PROJECT PAPER

MSc Problem Solving

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Introduction

1&1, a prominent German telecom service provider specializing in broadband, mobile, and web hosting services, faces revenue stagnation despite its industry leadership position. The company aims to diversify its revenue streams by entering the Subscription-Video-on-Demand (SVoD) market, which presents both opportunities and significant challenges.

SVoD Market Overview
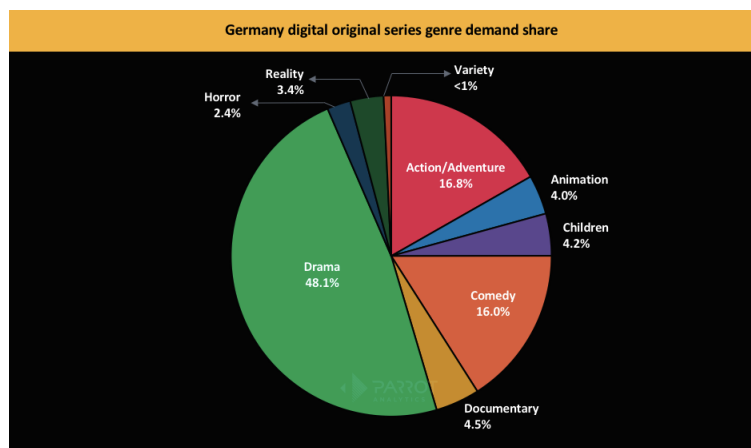
Market size and market share of different companies in German streaming market [1].

The SVoD industry is experiencing rapid expansion driven by consumer demand for flexible content access. Market projections indicate growth from $108.5B in 2024 to $231.5B in 2027, with a CAGR of 8.3%. The competitive landscape includes global players like Netflix, Amazon Prime Video, and Disney+, alongside local competitors such as Joyn and Sky in the German market.

1&1's Current Situation and Key Challenges Summary

Current Situation: 1&1, as one of Germany's largest telecom providers, faces revenue stagnation despite its strong market presence in broadband, mobile, and web hosting services. The company seeks diversification through SVoD market entry to align with digital-transformation goals, leveraging its existing infrastructure and customer base while addressing the growing demand for streaming services. This strategic pivot represents both an opportunity to revitalize growth and a significant challenge in entering an established market dominated by global players.

Key Challenges: The company faces a dual set of obstacles in its SVoD market entry ambitions. Internally, 1&1 must overcome limited digital readiness in SVoD technology, manage cultural transformation from traditional telecom to digital entertainment provider, and develop specialized streaming talent capabilities. Externally, the company confronts intense competition from established players with strong market understanding, complex content personalization requirements, and the challenge of building entertainment brand credibility. The success of this initiative hinges on effectively addressing both these internal readiness gaps and external market barriers while developing a distinctive value proposition in a saturated streaming landscape.

Project Phases Summary for 1&1's SVoD Market Entry
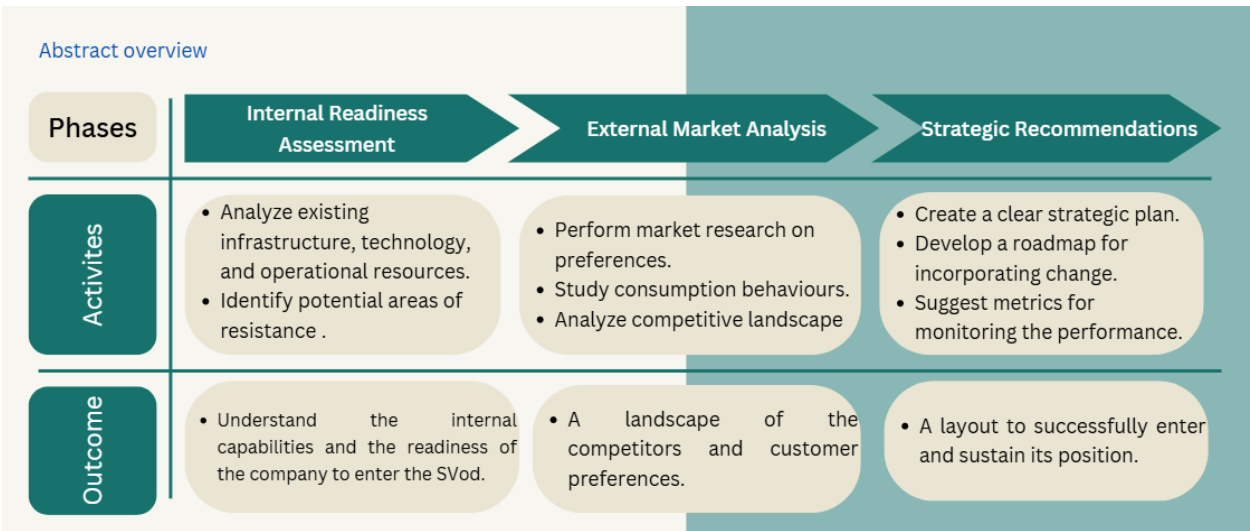
Phase 1 - Internal Readiness Assessment: This initial phase focuses on comprehensive evaluation of 1&1's existing capabilities, encompassing technology infrastructure analysis, operational resource assessment, and identification of potential resistance points. The company will analyze its current streaming capabilities, workforce competencies, and cultural readiness for

digital transformation, establishing a clear understanding of internal gaps that need addressing before market entry.

Phase 2 - External Market Analysis: The second phase involves detailed market research and competitive analysis, studying consumer preferences, content consumption patterns, and the competitive landscape. This includes profiling both global leaders and local competitors, analyzing pricing sensitivities, and identifying potential market opportunities, with particular attention to understanding how 1&1 can differentiate itself in the saturated SVoD market.

Phase 3 - Strategic Recommendations: The final phase culminates in developing actionable strategies and implementation plans, including defining target market positioning, content acquisition approaches, and technical implementation roadmaps. This phase establishes clear KPIs, measurement methodologies, and a comprehensive change management framework to ensure successful market entry and sustainable growth in the SVoD space, backed by concrete performance metrics and risk mitigation strategies.

Problem Structuring

1. **Using the Problem Identification sheet to highlight some key aspects**

The main question that is being addressed for 1&1 problem is : "How can 1&1 effectively enter the competitive SVoD market while leveraging its existing capabilities and aligning strategy, people, and values to achieve long-term success?"

Some of the key aspects of the problem are:

- **Effects of the Problem**

Revenue Stagnation: 1&1 faces static revenue growth due to a lack of successful innovations.

Competitor Pressure: Traditional competitors (Telekom, Vodafone) and new players (Netflix, Amazon) dominate the market.

Customer Retention Risk: Without diversification, customers may switch to competitors with more comprehensive offerings.

Missed Growth Opportunities: The SVoD market represents a growing industry that could boost customer acquisition and engagement.

- **Causes of the Problem**

Lack of Innovation: Limited success in launching new digital products or services.

Digital Readiness Gap: Insufficient infrastructure or expertise to support an SVoD platform.

Strategic Misalignment: The current corporate strategy does not fully embrace content-driven business models.

Market Entry Challenges: High competition, regulatory barriers, and the need for substantial investment in content acquisition or creation.

- **Decision Makers**

Corporate Strategy Team: Drives 1&1's overall strategic direction.

Leadership and C-Suite Executives: Approve investment and resource allocation for the SVoD venture.

Marketing and Product Teams: Responsible for market positioning, branding, and customer acquisition strategies.

Technology Team: Implements the technical infrastructure required for the SVoD platform.

- **Decision Criteria**

Financial Viability: ROI potential and cost of entry into the SVoD market.

Market Potential: The ability to capture and grow a sustainable customer base.

Customer Fit: Alignment with 1&1's existing customer base and expectations.

Scalability: Capacity to expand the platform and services over time.

- **Constraints for Solution**

Budget: Limited financial resources for platform development, licensing, or marketing.

Time: Need for a timely market entry to compete effectively in the rapidly growing SVoD market.

Technology Gaps: Current infrastructure may not support high-demand streaming services.

Regulatory Barriers: Compliance with content and data regulations in Germany and the EU.

- **Limitations/Conditions**

Content Acquisition: High costs and competition for licensing premium content.

Market Saturation: Presence of well-established competitors with loyal customer bases.

Talent Availability: Scarcity of internal expertise in content-driven business models and platform management.

Customer Expectations: High-quality streaming, diverse content, and competitive pricing are baseline requirements for market entry.

2. Findings through the MECE framework
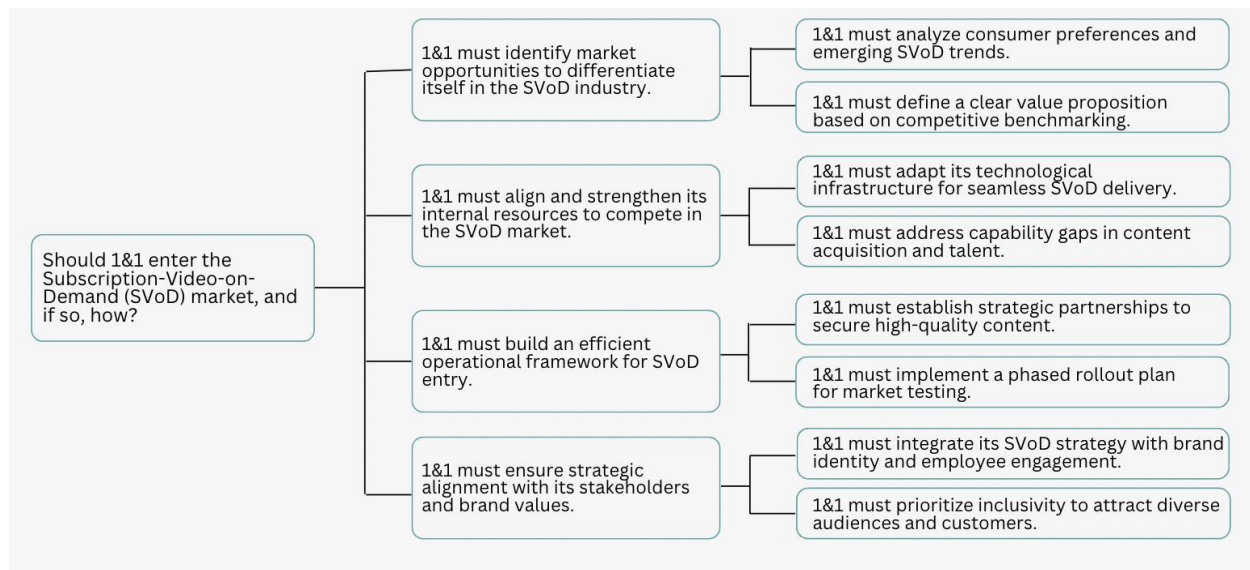
- **1&1 must identify market opportunities to differentiate itself in the SVoD industry.**

Analyze consumer preferences and emerging SVoD trends: Understanding consumer behavior, preferences for genres, and usage patterns will help identify untapped niches in the SVoD market.

Define a clear value proposition based on competitive benchmarking: Benchmarking against competitors like Netflix, Disney+, and Prime Video to define what unique value 1&1 can bring to the market.

- **1&1 must align and strengthen its internal resources to compete in the SVoD market.**

Adapt its technological infrastructure for seamless SVoD delivery: Investments in scalable and robust streaming platforms, improving server efficiency, and optimizing user interfaces to provide a smooth user experience.

Address capability gaps in content acquisition and talent: Secure strategic partnerships for exclusive content, recruit creative talent, and develop in-house production capabilities to strengthen the content portfolio.

- **1&1 must build an efficient operational framework for SVoD entry.**

Establish strategic partnerships to secure high-quality content: Collaborate with major studios, independent creators, and licensors to offer premium and exclusive content.
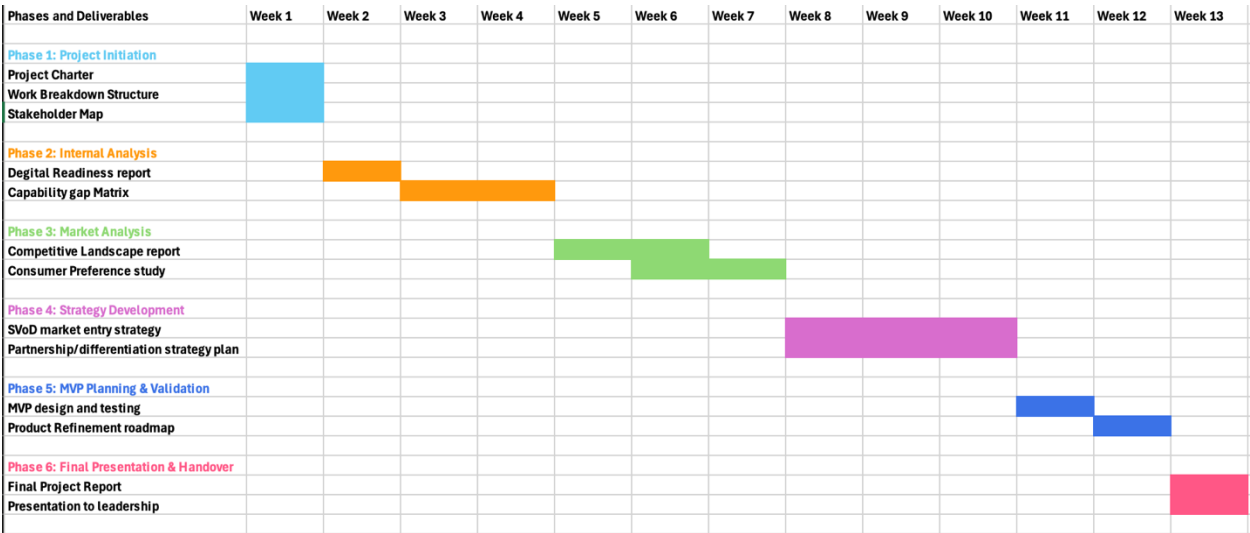
Implement a phased rollout plan for market testing: Begin with pilot launches in select markets, gather consumer feedback, and refine offerings before full-scale deployment.

- **1&1 must ensure strategic alignment with its stakeholders and brand values.**

Integrate its SVoD strategy with brand identity and employee engagement: Align SVoD offerings with the company's existing brand positioning, ensuring consistency, and foster internal buy-in for the new initiative.

Prioritize inclusivity to attract diverse audiences and customers: Design content strategies and marketing campaigns that appeal to a wide demographic range, emphasizing inclusivity and representation.

3. Setting a Timeline for the Project

Phases and Deliverables	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
Phase 1: Project Initiation													
Project Charter	■												
Work Breakdown Structure	■												
Stakeholder Map	■												
Phase 2: Internal Analysis													
Degital Readiness report		■											
Capability gap Matrix			■	■									
Phase 3: Market Analysis													
Competitive Landscape report					■	■							
Consumer Preference study						■	■						
Phase 4: Strategy Development													
SVoD market entry strategy								■	■	■			
Partnership/differentiation strategy plan													
Phase 5: MVP Planning & Validation													
MVP design and testing											■		
Product Refinement roadmap												■	
Phase 6: Final Presentation & Handover													
Final Project Report													■
Presentation to leadership													■

This timeline outlines the phased approach for 1&1's entry into the Subscription-Video-on-Demand (SVoD) market. It is designed to ensure a structured, data-driven process that leverages internal strengths while addressing market challenges. The timeline is divided into six key phases, each targeting specific objectives, from project initiation and internal analysis to strategy development, MVP validation, and final implementation.

The progression of activities ensures thorough preparation, including assessing organizational readiness, understanding the competitive landscape, and formulating a differentiated strategy. The phased structure allows for iterative learning and refinement, culminating in a comprehensive final report and presentation to guide 1&1's successful SVoD market entry.

Phase 1: Project Initiation (Week 1)

Objective: Establish the foundation of the project by defining its scope, structure, and key stakeholders.

Activities:

1. Project Charter Creation:
- Define project objectives, scope, constraints, and success metrics.
- Identify high-level timelines and major deliverables.

2. Work Breakdown Structure (WBS) Development:
- Decompose the project into manageable tasks.
- Assign roles and responsibilities to team members for each task.

3. Stakeholder Mapping:
- Identify key stakeholders involved in or impacted by the project.
- Analyze stakeholder influence, interests, and communication needs.

Deliverables:

Project Charter: A comprehensive document outlining project scope, timeline, and objectives.

Work Breakdown Structure (WBS): A detailed task breakdown.

Stakeholder Map: A visual representation of stakeholder roles and relationships.

Phase 2: Internal Analysis (Weeks 2–4)

Objective: Assess internal organizational readiness to compete in the SVoD industry.

Activities:

1. Digital Readiness Assessment:
- Evaluate the current technological infrastructure.
- Assess scalability for video streaming capabilities and integrations.

2. Capability Gap Analysis:

- Identify skills and resources required for successful SVoD operations.
- Highlight gaps in content creation, acquisition, and platform delivery.

Deliverables:

Digital Readiness Report: Details infrastructure strengths and weaknesses.

Capability Gap Matrix: Visualizes the alignment between required and existing capabilities.

Phase 3: Market Analysis (Weeks 5–7)

Objective: Identify external opportunities and threats by understanding the competitive landscape and consumer behavior.

Activities:

1. Competitive Landscape Analysis:
- Map key players in the SVoD market.
- Evaluate competitor strategies, pricing models, and content offerings.
- Identify potential market entry opportunities or threats.

2. Consumer Preference Study:
- Conduct surveys, focus groups, or analyze existing customer data.
- Understand viewing habits, platform preferences, and unmet needs.

Deliverables:

Competitive Landscape Report: Insights into competitors and market gaps.

Consumer Preference Study: Detailed analysis of target audience behaviors and preferences.

Phase 4: Strategy Development (Weeks 8–9)

Objective: Formulate an actionable market entry strategy that ensures differentiation and competitiveness.

Activities:

1. SVoD Market Entry Strategy:
- Define the value proposition, target segments, and pricing model.
- Highlight how 1&1 can differentiate from established players (e.g., Netflix, Disney+).
2. Partnership/Differentiation Strategy Plan:
- Identify potential partnerships with content creators, distributors, or studios.
- Develop strategies to differentiate offerings (e.g., localized content, exclusive features).

Deliverables:

SVoD Market Entry Strategy: Comprehensive entry plan covering marketing, operations, and technology.

Partnership/Differentiation Strategy Plan: List of actionable partnerships and unique selling propositions (USPs).

Phase 5: MVP Planning & Validation (Weeks 10–11)

Objective: Test the feasibility of the platform by designing and validating a Minimum Viable Product (MVP).

Activities:

1. MVP Design and Testing:
- Build a basic functional prototype of the SVoD platform.
- Test core features like content delivery, user interface, and payment integrations.
2. Product Refinement Roadmap:
- Gather user feedback to address pain points.
- Develop a phased plan to improve the platform for a full-scale launch.

Deliverables:

MVP Design and Testing Results: Summary of test findings and feedback.

Product Refinement Roadmap: Plan to enhance the platform based on testing.

Phase 6: Final Presentation & Handover (Weeks 12–13)

Objective: Consolidate all findings, strategies, and recommendations into a cohesive report and present them to stakeholders.

Activities:

1. Final Project Report Preparation:
- Compile all analyses, strategies, and plans into a formal report.
- Include a clear implementation timeline and resource requirements.
2. Leadership Presentation:
- Create a concise, visually engaging presentation summarizing the project's key outcomes.
- Highlight strategic recommendations and anticipated benefits for 1&1.

Deliverables:

Final Project Report: Comprehensive documentation of the project findings and plans.

Leadership Presentation: Slide deck presenting the project's core insights and proposals.

Comprehensive Analysis: Internal Capabilities and External Market Dynamics

Internal Analysis of 1&1 Telecommunications Company

1. Digital Readiness

Technological Infrastructure: 1&1 has established itself as a pioneer with Europe's first fully virtualized mobile network based on OpenRAN technology. This cloud-native architecture enables rapid software-based updates and independence from dominant hardware providers, enhancing flexibility and scalability.

5G Capabilities: Their 5G network is fully operational, offering advanced features such as low latency (3ms) and high data transfer speeds (exceeding 1 Gbps). This provides a strong foundation for data-intensive services like Subscription Video on Demand **(SVoD).**

2. Vision and Strategy

- Innovative Expansion: 1&1's goal of building Germany's most advanced 5G network reflects its commitment to innovation and future-readiness. The company also prioritizes customer satisfaction and competitive pricing.

- Alignment with SVoD: Their bundled services, including IPTV and online storage, indicate an existing infrastructure that can be leveraged for entering the SVoD market.

3. People, Skills, and Values

- Employee Expertise: With approximately 3,200 employees, 1&1's workforce is equipped to support advanced technologies and operations. Training in digital media production and analytics may be required to fully address SVoD market needs.

- Customer Focus: The company culture prioritizes quality service, as evidenced by its consistent awards for network performance. This customer-centric approach aligns well with the demands

of a competitive SVoD market.

4. Current Product and Service Portfolio

- Synergies with SVoD: 1&1 already offers IPTV and smart home solutions, making the transition to SVoD a natural extension. The company's ability to bundle these services with existing broadband and mobile packages could enhance customer acquisition and retention.

5. Operational Capabilities

- Process Agility: 1&1's virtualized network allows for cost-effective and flexible upgrades, enabling rapid adaptation to market demands. This operational agility is essential in the dynamic SVoD industry.

- Partnerships: Collaboration with Rakuten and other technology providers strengthens their innovation capabilities and reduces reliance on traditional suppliers.

Key Strengths:

- Cutting-edge 5G and OpenRAN technology.

- Robust bundled services portfolio, including IPTV and broadband.

- Strong brand recognition and excellence in customer service.

Areas for Improvement:

- Expand expertise in digital content creation and analytics.

- Enhance marketing strategies tailored to the SVoD audience.

This internal analysis highlights that 1&1 is well-positioned both technologically and strategically to enter the SVoD market, although targeted skill enhancement and market alignment are necessary.

Exploring External Market Dynamics.

Market Characterization

Overview-

- The market for SVoD is expanding quickly due to rising customer demand for individualised and flexible entertainment alternatives.

- The worldwide SVoD market is expected to grow at a compound annual growth rate (CAGR) of over 12% from its 2023 valuation of USD 151.9 billion to USD 408.4 billion by 2032.

Key Drivers-

- **Technological Advancements:** Better streaming platforms and the deployment of 5G networks allow for smooth, high-quality watching.

- **Consumer Preferences Are Changing:** There is a growing need for personalised, binge-worthy material that is available on demand.

- **Localised Content:** There is a growing need for content that is culturally and regionally appropriate.

Trends

- Expansion of subscription models with ads to draw in budget-conscious customers.

- Combining streaming services with other telecom products, such mobile and internet subscriptions.

- Increased spending on content recommendation systems powered by AI.

Competitor Benchmarking

Established firms like Netflix and Amazon Prime Video, as well as new telecom-integrated platforms like Telekom's MagentaTV and Vodafone's GigaTV, define the competitive environment.

<u>Key Metrics for Analysis-</u>

- **Material library**: consider localised, unique, and internationally attractive titles while assessing the quantity, uniqueness, and diversity of material provided by rivals. Emphasise the value of exclusive content licensing contracts as a differentiator.

- **User experience (UX):** evaluate how well ai-driven personalisation elements increase viewer engagement and retention, as well as interface usability and cross-device compatibility.

- **Pricing models:** examine how subscription tiers are organised, taking into account the cost-effectiveness of entry-level plans, the use of freemium or ad-supported choices, and the incorporation of other telecom services to provide attractive bundles.

- **Marketing strategies:** to boost subscriber acquisition and loyalty, assess the effect and reach of marketing campaigns, customer retention initiatives, and collaborations with influencers or content producers.

Framework Application

SWOT Analysis:

- Strengths: Examine collaborations with international studios, exclusive content offers, and technology advancements like AI-driven personalisation.

- Weaknesses: Expensive membership fees, a lack of content localisation, or user experience problems.

- Opportunities include introducing tiered pricing structures, reaching underserved populations, and combining telecom services with other offerings.
- Threats include increased expenses for acquiring material, fierce rivalry, and difficulties with regulations.

Porters 5 Force Model-

The Five Forces of Porter: Examine competitive dynamics in further detail by evaluating:

- barriers to entry: such as content licensing, hefty startup costs, and current players' brand loyalty.

- Supplier Power: Consider how reliance on studios and content producers may affect availability and licensing prices.

- Buyer Power: Draw attention to how price-sensitive consumers are and how many options they have in the market.

- Threat of Substitutes: Talk about how piracy and free sites like YouTube affect your subscription base.

- Industry Rivalry: Examine how current players, both domestic and international, compete with one another in terms of user experience, pricing, and content.

Consumer Segmentation-

Developing a successful plan for 1&1's entry into the SVoD industry requires a thorough understanding of the target market.

Segmentation Criteria-

1. **Demographics-**
   a. Purchase power and content preferences are influenced by demographics such as age, income, and family size. For example, families may choose packaged alternatives with family-friendly features, while younger viewers (such as Millennials and Gen Z) tend to favour binge-worthy, on-demand programming.
   b. **Action**: Create membership levels and focused marketing campaigns using demographic data.

2. **Viewing Preference**
   a. What kinds of television programs or films will generate subscribers depends on preferences for particular genres or language-specific material.
   b. **Action:** by creating or licensing content that complies with cultural norms and popular genres.

3. **Behavioral Patterns**
   a. Customers' consumption patterns and service gaps are highlighted by knowing how frequently they stream, what devices they use, and whether they have a rival subscription.
   b. **Action:** Create original content to solve subscription overlaps and optimise the platform for multi-device usage.

Framework Application-

1. **MECE Framework-**
   a. Guarantees that there are no gaps or overlaps in the segmentation's structure. It makes it possible to define customer groupings in a methodical manner.
   b. For instance, make sure that no client falls into the "budget-conscious students" or "tech-savvy millennials" categories.

2. **Customer Persona Mapping:**
   a. Personas provide customised content and marketing tactics by assisting in the visualisation and empathy of target audience groups.

b. For instance, provide bundles containing kid-friendly material and parental settings for "Family Viewers." Form alliances with leagues or exclusive live events for "sports enthusiasts."

External Challenges

To guarantee successful entrance and long-term sustainability, the Subscription Video-on-Demand (SVoD) business must carefully navigate a number of external constraints, such as technological, competitive, and regulatory obstacles.

Key Challenges

1. Regulatory Compliannce:
   a. **GDPR Adherence**: SVoD providers are required to adhere to data privacy laws, particularly the General Data Protection Regulation (GDPR) of the European Union, which establishes guidelines for the collection, storage, and use of user data.
   b. **Laws pertaining to copyright and licensing**: Protecting material rights across several jurisdictions is difficult and varies greatly by location, necessitating strong legal frameworks and agreements.
   c. **Tax Policies:** Profit margins may be impacted by national tax regulations pertaining to digital services.

2. Technological Requirements:
   a. **Infrastructure Scalability**: To prevent service interruptions and guarantee a flawless experience during periods of high demand, it is essential to maintain a dependable, scalable streaming infrastructure.
   b. **Device Compatibility**: The platform has to work well with a variety of gadgets, including smartphones and smart TVs.
   c. **Advanced Features**: Utilising technology such as artificial intelligence (AI) to offer tailored content and predictive analytics to analyse viewer behaviour.

3. Content Acquisition Costs
   a. **Exclusive Rights**: To draw in and keep members, it might be costly to acquire well-liked and unique material.

b. **Production Investments**: To compete with big companies like Netflix and Amazon, producers must invest on unique material, which raises upfront costs but distinguishes their products.

c. **Leverage in Negotiations**: Smaller companies sometimes have trouble gaining access to premium content with major studios.

4. Market Saturation:
   a. **Competitive Intensity**: International companies with well-known brands and big libraries dominate the SVoD industry.
   b. **Subscription Overlap**: It might be difficult to defend an extra service because many consumers already have subscriptions to several platforms.
   c. **Customer Retention**: Constant innovation in content and customer engagement tactics is necessary to address high turnover rates.
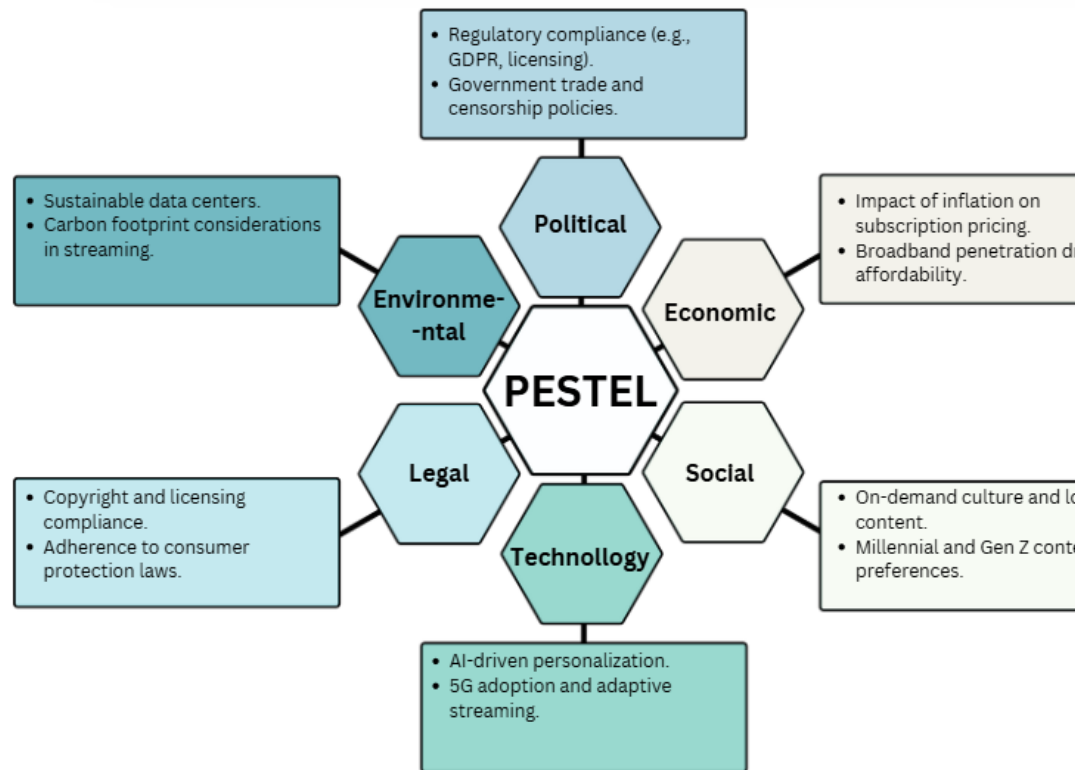
Framework Application-

1. **PESTLE Framework:**
   - **Political:** Monitor government regulations, tax policies, and international trade laws impacting digital services.
   - **Economic:** Assess consumer spending trends, inflation, and broadband penetration to gauge market readiness.
   - **Social:** Analyze cultural content preferences and demographic trends driving localized content demand.
   - **Technological:** Evaluate readiness for AI, 5G integration, and device compatibility.
   - **Legal:** Navigate copyright, licensing, and consumer protection laws.
   - **Environmental:** Consider energy efficiency in data centers and rising consumer expectations for sustainability.

2. **Risk Assessment Matrix:**
   - **Categorization:** Classify risks based on their potential impact (low to high) and likelihood of occurrence.
   - **Mitigation Strategies:**
     - Forming partnerships with local content creators.
     - Investing in scalable, energy-efficient cloud infrastructure.
     - Establishing a robust legal team to navigate regional licensing complexities.

- Regulatory compliance (e.g., GDPR, licensing).
- Government trade and censorship policies.

- Impact of inflation on subscription pricing.
- Broadband penetration d[...] affordability.

- Sustainable data centers.
- Carbon footprint considerations in streaming.

- On-demand culture and l[...] content.
- Millennial and Gen Z cont[...] preferences.

- Copyright and licensing compliance.
- Adherence to consumer protection laws.

- AI-driven personalization.
- 5G adoption and adaptive streaming.

Political

Environme- -ntal

Economic

PESTEL

Legal

Social

Technollogy

stragetic recommendation

Market Opportunity & Technology Leadership Leveraging our position as

Europe's first OpenRAN network operator gives us a unique technological advantage in the SVoD market. By combining this infrastructure with AI-powered content personalization, we can deliver superior streaming experiences. The rapidly expanding digital streaming market, coupled with increasing 5G adoption, creates perfect timing for market entry. Our existing technological capabilities enable us to offer advanced features like adaptive streaming and seamless mobile integration, setting us apart from traditional SVoD providers.

- Local Market Advantage Our strong understanding of regional markets positions us to deliver localized content that global players often overlook. By implementing a community-driven content curation platform, we can create a unique value proposition where users actively participate in content selection and review processes. This approach addresses the growing demand for localized content while building strong community engagement. The platform can feature local content creators, regional entertainment, and community-specific programming that resonates with our target audience.

- Customer-Centric Business Model Our hybrid subscription approach combines freemium and premium tiers to capture different market segments. The freemium model, supported by advertisements, provides an entry point for price-sensitive customers, while premium subscriptions offer an ad-free experience with additional features. By bundling these services with our existing mobile and broadband packages, we can provide integrated solutions that leverage our current customer relationships and billing systems, creating a seamless user experience.

- Sustainable Growth Strategy Environmental consciousness is integrated into our core operations through green streaming practices and energy-efficient infrastructure. By utilizing sustainable data centers and implementing eco-friendly streaming technologies, we not only reduce our environmental impact but also appeal to increasingly environmentally conscious consumers. This commitment to sustainability becomes a key differentiator in the market while supporting long-term business viability.

- Strategic Partnerships & Integration Cross-industry collaborations create unique value propositions that extend beyond traditional SVoD offerings. By partnering with gaming platforms, e-commerce sites, and other complementary services, we can offer integrated experiences that enhance customer value. These partnerships leverage our existing service portfolio while opening new revenue streams and market opportunities, creating a more diverse and attractive service offering.

- Competitive Market Position Our established position as a trusted telecom provider gives us a strong foundation for SVoD market entry. The combination of integrated telecom-media packages, robust technological infrastructure, and existing customer relationships creates significant competitive advantages. By leveraging these strengths and focusing on

cross-selling opportunities within our current customer base, we can efficiently grow our market share while maintaining strong customer relationships.