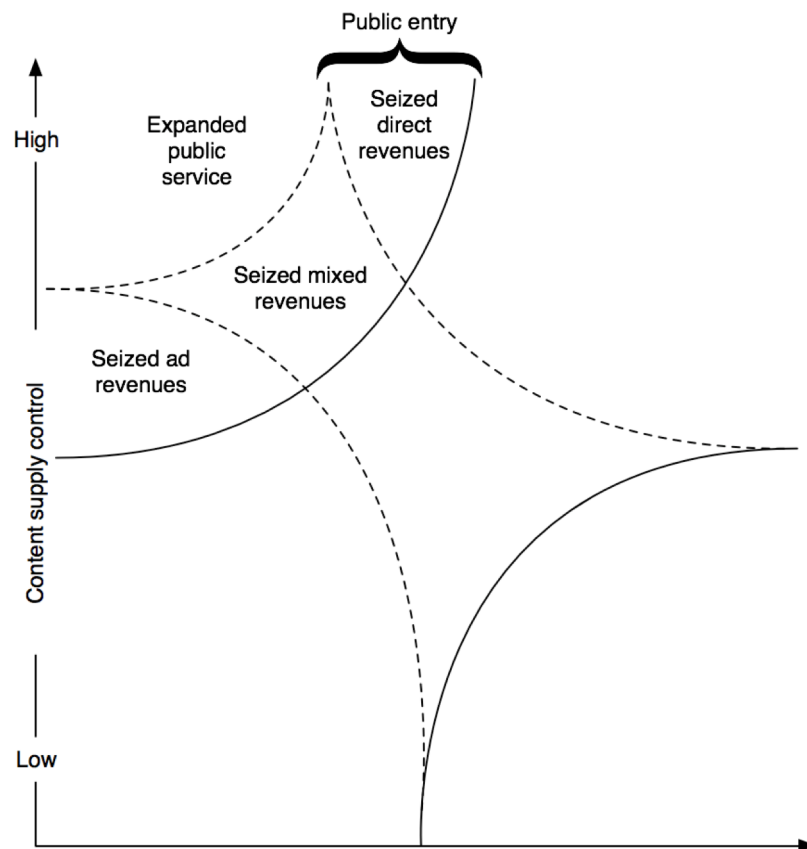
Typical average movie budgets, Flanders

*(Amount per year in euro)*

Scenario	Pessimistic	Neutral	Optimistic
<i>Income from paying visitors</i>	6 250	12.500	18 750
<i>Income from paying filmmakers</i>	150	250	400
<i>Advertising income</i>	50 000	100 000	150 000
<b>Total platform income</b>	<b>56 350</b>	<b>112 759</b>	<b>169 150</b>
<b>Yearly funds for projects</b>	<b>12 500</b>	<b>100 000</b>	<b>562 500</b>

Revenue projection for movie crowdfunding platform

# Free-to-air / public media entry



- Under pressure from dominant axis
- Increasingly dependent on revenue mix with direct revenues (= moving to top right)
- Possible telecom cross-subsidisation

# Varying degrees of market entry impact

**Status quo or Assimilation**



**Disruption**

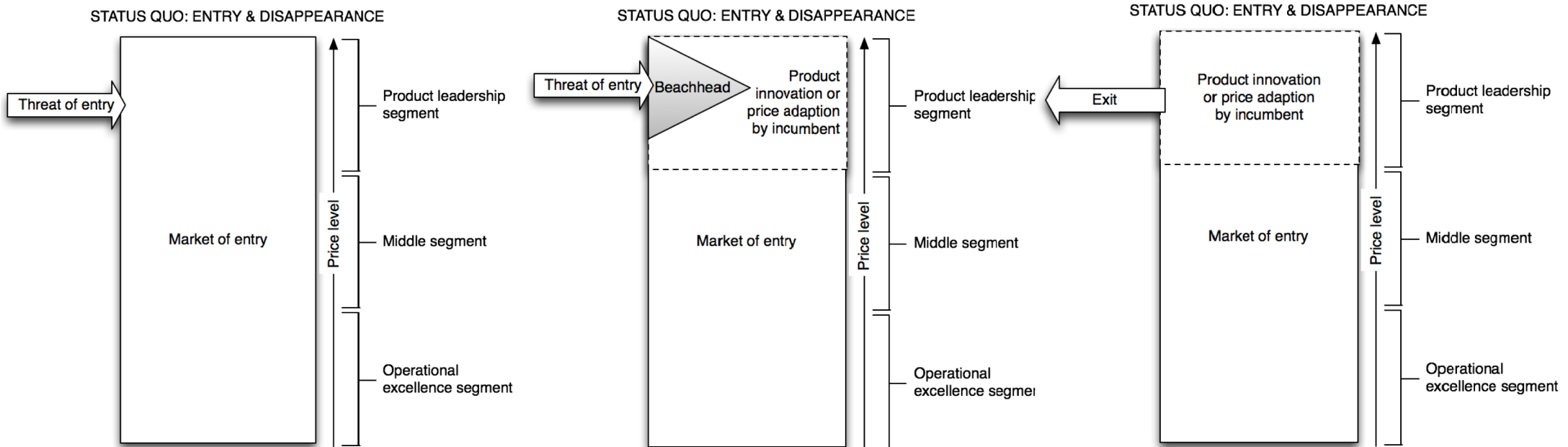
Change in balance of power between firms.



**Upheaval**

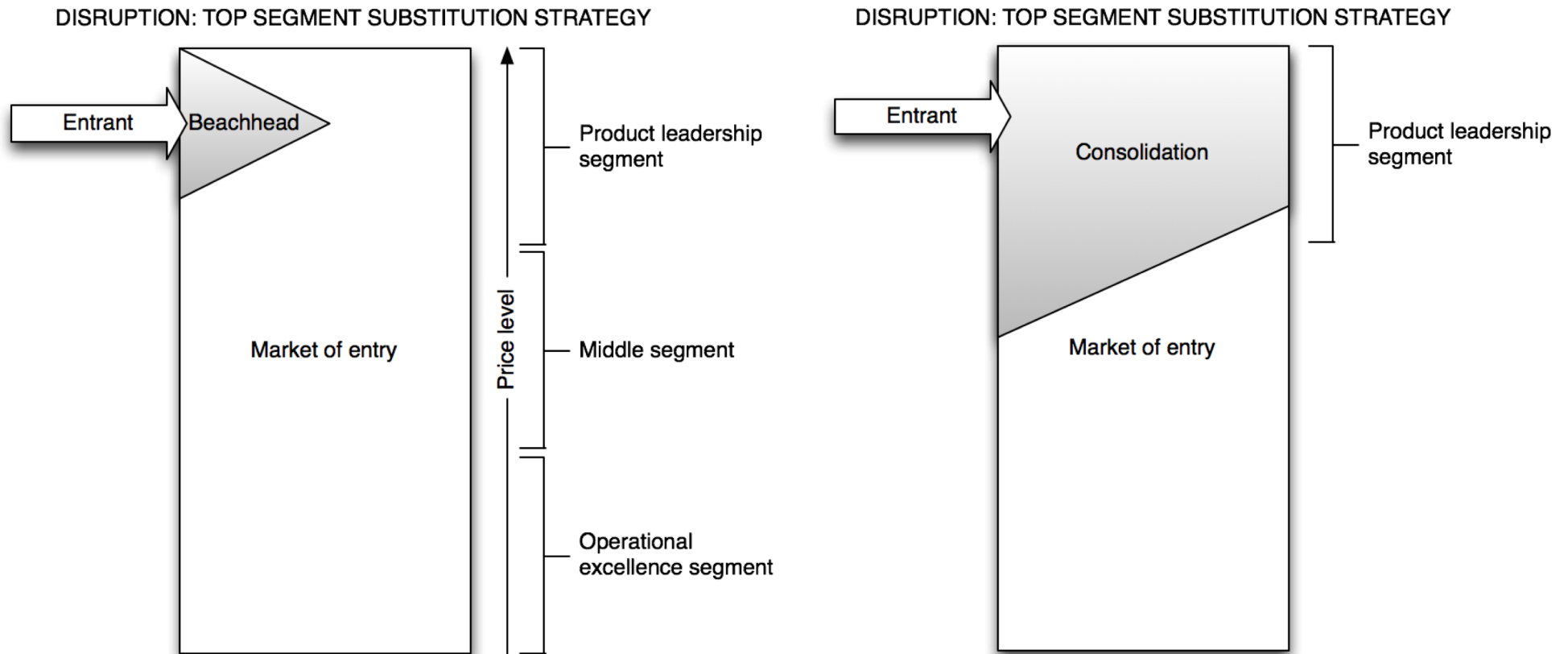
Change in power balance between industries.

# 'Status Quo' or 'Assimilation' outcome: Entry and exit/acquisition

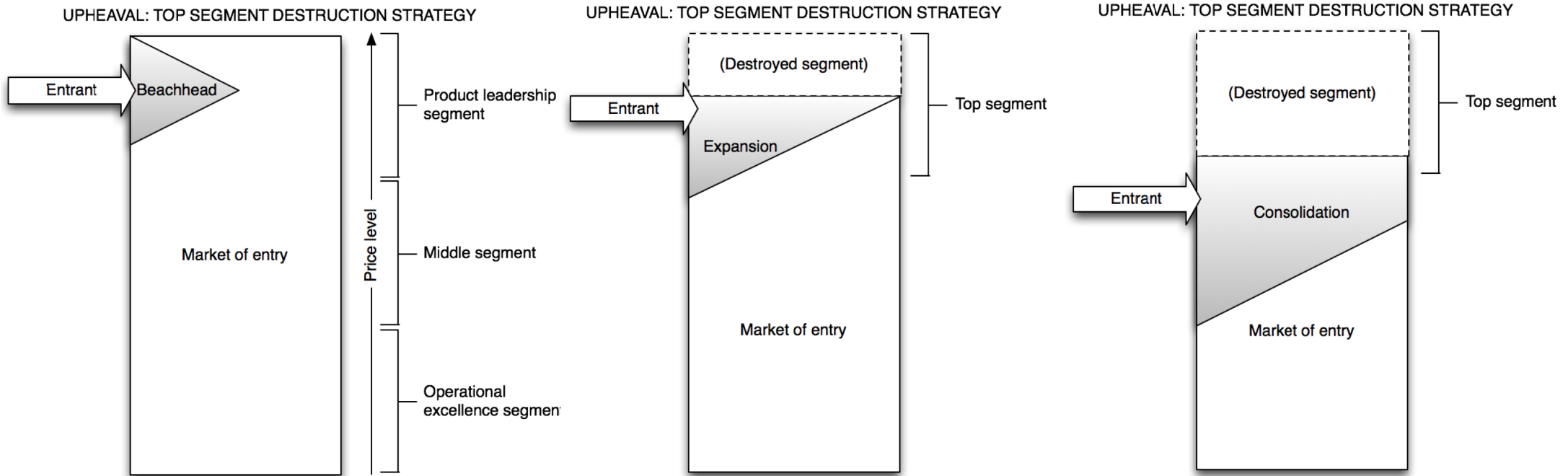




# 'Disruption' outcome example: Top segment substitution

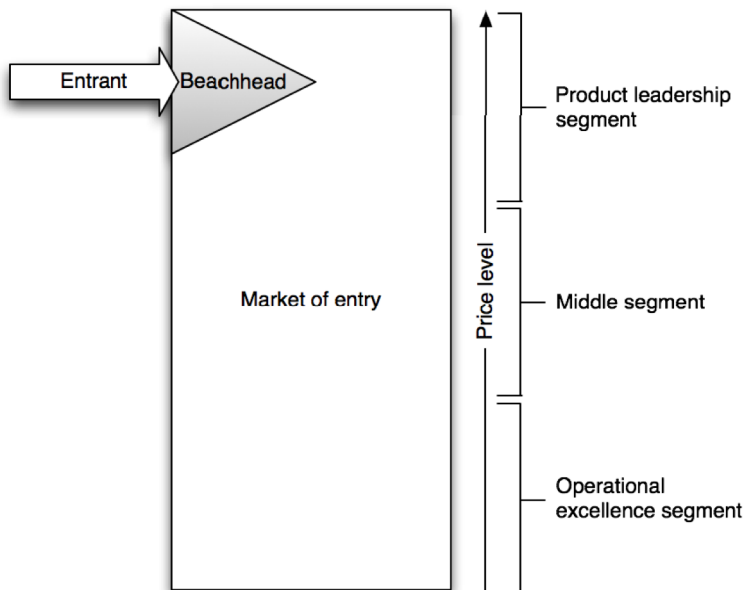


# 'Upheaval' outcome 1: Top (or other) segment destruction: Total market size shrinks

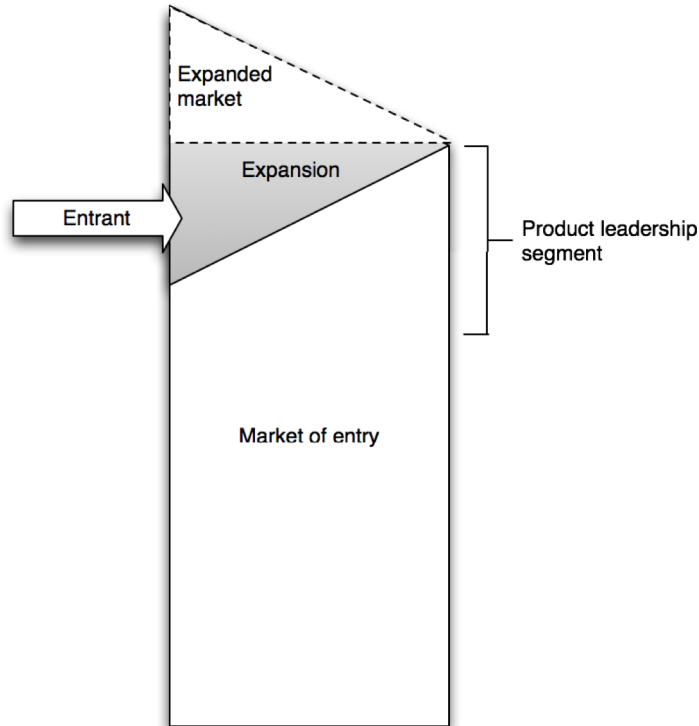


# 'Upheaval' outcome 2: Top (or other) segment expansion: Total market size expands

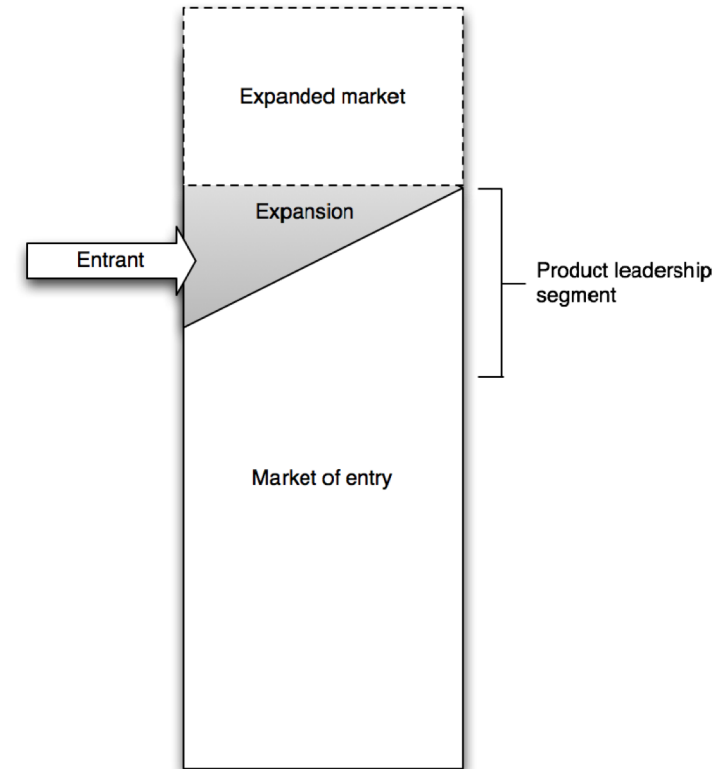
UPHEAVAL: TOP SEGMENT EXPANSION STRATEGY



UPHEAVAL: TOP SEGMENT EXPANSION STRATEGY



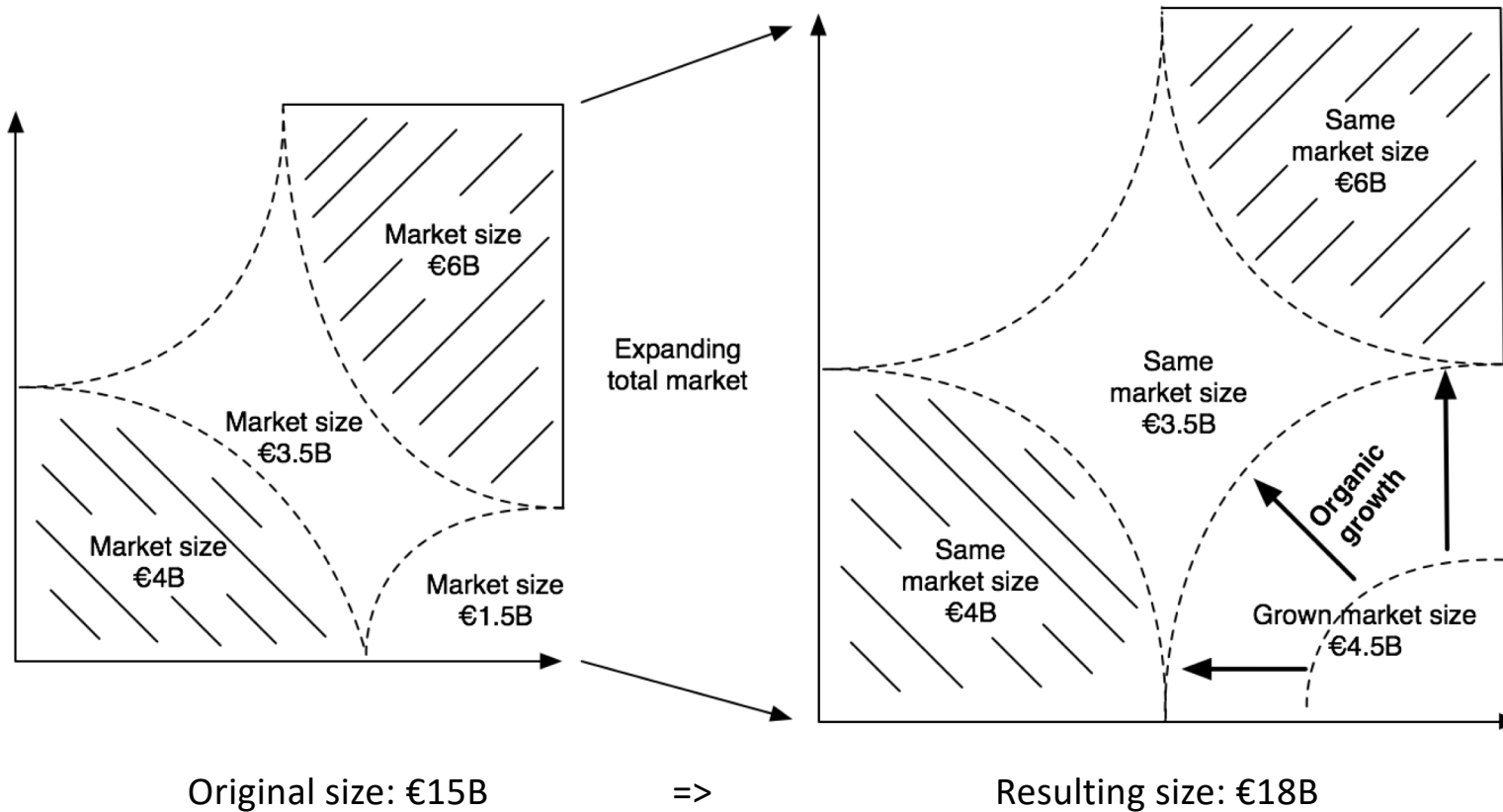
UPHEAVAL: TOP SEGMENT EXPANSION STRATEGY



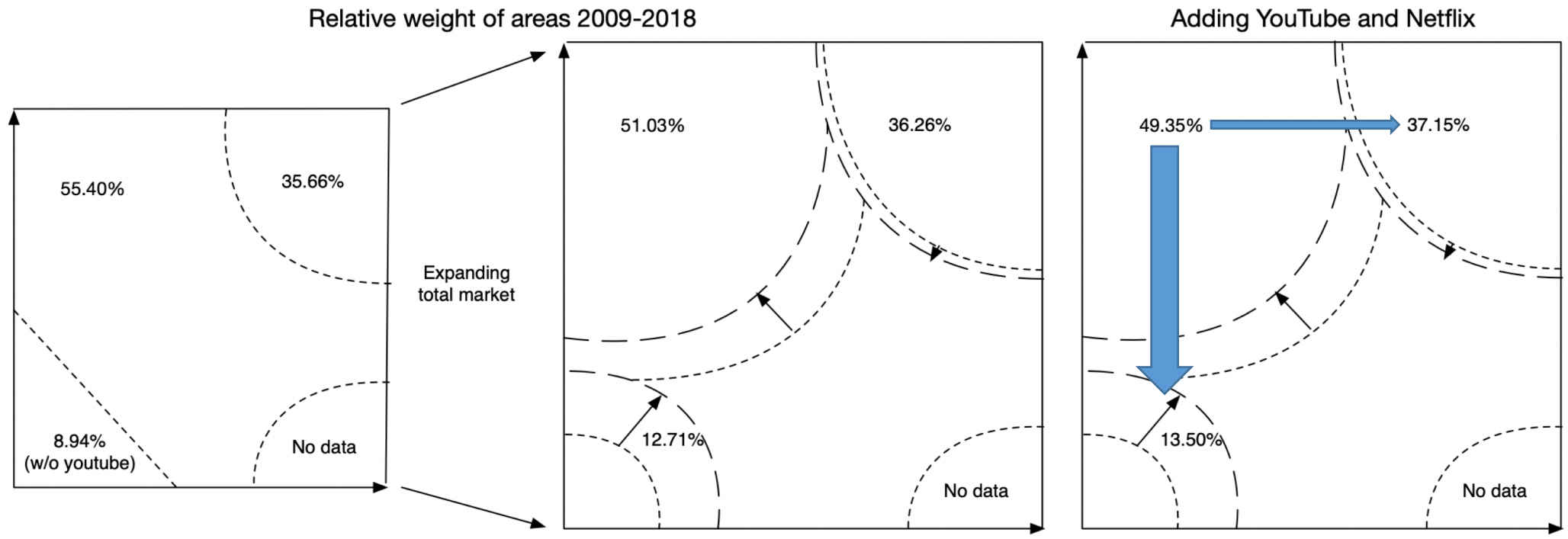
## Industry-level impacts of market entry

- Because of the preceding sector-level dynamic, entry may happen/result in ...
  - a) a same industry size,
  - b) a growing industry size,
  - c) a shrinking industry size.

# Complementary entry in expanding market = *Disturbance* of power distribution (hypothetical)



# Non-hypothetical: Belgium video-content market Continuing tidal wave



# Media strategies in a platform world

Providing these platform scenarios are in effect...

In what degree can you sell *different products* at *different prices* to *different customer groups*?



# Ability to price discriminate depends on platform effects, alongside media asset control

		Product-price variation	Channel variation	
			Over one channel	Over multiple channels
		Selling ...	Single homing	Multihoming
Best case	↓	... same good at different prices	<i>Pure price discrimination</i>	<i>Windowing</i>
		... different good at different prices	<i>Content tailoring</i>	<i>Tailoring over windows</i>
Worst case	↓	... same good at same prices	<i>Utility</i>	<i>Commodity</i>
		... different good at same prices	<i>Customer is king customization</i>	<i>Customer is emperor customization</i>

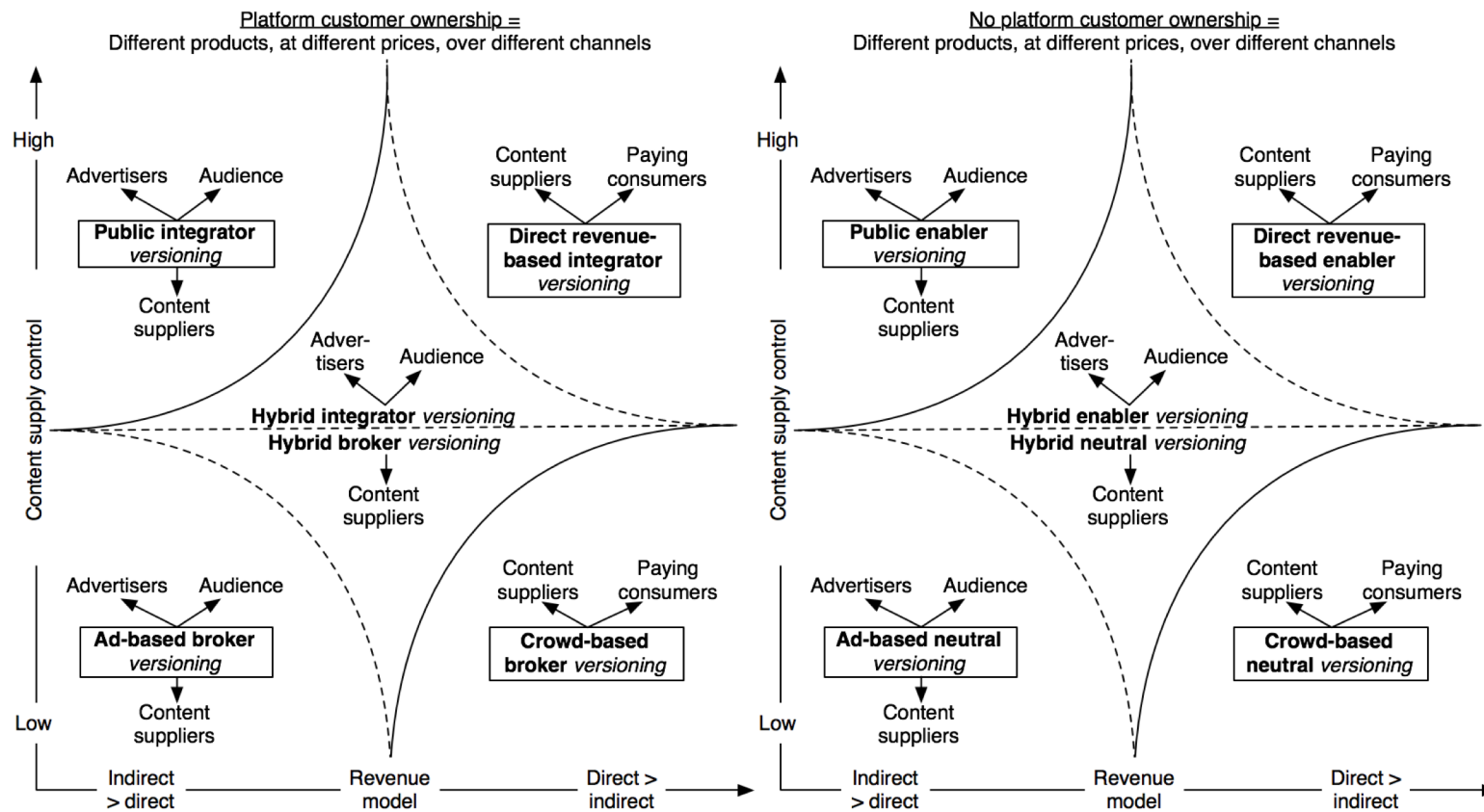
# Commercial strategies for media companies that are a platform?

**Platform firms** aim to deploy *versioning*: different goods at different prices

Eight main kinds of versioning, depending on:

- a) the position on the content control-revenue model axes
- b) whether the platform has customer ownership

# Versioning commercial strategy in media platform firms with (left) and without (right) customer ownership

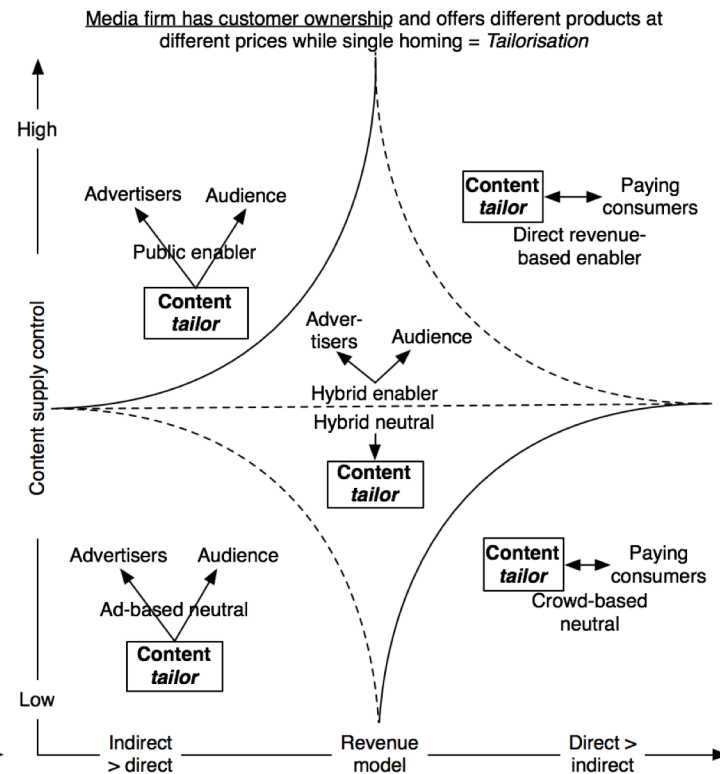
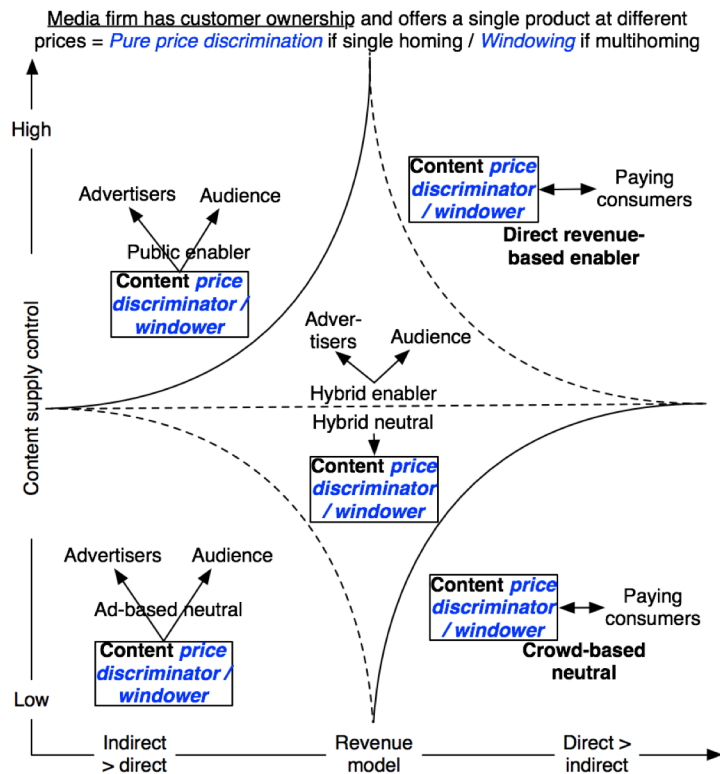


# Commercial strategies for media companies that are not a platform?

- In that case you will sell your goods **over someone else's platform**
- **Non-platform media firms *with* customer ownership** (i.e. active in an industry landscape of platforms that do not have customer ownership) can follow **four** product strategies.
- From best to worse:
  - a) **Windowing**: Multiple channels + Same product + at different prices
  - b) **Tailoring**: One channel + Same product + at different prices
  - c) **Commodity**: Multiple channels + Same product + at same prices
  - d) **Customization**: One channel + Different products + at same prices

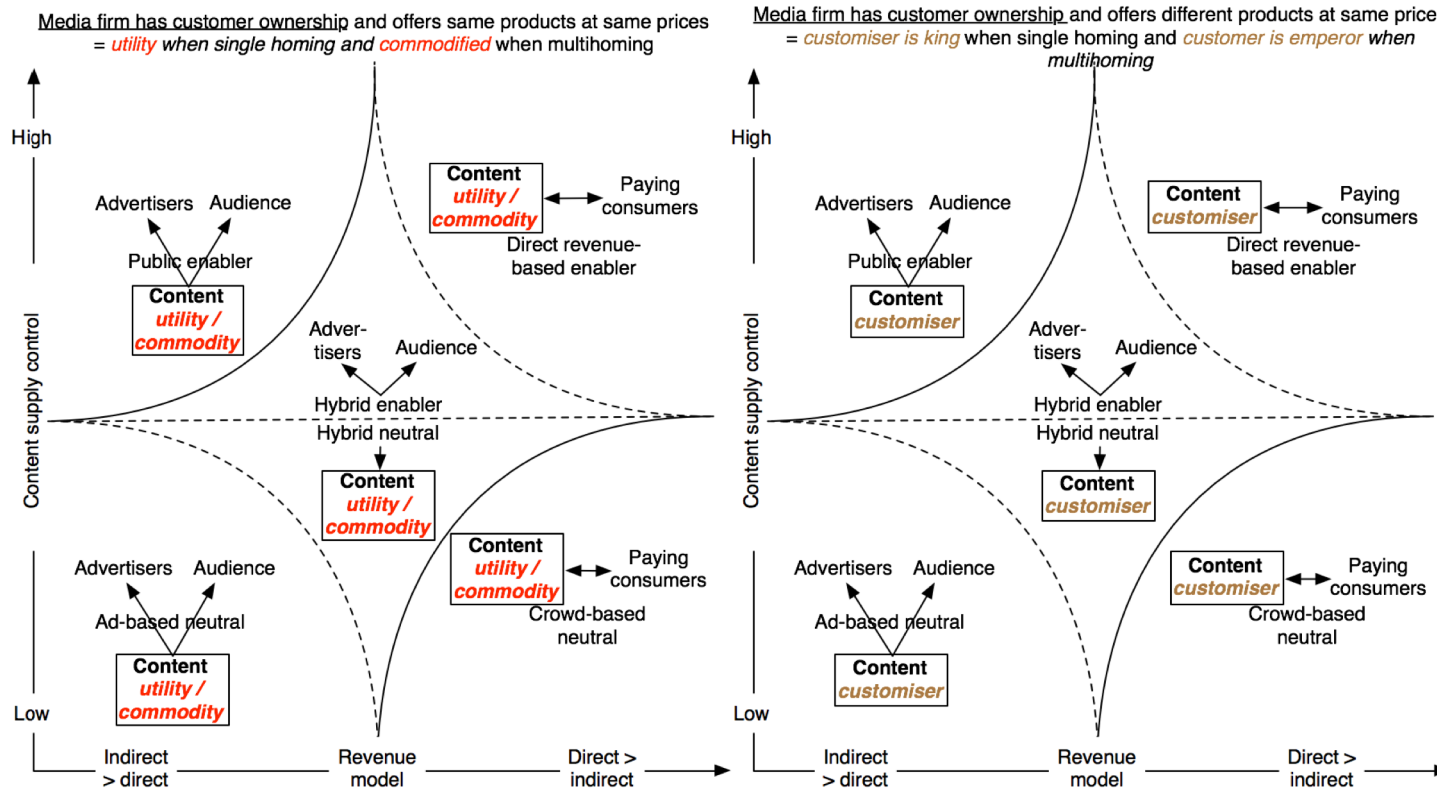
# Windowing: Media firm sells same product at different prices

# Tailoring: Media firm sells different products at different prices



# Commodity: Media firm sells same product at same prices

# Customising: Media firm sells different product at same prices



# CONCLUSION

# Questions for media companies

- Do you want to be a platform? Good luck.
- If you can't be a platform, can you at least retain customer ownership?
- Customer ownership depends on organisation, product, financial and service design decisions + regulatory support
  - Financial design: revenue model
  - Organisation design: Upstream value network control of content providers and/or downstream control of relationship with the customer
  - Service design: Who does the viewer see as core provider of value: you, the distributor, the platform? How strong is your brand *really* compared to the global platforms?
  - Product design: Impact the matchmaking technology, besides production business case



# Constant oscillations in the battle for customer ownership

- Broadcaster vs. telecom platforms
  - Broadcaster: “Distributor only has subscribers to its TV-bouquets because of our channels”
  - Telecom: “Public TV only has viewers because it’s in our TV-bouquet”
- Over-the-top as leverage
  - HBO can use OTT *HBO Now* platform as a tool of negotiation.
  - Where business case for selling to telco’s turns negative relative to going OTT, HBO can then reach subscribers with *HBO Now*.

# Platforms appropriate data from media firms that lose customer ownership

- A series licensed to Netflix or uploaded to YouTube: they monitor which content works best for which user profiles, and commission their own acquisitions accordingly
  - Related 'Due prominence' discussion: To what degree can platform give own commissioned shows better visibility over the external content?
- But: "Data can only tell you what people have liked before, not what they don't know they are going to like in the future"
  - (FX Networks CEO John Landgraff - <http://www.nytimes.com/2013/02/25/business/media/for-house-of-cards-using-big-data-to-guarantee-its-popularity.html> )

# Competition policy in tune with new media industry challenges

- Multi-market view needed. No market definition shenanigans.
- More critical look at mergers and acquisitions
  - Are they removing a competitor? Which data are they buying?
- Consumer lock-in: Are there default browsers, search engines, shopping carts? => European Commission 'abuse of market power' investigation of Google (resolved?)
- Transparency of data streams => German 2019 court decision against Facebook
- Transparency of recommendation algorithms and how they rank and suggest news and media items

# Four competition policy remedies (that can be combined)

## Money fine

- FB €110mio in EU over Whatsapp; FTC ongoing investigation –
- Google €2.42B for Shopping, €4.34B for Android, €1.49B for AdSense –

## Remedy organizational behavior

- Google shopping cart –

## Forbid certain activities

- GDPR –

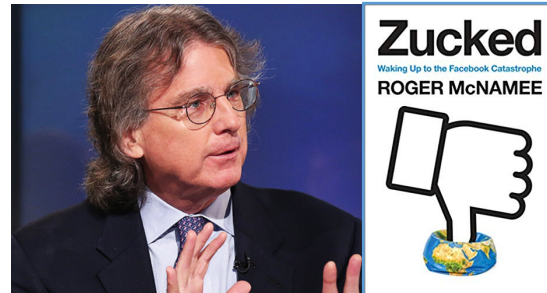
## Break up companies?

To be continued...

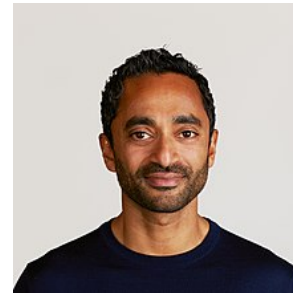
# The hammer



Sean Parker  
(early investor)



Roger McNamee  
(Zuckerberg's  
mentor)



Chamath  
Palihapitiya  
(early VP)



Brian Acton  
(WhatsApp co-founder)

## The scalpel

No more targeted advertising for companies caught acting irresponsibly with personal data, use that data to hold captive customers/suppliers, or to kill off competitive innovation.

They can still sell banners like it's 1999.

## Preferred outcomes

- Lower switching costs / enable multihoming for customers
- Stimulate market entry (through M&A monitoring a.o.)
- Use multi-market definition to assess market dominance
- Data portability, data openness
- More consumer choice (choice screens; no default browsers or shopping carts)
- More content diversity
- Ensure democratic function of freely accessible information