SHIFT72

COBALT CONSULTING

Cale Budd
Joe Wallbank
Brooke Simpkins
Kate Noble-Orton

EXECUTIVE SUMMARY

Shift72 is a growing company that provides leading end-to-end secure online video platform solutions for delivering, managing, and hosting video online. Shift72 as a company is currently experiencing rapid growth towards its intended transition to a hybrid future. Shift72 currently operates within the Global Online Video Streaming Platform Provider Industry (GOVSPPI), capturing the high-end market, however, not yet successfully capturing price-sensitive, low-end markets.

The industry is driven by digitalisation push, responsiveness, and brand differentiation and there are clear market segments including Shift72's current targets which are festivals and cinemas. The GOVSPPI is competitive, with several companies all experiencing rapid growth due to the recent global pandemic. Therefore, Shift72's future intentions raise an overarching challenge of achieving a strategic transition from early segment leader to sustained market dominance. This overarching challenge gives rise to three sub-issues including; the distance from overseas markets, under-representation in price-sensitive markets, and limited opportunity for growth.

Our strategy, Enter the VOD, includes three acts; infiltrate, penetrate, and replicate. Act I establishes Shift72 on a more global scale by expanding to two new overseas offices, one in Copenhagen, Denmark, and one in Reno, USA. This expansion allows entry into new time zones and increases physical proximity to clients to ensure that speed and interaction demands can be met. This phase will cost approximately $5.7 million including the lease of two offices and 40 new staff salaries. This expansion is forecasted to increase revenue by 20% due to the extra competitiveness with local companies.

Act II aims to address the under-representation of Shift72 in lower-end markets by promoting new price-sensitive offerings through a targeted advertising campaign. Act II utilises data collection and analysis to identify key features for each price point and adapts price structure to match these. Act II requires $94,000 of investment including an advertising campaign and the development of a new online platform targeting the low-end market. This Act is expected to generate $3.4 million in revenue.

Act III adapts Shift72's current technology and knowledge to fit the larger, more lucrative events sub-industry. This will involve transitioning existing processes to new applications such as concerts and trade shows, and using advertising to generate momentum. Act III is expected to cost $127,000 including another advertising campaign and platform adaptation. This Act is forecasted to increase revenue by 110%, proportional to the size of the market increase.

The total investment of the Enter the VOD strategy is $5.93 million which we believe will lead Shift72 to generate $58 million in profit in 2025. Enter the VOD is forecasted as a three-year strategy, culminating in quarter four of the 2024 financial year (see **appendix A**).

TABLE OF CONTENTS

EXTERNAL ANALYSIS

The Global Online Video Streaming Platform Provider Industry (GOVSPPI) has a small to medium market size but is expected to reach $13. 4 billion sales by 2026. Market growth forecasts vary due to uncertainty around the industry but range from 14% to 21%.[1] The industry is at the growth stage of the life cycle due to the all-in-one streaming platforms still currently gaining awareness and acceptance among an increasing number of entertainment distributors. As the industry remains in the growth stage, revenue will see a consistent increase.

There are several other companies competing in the industry. Big players include; Shift72, Eventive, Pantaflix, Brightcove, Vimeo, and Cinesend. The scope of competitive rivalry for the GOVSPPI is wide with most companies competing on a global scale in multiple geographical markets. The GOVSPPI customers are mostly media and entertainment providers, such as; film festivals, cinemas, and the events and corporate market.

There is a moderate-to-high level of vertical integration within the GOVSPPI with some companies' business operations being completely internal. This allows companies to have full control of their supply chain, therefore achieving increased efficiency and reduced costs. Learning curve effects within the industry are high due to the necessary business, technological, and streaming expertise required for success.

The industry has low to moderate barriers to entry and exit. Entering the industry as a new company is somewhat simple due to lower capital requirements, however, becoming a successful player in the industry and achieving economies of scale requires substantial capital, branding, and industry knowledge. Exiting is easier than entering due to resources being reasonably transferable. The pace of technological change is high in the GOVSPPI. The industry exists due to the rapidly changing digital world. Success requires companies to continually adapt to changing market conditions and implement technological advancements appropriately to maintain competitive advantages.

Economies of scale for companies within this industry are high, due to the price competition created by many competing firms. Companies can easily access global clients with the appropriate use of marketing and resources. Utilising time and resources within this industry is extremely important for ongoing success. Companies need rapid communication, response, and delivery of their streaming platforms to ensure they have a competitive advantage over competitors.

Due to the uncertainty of COVID-19, an increasing number of festivals, cinemas and events are incorporating a digital aspect of viewing to their business model,[2] therefore, companies need to ensure the productive capacity of their businesses is being utilised. Capital requirements are low to moderate for smaller companies due to fewer resources being required, however, larger companies require more initial capital for larger infrastructure and staff levels.

PORTER'S FIVE FORCES

SEE APPENDIX B

The threat of new entrants is moderate, therefore making the GOVSPPI reasonably attractive. Barriers to entry, for example, capital requirement, are moderate, hence new competitors can easily enter the industry and compete with existing firms. Growth strategies can be analysed once operations have commenced. Exit barriers are low due to resources being easily sold or transferred.

The bargaining power of buyers is moderate. There are a much larger number of buyers within the industry than companies offering video streaming platforms. However, product dependency is high and there's limited ability for substitution.

Bargaining power of suppliers is low due to the high level of technological knowledge and expertise firms within the GOVSPPI have. More recently companies have been developing their video streaming platforms completely in-house, therefore suppliers aren't required.

The threat of substitutes is low. The GOVSPPI is currently acting as a substitute to live entertainment, however, there are limited substitutes for online video streaming platforms.

The overall intensity of industry rivalry is moderate. There are a multiple successful players, however, demand is increasing with more event distributors requiring digitalised viewing platforms. Companies can diffuse rivalry by offering a differentiated platform.

KEY SUCCESS FACTORS

SPEED TO MARKET

The first key success factor for the Global Online Video Streaming Platform Provider Industry is speed to market. Being a first-mover in a fast-paced industry will allow businesses to reap the rewards of excessive growth rates caused by trends. For the GOVSPPI this is particularly important as COVID-19 has rapidly accelerated growth and demand.

ADAPTABILITY AND RESPONSIVENESS

Another key success factor for the GOVSPPI is adaptability and responsiveness to clients. In a platform-based industry, clients demand tailored solutions which they expect quickly. Due to the constantly shifting market conditions (especially with COVID-19), being able to adapt to clients' urgent needs gives companies a favourable reputation.

BRAND DIFFERENTIATION

The final key success factor for the GOVSPPI is brand differentiation which creates competitive advantage through company recognition. Particularly with high involvement purchases, customers will choose a name they know and trust. Brand differentiation allows companies to stand out from their competition by being known for delivering a streaming solution with unique and differentiated characteristics.

DRIVING FORCES

DIGITALISATION PUSH

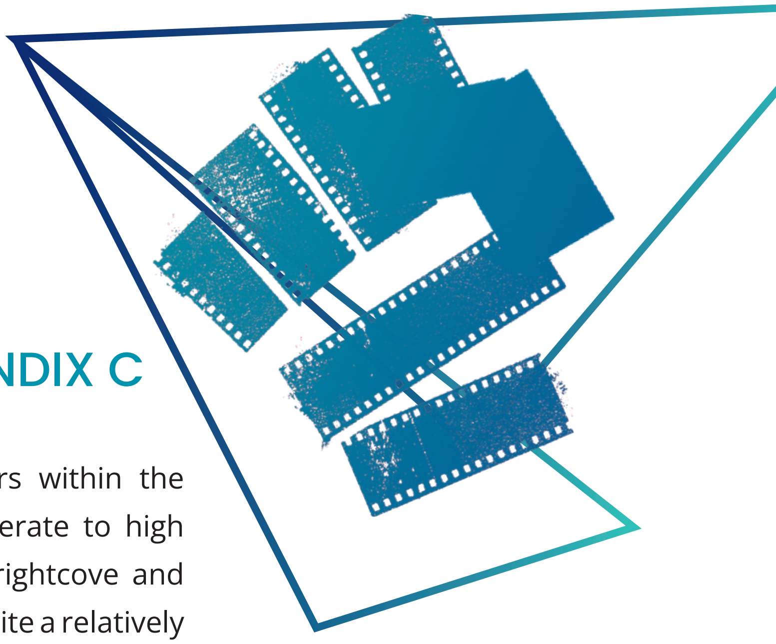
The megatrend of digitalisation has resulted in the more recent trend of businesses wanting to implement physical and digital integration. Rapid technological advancements have encouraged businesses to implement an aspect of digitalisation into their current business models, therefore this is driving the industry.

CUSTOMISATION

Entertainment providers want to deliver authentic, easy-to-use, online video streaming experiences to their customers. Therefore the availability of all-in-one customised platforms is driving the industry. Being flexible and adapting the all-in-one streaming platform to suit the requirements of the client gives companies a competitive advantage over competitors.

GLOBAL PANDEMIC RESTRICTIONS

Another driving force in the industry is the global pandemic restrictions, forcing a move towards a more digitalised world. Travel restrictions, high levels of uncertainty, and monetary limitations stemming from the pandemic have meant the entertainment industry, including film festivals and cinemas, is being driven towards the GOVSPPI.



COMPETITOR PROFILE

SEE APPENDIX C

Shift72 is competing with multiple competitors within the GOVSPPI. Each player appears to have a moderate to high market share which is not ideal for Shift72. Brightcove and Vimeo have high brand awareness, generating quite a relatively large threat towards Shift72 as their brand awareness remains low to moderate. One aspect limiting Vimeo's competitiveness with Shift72 is its lower video quality and focus on mass markets rather than differentiation by features.

Eventive is seen as a very similar company to Shift72 especially in regards to pricing and VOD quality. These features contribute significantly towards consumers' decision-making in this industry. Eventive is very dominant in the lower-end market and Pantaflix is a threatening competitor due to its moderate prices and high VOD quality.

The competitive positions of Eventive, Vimeo, Brightcove, and Pantaflix are seen as high threats to Shift72. Eventive was first to create an online platform and therefore have a higher amount of returning customers compared to Shift72.

SHIFT72
EVENTIVE
PANTAFLIX
BRIGHTCOVE
VIMEO
CINESEND

STRATEGIC PROFILE

Shift72 has the vision to lead the transition to a hybrid future for the entertainment industry. This aligns with their mission to deliver intuitive and audience-focused video on demand (VOD) platforms to content distributors globally. Their strategic intent is to deliver their all-in-one video streaming platform to the entertainment industry to ensure clients are well prepared for a new hybrid normal.

Shift72's goals and objectives involve retaining their position as the world's leading provider of all-in-one online streaming platforms by connecting their audiences with content via the brands they love. The company aspires to achieve integration of the physical and digital entertainment world as well as to develop a platform to attract the low end of the market, therefore, catering to all. Shift72 must ensure they stay true to their values of providing a trustworthy, customised, and ready-to-sell platform in rapid time.

Shift72 currently employs 47 staff and predominantly all are based in New Zealand. Being an innovative company founded in New Zealand encourages a team-based and kiwi-ingenuity culture. This relates to their functional structure which sees staff undertake business in small, self-governed teams. Shift72 operates from Hamilton, New Zealand, and uses their strategic strengths to deliver customised all-in-one video streaming platforms to the global film-festival and cinema markets.

VRIO AND VALUE CHAIN ANALYSIS

SEE APPENDIX D

Shift72's 24-hour rapid platform delivery, assisted by their 48-hour maximum response time, is what gives the company a sustained competitive advantage (SCA) over competitors competing within the same industry. The high level of vertical integration and in-house development within Shift72 allows for the rapid delivery of ready-to-sell platforms. Before Shift72 became a well-established business, they transformed the original CPH:DOX festival to VOD overnight.

Another SCA is the company's strong relationship with the Senior Vice President of Technology at NBC Universal. When festivals approach NBC Universal to find a high-quality platform provider, they're directed to Shift72. This is the result of high trust between the two parties.

One of Shift72's temporary competitive advantages (TCA) is their ready to sell platforms that can be customised to client preferences within the 24-hour timeframe. The company's team-based work conditions, which includes small self-governed teams is another TCA. These advantages are temporary due to the ease of possible replication by competitors.

Finally, Shift72 also creates value through their exceptional reputation and trusted partnerships. Word of mouth marketing due to providing an overnight solution for the CPH festival is another way the company creates value. Due to this value being common throughout the industry, the value isn't rare. Therefore, only providing the company with competitive parity.

CORE COMPETENCIES

Shift72 utilises their core competencies of flexibility and adaptability to maintain a competitive advantage over their competitors within the Global Online Video Streaming Platform Provider Industry. The company's flexibility and adaptability are supported by their fast response time and in-house development of established platforms. Internal production increases efficiency and reduces costs. Shift72's customisable all-in-one online streaming platform allows for flexibility in terms of different clients' situations and allows them to offer online streaming solutions to clients in rapid time. This is necessary with ongoing changes in the market due to COVID-19, therefore giving Shift72 a positive reputation of their core competencies

FINANCIAL ANALYSIS

Shift72 generated $4,434,232 annual revenue in 2021, a rapid increase from $563,115 in 2020. As expected, profits also increased substantially from $400,512 in 2020 to $3,714,194 in 2021. Shift72 recently completed a capital raise in hope of raising $2 million to assist with offshore expansion. They ended up raising that to $3 million and believed there was a lot of money around, therefore making it relatively easy to get investment.

It is unlikely Shift72 will see the drastic growth caused by the COVID-19 pandemic continue in the next few years, although growth at a more stable rate should continue.

All figures in this report are represented in New Zealand Dollars (NZD).

KEY CHALLENGES

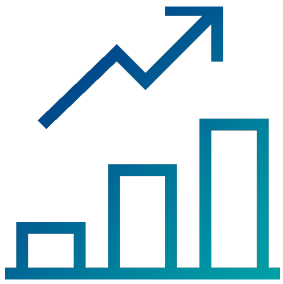
Achieving a strategic transition from early segment leader to sustained market dominance

DISTANCE

Although the company doesn't require a physical presence to operate, some consumers, in particular Europeans, prefer to connect with local providers. The company also prides itself on replying to requests from clients as fast as possible, however, time zone constraints have caused difficulty in this regard. Due to this, the distance from overseas markets has been identified as the first sub-issue that Shift72 is facing.

SEGMENTS

The second sub-issue hindering Shift72's move towards achieving long-term market dominance is the company's under-representation in price-sensitive markets. The company wants to adjust their pricing to bring over the lower end of the market, however, they are concerned about the risk of cannibalisation.



GROWTH

The final sub-issue relates to limited opportunity for growth within the current target segment. Shift72 is currently successful in capturing the film festival and cinemas markets, however, there are limitations to further growth within this area.

STRATEGIC ALTERNATIVES

WHAT WE HAVE, WE HOLD

Shift72 already excels at catering their digital platform to lucrative, high-end partners including global festivals like Sundance and Cannes. They are an established segment leader and this can be utilised. Shift72 have established relationships by gaining reputation and trust in their premium service which could be a sustainable competitive advantage for Shift72. "What We Have, We Hold" is a concentration strategy that has a heavy emphasis on the high-end markets. This strategy depends on the further development of technology and relationships to suit the needs of their current partner's requirements. It leverages repeat purchase power for sustained competitive advantage.

ENTER THE VOD

Shift72 have not made a push towards entering lower-tier markets despite the large market potential and expressed desire from David White. Shift72 could leverage their current technological lead, market position, and reputation to enter new segments including the more price-sensitive festival segment. "Enter the VOD" is an expansion and diversification strategy which aims to create long-term market dominance through leveraging strengths to enter new markets. This strategy depends on both geographic and target market expansion and requires significant research and marketing to capture these new markets.

WHAT WE HAVE, WE HOLD

Scene 1: Use customer data analysis to identify key existing or desired features for current clientele.

Scene 2: Undertake engineering drive to develop key features and technologies to cement leading competitive position.

Scene 3: Build on low cost-structure advantage by acquiring key suppliers such as payment portal integration.

ENTER THE VOD

ACT I: Expand globally to reduce the distance to clientele, shorten communication lines, and expand global reach.

ACT II: Use analysis tools to target low-end markets with adapted feature sets and advertising.

ACT III: Concentrically diversify using established market leading formula to capture larger markets.

STRATEGIC EVALUATION SEE APPENDIX E

Shift72's growth and trajectory make a dominant, expansive strategy a viable option due to significant funding. The strategic evaluation in **appendix E** shows that although Enter the VOD is a riskier and more capital intensive strategy, it significantly increases growth potential. Enter the VOD more effectively addresses the overarching challenge by directly targeting key issues such as the distance to clients and growth restrictions for Shift72. Enter the VOD also provides greater brand exposure in a market dominated by repeat purchases. What We Have, We Hold is a significantly less risky strategy. It does not require anywhere close to the same capital investment and creates short-term profits through building on an existing position of strength.

Because of Shift72's growth and funding capabilities, Enter the VOD is the best strategic option for Shift72 to overcome the overarching challenge of achieving a strategic transition from early segment leader to sustained market dominance.

ENTER THE VOD

Enter the VOD is a long-term growth and diversification strategy. The main objective of this strategy is to understand and capture new markets based on the size and relatedness to Shit72's current market. This strategy has three phases, and each targets an aspect of expansion. The first phase "Act I" is about international expansion, with the primary intention to bring Shift72 geographically closer to their customers to remain competitive with emerging local competitors. This act also supports Shift72's need for growth in staff and offices to support anticipated customer growth. The second phase "Act II" leverages Shift72's existing data collection to associate features and price-points to potential customers. With the primary intention of penetrating the lower-end markets, this phase has a heavy emphasis on targeted marketing towards identified customer segments. Phase three or "Act III" is recognition of Shift72's dominance in their current market. It utilises the position cemented by Act I and Act II to diversify into related industries. With a winning formula, Shift72 can break into these larger segments, particularly concerts, trade shows, and other events. These three phases all contribute to the establishment of Shift72 as a dominant brand across multiple segments.

ACT I: INFILTRATE

The first phase of our expansive strategy involves establishing Shift72 on a more global scale, thereby reducing communication issues regarding proximity and timezones with potential clients. This phase will establish new offices in Copenhagen and Reno while supporting these with a human resource drive. Expanding overseas comes at a financial and productive cost, but Shift72's rapid growth (both in the past and as forecasted) can accommodate such sacrifices, especially considering the potential dividends of such an expansive strategy. First Shift72 will lease two new office spaces, one in Reno and one in Copenhagen. Then Shift72 will employ approximately 40 new team members through HR companies to staff the new offices. This will include some additional software engineers but also includes new executives and marketing-focused team members to aid in facilitating future growth.

Reno has relatively low lease costs compared to other North American cities.[3] This, combined with its film-festival geographics, make it an ideal location for Shift72's initial expansion. Whilst Shift72 will operate primarily in a digital sense, being in close physical proximity to potential studio clients in the Los Angeles area to the West, their biggest festival client of Sundance to the North East in Utah, and SXSW to the south in Texas will increase productivity and Shift72's local competitiveness. This physical interaction can also aid in bridging the gap for clients not yet adapted to the digital world. Another consideration taken into account was Nevada's low company tax rates, where Nevada ranks in the lowest 10 U.S. States.[4]

Copenhagen was chosen due to physical access to Europe's major metropolitan hubs, with short sea voyages to Scandinavia and the British Isles. Copenhagen was also chosen on a cost basis, mainly due to Denmark's low lease costs (see **appendix F**).[5] Denmark has one of the highest rates of English fluency among mainland European nations (87%),[6] which will assist in communication between the three branches due to the effective absence of a cultural language barrier. These locations also allow access to new markets such as concerts and trade shows which will be explored in Act III.

Act I is expected to be the most investment-heavy phase, requiring approximately $5.7 million in total (see **appendix G**). Even with venture capital funding, such an investment would likely accrue debt, considering Shift72's current revenue is only $4 million. Shift72's promising growth can pave the way for an ambitious venture capital raise, which we estimate would generate between $3 and $4 million, leaving a further $2 million to be covered by loans, profit, or additional capital funding. Although risky, this debt and investment combination is viable when considering the revenue and market platforms this diversifying strategy can generate in the long term.

WHY ACT I?

This expansion overcomes proximity challenges by diversifying across time zones and aids in bridging the shift to digitalisation by facilitating physical interactions. Expansion is the key to Shift72's ongoing growth, and these locations provide extra utility and are a platform for further expansion.

ACT II: PENETRATE

For Shift72 to truly dominate the current segment they operate in, we believe they need to be a distinguished brand that is competitive at all price points. **Appendix H** shows Shift72's current strategic group and highlights the value uncaptured by Shift72 in the lower-end markets. Shift72 can leverage their experience in Google Analytics and Intercom to better understand the markets they are failing to capture. Shift72 can use these tools to analyse groups and identify which customers are not being captured by Shift72's current offerings, and what feature, pricing, and experience factors influence this (see **Appendix I**).

One key under-represented buyer group that Shift72 has already identified is the lower end of the market including smaller festivals which demand lower upfront prices and fewer features. Capturing this market is important for Shift72, both for the extra revenue potential and for future expansion. By gaining experience catering to different price points, Shift72 will have more flexibility in who they can cater to in future diversifications. Shift72's founder mentions the risk of cannibalisation by extending targeting to lower-end buyer groups, which highlights the importance of differentiating the service by features and altering price structure to keep the groups distinct. Shift72 should offer multiple tiers of packages with different features and pricing which cater to specific buyer groups. **Appendix J** shows an example service catalog that would offer features and pricing based on the analytics and research previously conducted.

The second part of Act II is to capture identified customers through marketing and platform development. Shift72 should look to promote their new feature and pricing model through search engine optimisation and social media to reach business decision-makers where they spend their time.[7][8] The small pool of potential customers places importance on targeting which is what makes SEO and social media ideal primary advertising channels.[9] Shift72 should also look to develop a new automated platform to aid in the delivery of these new offerings. This would be a generic online platform that customers can purchase and use online without interaction from Shift72. **Appendix K** shows the expected investment required for Act II which will be approximately $93,000, including $50,000 invested in a new low-end platform. This is forecasted to generate approximately $9.5 million in revenue by 2025.

WHY ACT II?

With a high level of vertical integration and in-house development, Shift72's low costs mean there is the opportunity to be extremely competitive at lower price points. Act II investigates the potential in these lower markets and adapts their service to meet feature and pricing demands. This increases potential revenue by increasing Shift72's customer base while contributing to long-term dominance by establishing the Shift72 name at a new price point.

ACT III: REPLICATE

Act III will see Shift72 adapt their online platform to enter new sub-industries, and run an additional advertising campaign to gain traction in this new space. First Shift72 will undertake research to find out what changes need to be made to their current technologies, to be applicable to the wider events market, specifically concerts and tradeshows. Identifying the key similarities and differences of these sub-industries through research will allow Shift72 to cost-effectively adapt their technology by minimising changes.

From here Shift72 will implement the changes required, based on the research conducted. Due to the similarities between the film festival and broader events industries we expect this to require only $35,000 of investment. Concentric diversification will allow Shift72 to reap the competitive advantages of skills transfer, lower costs, and brand awareness while spreading investors' risk over a broad business base. This will be important in the GOVSPPI, where a steep learning curve has been identified and the potential decrease in risk will attract venture capital.

To capture this new market Shift72 would run a second marketing campaign, drawing on their experience from Act II, targeting decision-makers of events. We estimate this will cost $92,000 based on a 110% increase from that in Act I, proportional to the market size increase.

While the film festival market was a terrific area to establish the Shift72 name, its related industries harbour immense opportunities. Global cinema ($43 billion) and events ($94 billion) markets are numerous times more valuable in terms of both revenue and total addressable markets than the film festival industry ($1.8 billion, see **appendix L**). These two potential industries have both experienced a similar shift towards a digital platform in line with consumer demands.[10] While this growth is in part due to COVID-19 limiting physical experiences, it shows that such digitalisation is viable.[11] This could be a crucial factor in destigmatising digitalisation.

Reno and Copenhagen, as headquarter locations, are also beneficial in terms of capturing additional, immensely popular events as shown in **appendix F**, such as Burning Man in Nevada. Copenhagen is amongst a massive European entertainment hub itself, with proximity to events such as the globally recognised music festival, Tomorrowland, in Belgium. Global entertainment clusters show how related and adaptable these different industries are, and also how strategically viable the locations of Reno and Copenhagen are from a broader, events perspective.

Appendix M shows that we estimate Act III to require $127,000 of investment which we forecast to increase revenue proportional to the increase in market size (110%).

WHY ACT III?

Act III utilises the strength in Shift72's existing operations to give themselves an advantage in new segments. Act III leverages Shift72's technology and skills to enter these segments with low cost, effectively increasing their customer base and reducing investor risk through diversification.

STRATEGIC SUMMARY

Shift72's current positioning, superior technology, and attention from high-end customers are incredible strengths. Shift72 has the potential to leverage this innovative knowledge, and the capital to do so. Being a technology-driven industry, if Shift72 can not adapt and use their position to capture the market, other segments will soon be dominated by new players, effectively permanently constraining Shift72's potential revenue.

Enter the VOD directly addresses Shift72's key challenges. This includes reducing the distance between clients by expanding operations overseas to improve local competitiveness, introducing new price points to their product line to capture value from lower-end customers, and concentrically diversifying to allow room for growth through the adaptation of technology.

The Enter the VOD strategy provides a basis for Shift72 to achieve their aspirational goals of both international and cross-industry diversification, which is supported by their willingness to experiment in the eyes of their CEO.

FINANCIAL IMPLICATIONS

SEE APPENDICES N,O,P, AND Q

Enter the VOD is an investment. This strategy utilises the funding available to Shift72 to generate long-term returns. Shift72 has reported significant investment capital available for use, which will be used to cover the majority of the costs involved with the strategy. We estimate Act I to cost $5.71 million including one year of recurring expenses. With the last capital raise generating $3 million, we believe it would be feasible to raise between $3 million and $4 million in a further capital raise, with the express intent to use the funding for expansion. This would mean a loan of approximately $2 million would be required for Act I after utilising investor funds. We have assumed this to be loaned from a bank with annual repayments of $266,000 p.a.,[12] although this could be reduced with further venture capital if possible, or by implementing the expansion at a slower pace. Act II requires an extra $94,000 which could easily be funded through further capital raise or a short-term loan due to reduced profit in 2022. By the end of Act II, profits are forecasted to be $16.5 million which will comfortably fund the final $127,000 required for act III.

SO WHY ENTER THE VOD?

94%

Growth in Forecasted 2025 Revenue

Forecasted 2025 revenue increases from $40,600,000 to $78,700,000. This is primarily due to the increased competitiveness in existing markets and increased target market size.

2,000

New Customers via Marketing Campaign

The Act II marketing campaign will attract an estimated 2,000 new customers with 1200 coming from SEO and 572 coming from Google Ads.

110%

Increase in Market Size

Concentrically diversifying to include other physical events such as concerts and tradeshows places Shift72 in a market 110% larger than the existing cinema and film festival markets.

1:9

$ Invested to $ Profit in 2025

Each dollar invested in the Enter the VOD will be $9 in profit by 2025, including existing industry and Shift72 growth.

$5.93M

Investment

$58M

Profit in 2025

SUMMARY

Enter the VOD will require $5.93 million to enact. By 2025 we believe Shift72 will have grown substantially to generate $58 million in profit. Although this is not necessarily a return on investment due to large growth being innate for the GOVSPP industry and Shift72 as a company, this shows a 94% increase in forecasted revenue.

RISK MITIGATION

In developing our strategy and subsequent phases, the first risk we identified was the potential of accruing debt due to a somewhat expensive international expansion. While the case identifies Shift72 as an attractive firm for venture capitalists, the proposition of overseas expansion, employee reinvestment, a new marketing campaign, and adaptation to new industries could come at significant expense and may even rely on the introduction of debtors. While growth prospects can be attractive, such a significant amount of strategic spending for a relatively small firm can be risky, particularly if certain aspects of the strategy are underwhelming and do not generate the forecasted revenue.[13]

To minimise this risk, Act III of Enter the VOD involves a strategic form of diversification by expanding their technological investment and interest into different, yet related industries in the form of concentric diversification. By spreading out the reliance on revenue generation and market growth beyond just the film festival industry and into a broader mix of live events, Shift72 can reduce the unsystematic risk of operating within a single market.[14] Since these other live event industries are so closely related and adaptable, they can pursue a less risky strategy without the costs associated with overhauling branding, technology, and the skills of staff when diversifying more radically.

Another risk already identified by Shift72 is the possibility of cannabilisation due to targeting more price-sensitive customers. To mitigate this risk, Shift72 needs to understand the features which differentiate customers at each price point. Concentrating on these features and using varied price structures to bundle these will keep the two buyer groups distinct.

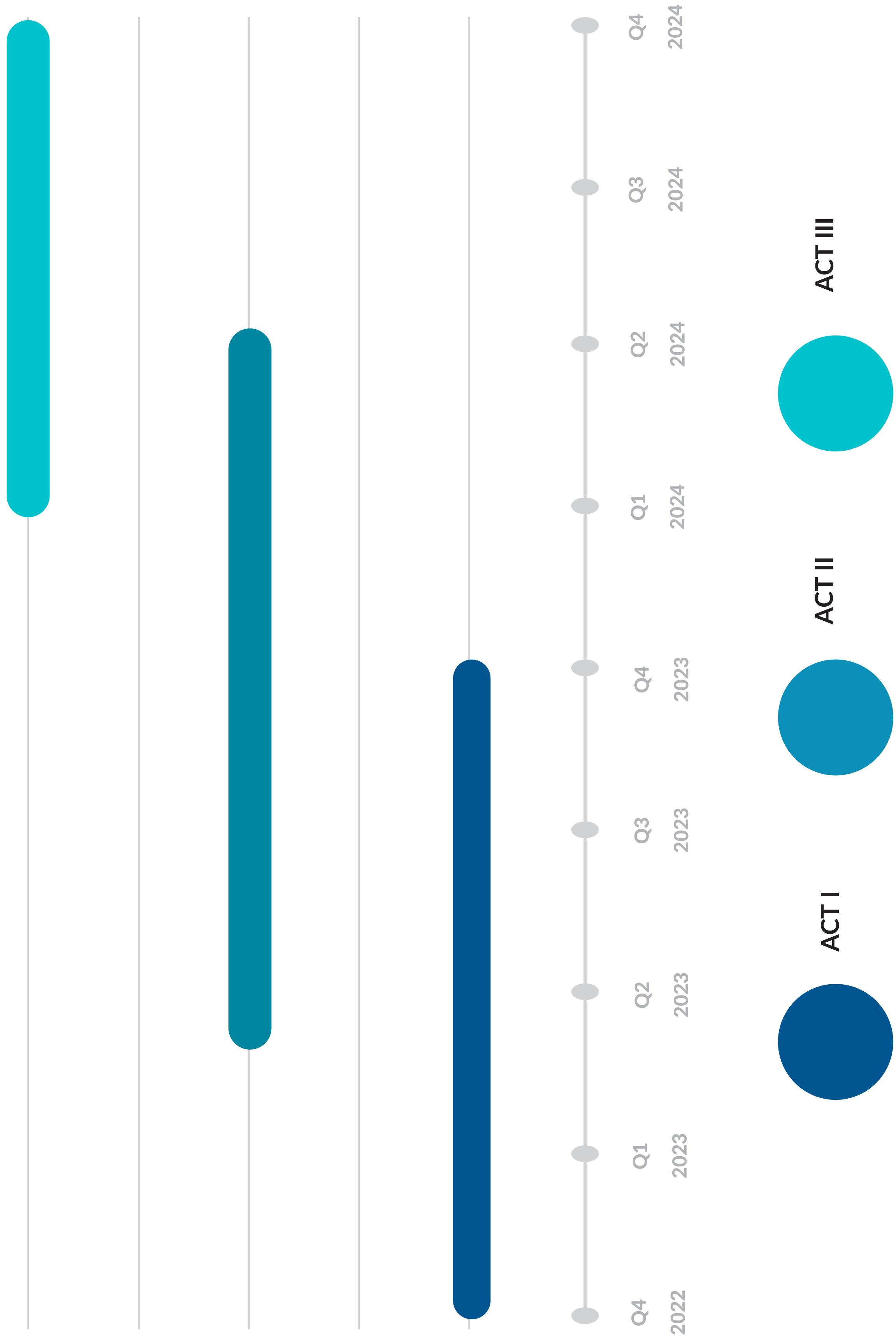
Finally, one more risk Shift72 faces in Enter the VOD is liquidity risk. Profits are reduced in 2023 due to increased expenditure in advertising, salaries, rent, and expansion costs. One alternative for Shift72 if they cannot source the funding or sustain under the liquidity pressure is to reduce the pace of the strategy by expanding to one new office at a time. However, if possible it is recommended Shift72 hits hard with upfront investment to reap the rewards of being an early mover and generate the highest long-term returns.

CONCLUSIONS

Enter the VOD is an expansion strategy that aims to overcome the overarching challenge of achieving a strategic transition from early segment leader to sustained market dominance. The strategy is capital intensive in the short term, but based on industry research, the forecasted long-term revenue far exceeds the costs. Enter the VOD will physically globalise Shift72 by investing in new office spaces in both Denmark and the U.S. This resolves one of Shift72's current key issues of time zone constraints and facilitating physical customer interactions. Enter the VOD also exploits Shift72's current data expertise to identify and target new price-points and new sub-industries with the use of advertising campaigns. This aims to reduce risk by diversifying revenue streams and stops Shift72 from becoming locked in their current segment with limited growth.

Enter the VOD will unleash Shift72's growth potential by providing an expanded platform where Shift72 can continue to grow and thrive.

APPENDIX A: STRATEGIC TIMELINE



APPENDIX B: PORTER'S FIVE FORCES

	Overall Bargaining Power of Buyers: Moderate
↑	Customers
↓	Switching costs
↓	Importance
↑	Price sensitivity
↓	Threat of backwards integration
↓	Availability of substitutes

	Overall Threat of New Entrants: Moderate
↑	Capital Requirements
↓	Economies of scale
↓	Technology
↑	Access to raw materials
↑	Access to locations
↓	Learning curve
↑	Untapped segments
↑	Access to distribution
↓	Pioneering brands
↓	Expected retaliation
↓	Government policy

	Overall Bargaining Power of Suppliers: Low
↓	Supplier numbers and size
↓	Input/total costs
↓	Switching costs
↓	Importance to product quality
↓	Importance to product characteristics
↑	Scarcity of products skills and capabilities

	Overall Threat of Substitutes: Low
↓	Relative price/performance
↓	Switching costs
↓	Sensitivity of tastes

	Overall Threat of Rivalry: Moderate
↑	Number of competitors
↑	Industry growth
↓	Fixed costs/total costs
↑	Differentiation
↑	Overcapacity over the business cycle
↑	Lumpy demand
↑	Exit barriers

APPENDIX C: COMPETITOR PROFILE

	Price	VOD Quality	Competitive position	Market Share	Brand awareness	Speed to market
Shift72	High	High	Strong growth is evident and continuous	Moderate (10%)	Low to moderate	24-hours
Eventive	High	High	High, one of the first companies to create an online platform.	Moderate (roughly the same at Shift72 but smaller festivals at the lower end of the market)	Moderate	
Pantaflix	Moderate	High	Well established, competes in multiple industries	Moderate to High, has multiple platforms	Moderate-High	
Brightcove		High	Well-established. Extremely competitive	Moderate - High? $15.25%	High	
Vimeo	Moderate, have basic to premium services	Moderate	Well known company, major competitor	High	High	
Cinesend	Moderate	Moderate	Low competitive position	Moderate	Moderate	

APPENDIX D: VRIO ANALYSIS

	V	R	I	O	CA
Firm Infrastructure					
Headquarters located Hamilton CBD	✓				CP
HRM					
47 Valuable Employees	✓				CP
Team-based work conditions. Small self-governed teams usually consist of three developers, a business analyst, and a tester.	✓	✓			TCA
Exceptional R&D Team	✓				CP
Founder and CEO, David White, is heavily involved with the business operations, originally the only driver of sales.	✓	✓			TCA
Technology					
All-In-One platform, providing a complete online streaming solution to clients	✓	✓			TCA
Ready to sell platform with the ability to customise to client preferences	✓	✓			TCA
Data Analytics providing information about all users	✓				CP
Artificial Intelligence capabilities	✓				CP
Procurement					
APIs acquired from US company, Brightcove	✓				CP
Copyright protection provided to all customers	✓				CP
Operations					
The first company to create a digital platform with a transition towards a more digitalised world in sight, therefore, the very future focused. Continually adapting to the changing market conditions.	✓				CP
Automated whole delivery function	✓				CP
Multiple innovative product offerings	✓				CP
Inbound Logistics					
Partnership with Senior V.P of technology at NBC Universal. Potential clients who approach NBCUniversal are then directed to Shift72, therefore gaining more clientele.	✓	✓	✓	✓	SCA

APPENDIX D: VRIO ANALYSIS

	V	R	I	O	CA
Outbound Logistics					
24-hour rapid delivery of platform	✓	✓	✓	✓	SCA
Global distribution network	✓				CP
Marketing and Sales					
Reputation/ Trust	✓				CP
Partnerships	✓				CP
Word of mouth marketing due to saving CPH festival overnight	✓				CP
Global sales network	✓				CP
Market leadership	✓	✓			TCA
Service					
Leading security solutions	✓	✓			TCA
Reputation for responsiveness	✓	✓			TCA
Customer Interactions	✓				CP

APPENDIX E: STRATEGY EVALUATION

Evaluation Criteria	Score	Enter the VOD	Score	What we Have, we Hold
Solves Overarching Issue	9	Achieves sustained market dominance by expanding physical presence globally, targeting the low end market and further diversifying into related entertainment industries.	6	Although this could be a good strategy and lead the company to leading positions in the industry, it is not guaranteed to achieve sustained market dominance as the company will be disregarding all potential low end clients.
Financial Feasibility	8	Enter the VOD proves to be financially feasible due to the company's strong financial position. The recent capital raise and availability of funds encourages our strategy. Although posing some risk, forecasted revenue aims to cover costs and diversification reduces unsystematic risk.	7	What we Have, we Hold is financially feasible, however with the company potentially missing significant revenue by avoiding the low end market, profits may not cover the costs as comfortably.
Initial Cost	8	All three acts involve substantial investment but with Shift72 already retaining large capital and revenue streams continuing throughout the implementation phases lowers the pressure of initial costs.	9	Initial cost is again substantial but due to revenue streams being ongoing this reduces risk. With a focus on the high-end market and no focus on the low-end could potentially decrease the chances of a rapid increase in profit after the strategy is implemented.
Risk	7	Risks are posed, especially in relation to	9	This strategy poses similar risks, but in

APPENDIX E: STRATEGY EVALUATION

		have mitigated accordingly.		risks missing a high number of clients in disregarding the low-end market.
Growth Potential	9	Expansion into Denmark and Nevada offers increased physical presence and access to local European and U.S. markets with the potential to capture both low-end and high-end clients.	6	A concentration strategy limits growth by excluding potential revenue/buyers.
Brand recognition and product unfamiliarity	9	Expansion to two continents and the use of effective marketing allows for an increase in exposure.	7	Expansion gains exposure but limiting growth by targeting only high-end clients is not effective in increasing brand recognition.
Adaptability	7	Both expansion countries have high percentages of english-speaking residents, therefore New Zealand employees can interact with newly employed Denmark and Nevada staff and communication with the public will come at ease. Cultural differences can be analysed and adapted. The same applies for both strategy options.		
Speed of implementation	8	Due to the availability of funds, the first act of our Enter the VOD strategy would be implemented within approximately 2 years and diversification would be implemented by the end of the financial year 2024.	8	Similar to Enter the VOD, our second strategy would be implemented within 3-4 years. This involves expansion processes and effectively capturing additional high-end clients.
Total Score		**65/80**		**59/80**

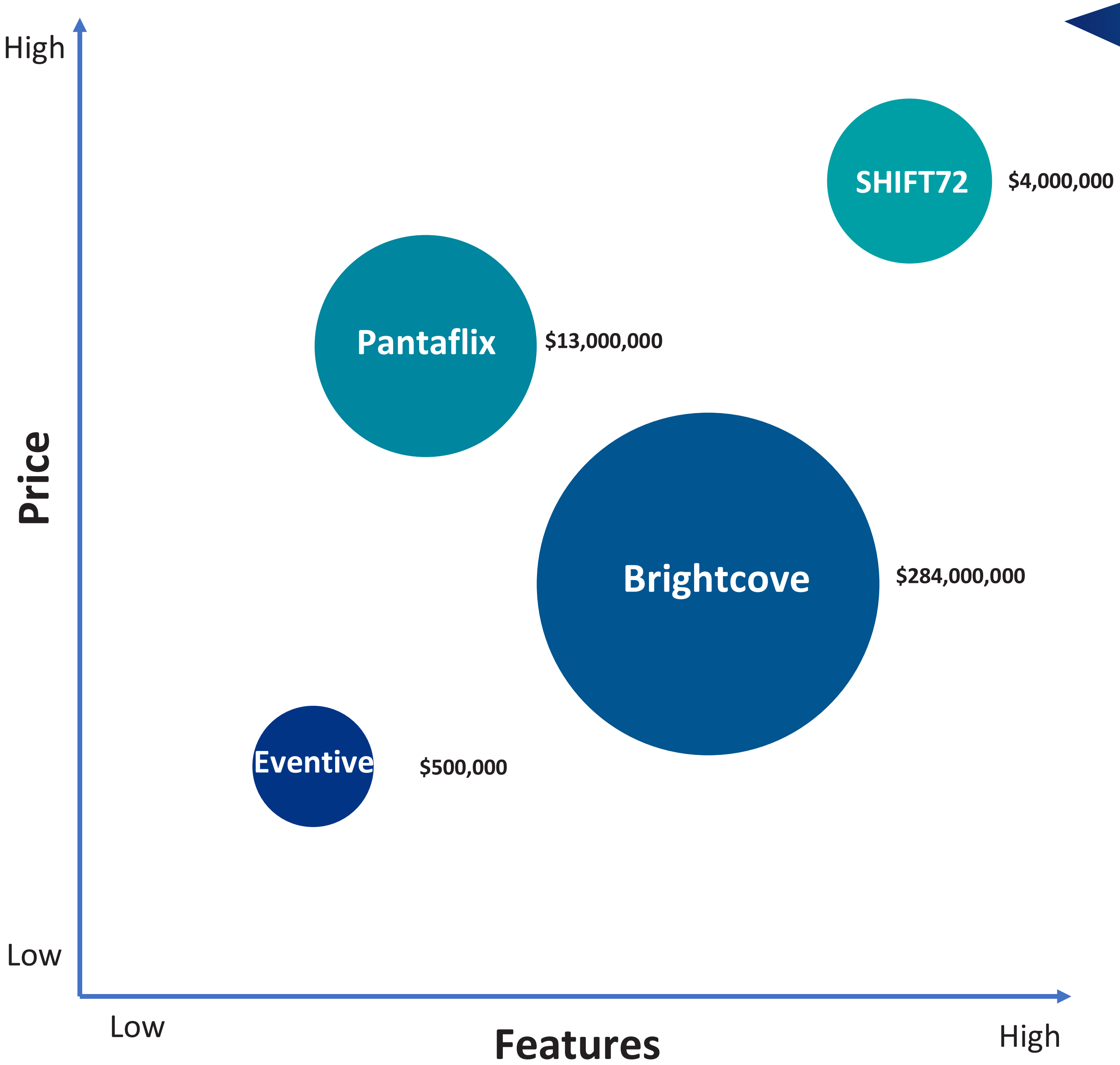
APPENDIX F: LOCATION EVALUATION[15–21]

Why Reno, Nevada, United States?	Why Copenhagen, Denmark?
1. Time Zone Solution 2. Relatively low property costs compared to other North American cities. - 71st in terms of price per square metre 3. Film Festival geographic and close proximity to potential and current clients - Sundance, Utah - SXSW, Texas 4. Close proximity to; popular Music Festivals: - Burning Man Festival, Nevada - Electric Daisy Carnival, Las Vegas - Outside Lands, San Francisco - Coachella Valley Music and Arts Festival, California - iHeartRadio Musical Festival, Las Vegas - Stagecoach, California 5. Las Vegas is home to many of the best Trade Shows including ASD Market Week (B2B trade show), Magic (fashion), AAPEX (auto parts) etc. Trade Shows are also popular in San Francisco.	1. Time Zone Solution 2. Low general property pricing compared to other central European Nations 3. Close proximity to European clients who prefer to connect with local providers 4. One of the highest rates of English speaking fluency among mainland European nations (87%), therefore assisting with communication between the three branches 5. Close proximity to popular Music Festivals - Tomorrowland, Belgium - Oktoberfest, Munich, Bavaria, Germany 6. Some of the largest Trade Shows in Europe located near Denmark include; Automechanika, InnoTrans, K Fair and ISPO Munich, and are all in Germany.

APPENDIX G: ACT I INVESTMENT[22-27]

	Copenhagen, DEN	Reno, NV, USA	Total
New Offices			
Rent	$40,695.97	$60,056.19	$100,752.20
New Equipment	$100,842.80	$100,842.80	$201,685.60
Utility Costs (Electricity, Gas)	$1,746	$1,746	$3,492
Internet and Phone	$1,723.20	$638.76	$2,361.96
New Employees			
Talent Acquisition	$149,814	$115,248.90	$265,062.90
New Salaries	$2,158,055.40	$2,980,646.76	$5,138,082.16
Total Act I Investment	$2,452,877.37	$3,259,178.63	$5,712,056

APPENDIX H: STRATEGIC GROUPS



APPENDIX I: GOOGLE DIMENSIONS[28]

User Dimensions	Session Dimensions
Demographics	Browse Time
Location	Search Query Patterns
Browsing Behaviour	Visitor Conversion Rates
Device Type	Pages Visited
Channel Sources	Customer Engagement

APPENDIX J: EXAMPLE OFFERINGS

$1,500 NZD

DRM protection

Ticketing and payment portal integration

Limited analytics suite

50 viewers included, $2 each thereafter

Shift Plus

Price by Enquiry

Premium DRM protection

Dedicated on-call staff

Personalised platform development

Full analytics suite

Unlimited bandwidth and 4k streaming

Upfront package pricing

Shift Premium

$500 NZD

Hosting through generic site

Limited DRM protection

500 viewer bandwidth limit

$4 per viewer

Shift Basic

APPENDIX K: ACT II INVESTMENT[29]

	Estimated Investment
Marketing Campaign	
Search Engine Optimisation	$24,000
Google Ads	$19,941.84
Low End Platform Development	$50,000
Total Act II Investment	$93,941.84

APPENDIX L: RELATIVE MARKET SIZES

APPENDIX M: ACT III COSTS

	Estimated Investment
Platform Adaption	$35,000
Google Ads	$50,400
Search Engine Optimisation	$41,876.10
B2B Campaign	$92,276.10
Total Act III Investment	$127,276.10

APPENDIX N: INCOME FORECAST

	2021	2022	2023	2024	2025
Trading Income					
Recurring Revenue	$3,743,142.00	$4,529,201.82	$25,120,889.04	$63,832,179.06	$77,236,936.66
Project Fees	$691,089.00	$836,217.69	$1,011,823.40	$1,224,306.32	$1,481,410.65
Total Trading Income	**$4,434,232.00**	**$5,365,419.51**	**$26,132,712.45**	**$65,056,485.38**	**$78,718,347.31**
Cost of Service					
Cost of Service	$720,037.00	$871,344.13	$4,243,952.50	$10,565,173.23	$12,783,859.60
Total Cost of Service	**$720,037.00**	**$871,344.13**	**$4,243,952.50**	**$10,565,173.23**	**$12,783,859.60**
Gross Profit	**$3,714,194.00**	**$4,494,075.38**	**$21,888,759.95**	**$54,491,312.15**	**$65,934,487.70**
Gross Profit %	**84%**	**84%**	**84%**	**84%**	**84%**
Other Income					
Other Income	$464,869.00	$562,491.49	$680,614.70	$823,543.79	$996,487.99
Total Income	**$4,179,063.00**	**$5,056,566.87**	**$22,569,374.65**	**$55,314,855.94**	**$66,930,975.69**
Expenses					
Administration Expenses	$1,427,854.00	$1,718,104.95	$6,747,362.44	$6,715,092.74	$6,695,730.93
Research and Development	$2,256,169.00	$2,256,169.00	$2,339,125.38	$2,394,430.56	$2,256,169.00
Finance Costs	$406.00	$66,868.00	$266,254.00	$266,254.00	$266,254.00
Total Expenses	**$3,684,429.00**	**$4,041,141.95**	**$9,352,741.82**	**$9,375,777.30**	**$9,218,153.93**
Profit/Loss Before Taxation	**$494,634.00**	**$1,015,424.92**	**$13,216,632.83**	**$45,939,078.64**	**$57,712,821.76**
Profit/Loss After Taxation	**$494,634.00**	**$1,015,424.92**	**$13,216,632.83**	**$45,939,078.64**	**$57,712,821.76**

Assumptions

All figures are in **NZD terms** and conversions are based **$1 USD = $1.44 NZD**
Excessive COVID19 growth has slowed to industry **CAR of 21%** which was used as the base rate of annual revenue increase
Revenue from marketing campaign remains **constant** after campaign ends despite expected resultant growth (prudent)
All estimates are based on **industry averages** where possible, otherwise are based on **average business of similar size**
Growth is shown **instantaneously** for ease of understanding, growth may occur over a longer period of time
Loan repayments calculated at 5.95% p.a. at $2,000,000 principal over 10 years

APPENDIX O: CHANGES TO REVENUE

	2022	2023	2024	2025
Increase in Local Competitiveness		20% growth		
Search Engine Optimisation		$2,400,000	$2,400,000	$2,400,000
Google Ads		$1,144,488	$1,144,488	$1,144,488
New Price Segment		$15,000,000	$15,000,000	$15,000,000
New Sub Industry			110% growth	

APPENDIX P: CHANGES TO EXPENSES

	2022	2023	2024	2025
Administration Expenses				
Talent Acquisition	$265,062.90			
New Staff Wages		$5,138,082	$5,138,082	$5,138,082
New Equipment Depreciation (D.V. 40%)1		$80,674.24	$48,404.54	$29,042.73
New Office Rent	$25,188.05	$100,752.20	$100,752.20	$100,752.20
Research and Development				
New Platform Development		$50,000		
Google Ads Act II		$14,956.38	$4985.46	
SEO Act II		$18,000	$6,000	
Google Ads Act III			$41,876.10	
SEO Act III			$50,400	
Platform Adaption			$35,000	
Finance Costs				
Loan Repayment	$66,462	$265,848	$265,848	$265,848

APPENDIX Q: ASSUMPTIONS

Assumption	Rate
Industry Compound Annual Growth Rate	**21%**
Increase in Local Competitiveness	**20%**
SEO	
Average Monthly Spending on Campaign	$2,000
Average Cost per Acquisition	$20
New Customers	1200
Average Shift72 Purchase	$2000
Google Ads	
Entertainment Industry Average Cost per Click	$0.69
Entertainment Industry Average Conversion Rate	1.98%
Entertainment Industry Average Monthly Spending on Campaign	$1108
Extra Invested in Campaign	50%
Cost per Conversion	$34.85
Low-end Market Capture	**5% of competing firms revenue**
Diversified Market Capture	**110% larger than current market**
Act III Marketing Campaign	**Relative to new market size (110%)**

REFERENCES

1. Report Linker. (2021, February 8). G*lobal Online Video Platforms Market By Component, By Streaming Type, By Platforms Type, By End User, By Region, Industry Analysis and Fore- cast,* 2020 - 2026. https://www.globenewswire.com/news-release/2021/02/08/2171256/0/en/Global-Online-Video-Platforms-Market-By-Component-By-Streaming-Type-By-Platforms-Type-By-End-User-By-Region-Industry-Analysis-and-Forecast-2020-2026.html

2. Webex. (2021, July 30). *Addressing the Biggest Challenges of Hosting Hybrid Events.* Harvard Business Review. https://hbr.org/sponsored/2021/07/addressing-the-biggest-challenges-of-hosting-hybrid-events

3. RentCafe. (2021). *Reno, NV Rental Market Trends*. https://www.rentcafe.com

4. Lopez, J. (2019, December 17). *The 10 Best (and Worst) States for Small Business Taxes.* Business News Daily. https://www.businessnewsdaily.com/9898-best-states-business-taxes.html

5. Statista. (2021). *Average annual rent per square meter for warehouses and industrial space in Denmark as of July 2020, by area*. https://www.statista.com/.

6. European Union. (2018). Europeans and their Languages. Special Eurobarometer.

7. Lashgari, M., Sutton-Brady, C., Solberg Søilen, K., & Ulfvengren, P. (2018). Adoption strategies of social media in B2B firms: a multiple case study approach. *Journal of Business & Industrial Marketing, 33*(5), 730–743. https://doi.org/10.1108/jbim-10-2016-0242

8. Leake, W., Vaccarello, L., & Ginty, M. (2012). *Complete B2B Online Marketing. In Complete B2B Online Marketing* (1st ed.). John Wiley & Sons, Incorporated.

9. Kritzinger, W., & Weideman, M. (2017). Parallel search engine optimisation and pay-per-click campaigns: A comparison of cost per acquisition. *SA Journal of Information Management, 19*(1). https://doi.org/10.4102/sajim.v19i1.820

10. Mulligan, M. (2021, January 8). *Ticketed Streams Exploded In 2020, But Expect More Growth In 2021.* Hypebot. https://www.hypebot.com/hypebot/2021/01/ticketed-streams-exploded-in-2020-but-expect-much-more-in-2021-midia-virtual-concerts-report.html

REFERENCES

11. Maida, J. (2021, May 4). *$149.96 Billion growth expected in Online Streaming Services Market*. PR NewsWire. Received from https://www.prnewswire.com/

12. ASB. (2021). *Business loan calculator.* https://www.asb.co.nz/business-loans/calculator.html

13. Thompson, J., & Frank, M. (2005). *Strategic Management, Awareness and Change* (5th Ed). Thomson Publishers.

14. Cox, L. A., & Griepentrog, G. L. (1988). Systematic Risk, unsystematic risk, and property-liability rate regulation. *The Journal of Risk and Insurance, 55*(4), 606–627. https://doi.org/10.2307/253140

15. ASD Market Week. (n.d.). *It's All Up from Here! Back to Business with Higher Margins, Wider Selection – All in One Market.* https://asdonline.com

16. DG Displays2Go. (2020, November 11) *Top 20 Trade Shows to Attend in 2020*. https://www.displays2go.com/Guide/Top-20-Largest-Trade-Shows-US-50

17. Expat Explore. (2020, January 24). *Best of America: 14 of the best events and festivals 2020.* https://expatexplore.com/blog/americas-top-annual-events/

18. Jones Around The World. (n.d.). *15 Las Vegas Music Festivals To Experience Before You Die.* https://www.jonesaroundtheworld.com/las-vegas-music-festivals/

19. Woo, J. (2021, August 3). *The best music festivals in the US*. TimeOut. https://www.timeout.com/usa/music/best-music-festivals-in-the-us

20. Woolaver, A. (2021, August 7). *Top 10 Music Festivals in California 2021 & 2022.* Festicket. https://www.festicket.com/magazine/discover/top-10-music-festivals-california-2019/

21. Your Stand Builder. (2021, April). *Largest Trade Shows in Europe*. https://yourstandbuilder.com/news/largest-trade-shows-in-europe

22. Society for Human Resource Management. (2016, Aug 3). *Average Cost-per-Hire for Companies Is $4,129, SHRM Survey Finds.* https://www.shrm.org

23. Superlano, M. (n.d.). *Cost per Hire.* Recruit. https://blog.recrooit.com/

REFERENCES

24. Numbeo. (2021). *Price Rankings by Country of Internet (60 Mbps or More, Unlimited Data, Cable/ADSL) (Utilities (Monthly)).* https://www.numbeo.com/cost-of-living/country_price_rankings?itemId=33

25. Petrusky, M. (2020, November 24). *How Much Office Space Do We Need Per Employee?*. iOffice Blog. https://www.iofficecorp.com/blog/office-space-per-employee

26. Daxx. (2021, February 17). *What is the Average Software Developer Salary Around the World 2021?*. https://www.daxx.com/blog/development-trends/it-salaries-software-developer-trends

27. IotaComm. (2020, July 23). *What Is The Average Utility Cost Per Square Foot of Commercial Property.* https://www.iotacommunications.com/blog/average-utility-cost-per-square-foot-commercial-property

28. Google. (n.d.) *Dimensions and metrics*. https://support.google.com/analytics

29. Irvine, M. (2020, May 1). *Google Shopping Ads Benchmarks: Average CPC, CTR, Monthly Budget, & More*. WordStream. https://www.wordstream.com/blog/ws/2019/04/01/shopping-ads-benchmarks

SHIFT72

COBALT CONSULTING

Cale Budd
Joe Wallbank
Brooke Simpkins
Kate Noble-Orton