

Are we entering in a winner-takes-all economy? Why and what can we do about it?

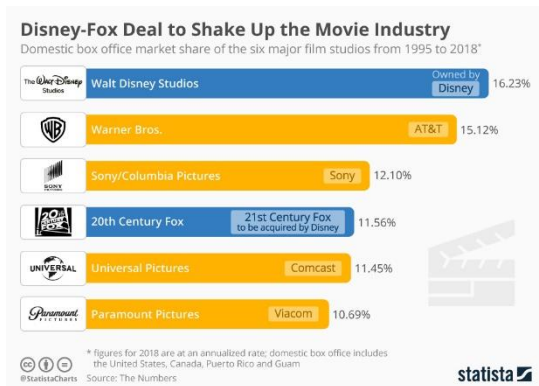
Netflix, Amazon, Disney, Apple, etc. These are some examples where winner-takes-all. A winner-takes-all economy is when the most profitable and strongest market, enterprise or economy rise upon its competitors. I think that we're already in a winner-takes-all economy where one market profits more than others selling the same kind of good or service because of some specific reasons, such as the quality, the reputation or even the origin. I would like to justify this theory through three different stories. Three different companies in three different sectors that are winner-take-all face to its competitors.

Some characteristics that may have a winner-takes-all economy are for example big investments and lower production costs, a strong growth and sustainable income, attractive goods and services that we can easily globalise...

In that case, with these characteristics a firm can fast reach a strong establishment into the market. They can reduce its prices to compete with the companies or establish a normal price to guarantee the customer's fidelity. The first example, The Walt Disney Company is a clear illustration of this model.

This enterprise was founded in 1923 by Walter Elias Disney, it started with big difficulties to establish itself in the market and today it's one of the biggest corporations in the world devoted to entertainment and communication. Nowadays, Disney is the second enterprise in communications in the USA

contributing to the New York's stock market. The Company became more and more rich and desired other market sizes. This is why from 2006 the corporation started buying other weaker companies to increase its market share. Disney has already bought Pixar, Marvel Comics and the last acquisition has been 21st Century Fox including all of its TV-channels and shows.



Source :

<https://www.statista.com/statistics/187300/box-office-market-share-of-disney-in-north-america-since-2000/>

This made the enterprise become one of the biggest companies in the world, no other company could compete with them in terms of entertainment. Most of the legendary films, documentaries, TV-shows and cartoons were now (directly or indirectly) propriety of this ambitious giant. The fusion of the Walt Disney Company and the Fox Studios will overtake its market share, making a big difference with “The Warner Bros

Studios”, the second Movie Industry.

It is difficult to any other film-producer to make its market share equal as the Disney's one. Mostly since this year, when The Disney's Company announced the launch of its own streaming channel.

However, not every company with fame and profit it's a winner-takes-all. Here's the example of Uber, a company that can at first sight seem irreplaceable but in fact its operational performance it's not the same as the one of a winner-takes-all enterprise. The continuous legal problems with the different operational countries make the enterprise lose a lot of money and advantage face to its competitors.

Until recently to be a big company it was just necessary to growth and to have profitability, now this is changing. Nowadays sustainability is an essential requirement to be in a winner-takes-all economy, the more monopolistic is a company in the market, the more attention it will be paid by the governments, social medias, customers and others.

Today, to keep its status as a winner-takes-all it is necessary to have a good philosophy and have a good commitment to the environment.

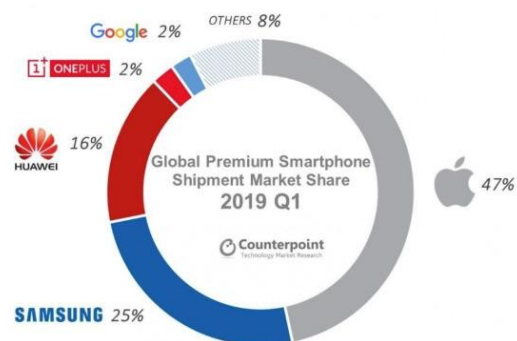
For example, Apple had a lot of success between the population since the beginning. When their first computer has been putted in the market, the company had a very high demand and an absolute success in the market. However, in order to start-up with the company it was necessary to do big investments to the project.

With all the benefits from the first computer, the company kept creating and innovating, bringing out to the market the second Appel computer and other products. So, here's the concept of constant work and the importance to keep in mind a good strategy.

A winner-takes-all economy is fluid. There are some researches that approve how instable can be this kind of economy. They can all drop in each economic cycle. It is difficult to remain in the throne, especially in the emerging countries since the rotation of the market is more pronounced compared to the developed markets.

This happened during the 1990-1999 decade to Apple. The company registered a deterioration on its profit share and its benefits were not the same as previously. Nonetheless, from the beginning of the new millennium until now the company has just been growing. Becoming one of the biggest business in the world.

Apple understood that it was necessary to adapt itself to the market, changing its philosophy and progressing in order to recover its place as a winner-take-all. Greenpeace started a campaign against Apple to force the company to stop using products highly pollutant like other companies had already started doing. The Apple company understood that a good commitment to the



Source: <https://fortune.com/2016/02/11/apple-iphone-ios-share/>

environment was necessary to be back as a winner-takes-all economy. They started manufacturing its products with recyclable aluminium and LCD screens.

According to the magazine “Fortune”, Apple has been the most remarkable enterprise in the world between 2008 and 2012.

From then on, Apple has just kept enlarging itself all around the world. Up to the point of owning in 2014 more than 400 stores in 9 different countries, plenty of distributors all around the world and an on-line store available in different markets.

After reaching \$293,256 million in 2015, the company became one of the most valuable enterprises in the world. Also, according to the Wall Street Journal, the company has become the first business to reach a capitalisation of \$ 1 billion.

So, since we are in a winner-takes-all economy, why and what can we do about it?

Up to this point we may have two different perspectives:

The first one is to agree and accept that we are in a winner-takes-all economy, where the strongest market takes all for itself and the weakest one remains in the survival line, what means that it has to keep working hard to try not to go bankrupt and fail.

The second point of view that is to prefer a win-win economy, where all of the enterprises are at the same level. So, they are all are profitable in its own way.

To deal with the situation, it will be necessary that the weakest enterprises innovate. They must have to change its strategies and try to expand itself into other markets in order to be known by others. Once reached this point, it will be possible to compete at the same level with a winner-takes-all company. I think this would be one of the best ways to compete with a winner-take-all market.



Source:

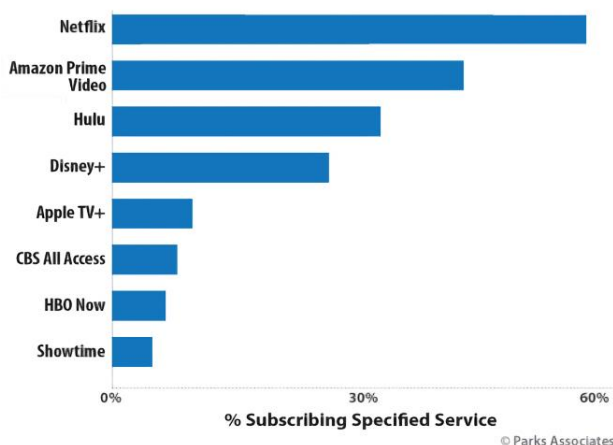
<https://marketbusinessnews.com/financial-glossary/winner-takes-market-definition-meaning/>

Netflix it's a clear example. This company was one of the largest companies in history with such a popularity and success in all this last decade. It was well-known by almost everyone and it was available in a lot of countries with personalised content in each country.

So, what can we do to compete with the winner-take-all if it's almost impossible to make it fail? Netflix was on the podium of a winner-takes-all economy in the streaming sector, it was difficult for other companies to make it fail. So, the best option to take was to reach one's popularity at the same point than Netflix's one and compete with it from there.

The first to reach this level was Amazon, they were already a big enterprise on the distribution sector, but they wanted to profit more and the streaming world was the perfect strategy. Amazon became a worthy opponent to Netflix. Each one offering different kind of content at different prices.

Subscriptions to Major OTT Subscription Services
US Broadband Households



Source: <https://macdailynews.com/2020/05/29/apple-tv-captures-significant-share-of-streaming-market/>

This year has been a year of competitions for the streaming market, since some other companies started competing with Netflix and Amazon as well. First the Disney Company with the streaming platform of "Disney+". Apple and local TV chains like Britbox in England (BBC, ITV, Channel 4...), Mitele+ and Atresplayer Premium in Spain and Salto for the French market entered to the battle as well. It will be now difficult for

Netflix to remain as the only streaming company. They will have to compete for prices and try to keep all of its subscribers with new strategies and new content.

This could be then one of the options to face a winner-take-all economy. We clearly see that this kind of economy is not at all stable and you can perfectly be on the top today, but absolutely fail in a short future. It is necessary to keep working constantly to remain its implantation in the market.

To sum-up, I think that we are not entering in a winner-takes-all economy since we are already in one. With the three examples that I have given we can clearly see how looks a winner-takes-all company. We can reach this status by keeping a good strategy and working persistently. Nonetheless, as we have seen through these three stories, it is easy to drop and be surpassed by other companies if we don't refresh our way to see things and we don't adapt to the continuous changing world. So, what we can do is to work hard on the strategies we use, to ensure a strong implantation and try to expand itself into other markets. Then, once arrived at this point, we can compete with the leader companies and try to defeat the winner-takes-all.

Daniel LOPEZ-SANCHEZ

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