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MARKETING ANALYSIS

Streaming Video Platform

Ingegneria
Palermo Gestionale

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Executive summary

The aim of this report is to provide a general analysis of the market for on-demand video streaming platforms, analysing their diffusion and trend over the years (from birth to the present). After an analysis of the first years of video on demand diffusion on the Internet, the group carried out a global analysis of the platforms existing on the market today, and then concentrated on a more in-depth analysis of those that, through analyses carried out by tools on the platform's website, were the most significant in terms of number of countries and number of users involved. After a brief description of these platforms, the group used the models known through the Marketing course to analyse the market and, in general, the context in which they operate. For example, P.E.S.T.L.E Analysis and the Porter model were used.

After this analysis, the group considered it necessary to investigate what is currently the largest platform on the market in terms of annual revenues and number of subscribers. For this reason, an in-depth case study was carried out on Netflix, the current leader. The S.W.O.T. analysis, the analysis of the five forces of Porter, an analysis of the competition and an analysis of the 4Ps of Marketing were carried out.

In addition, through the administration in the Italian context of a questionnaire drawn up by the group, it was possible to carry out an analysis of users using the platforms on the Italian scene (Clustering) and it was possible to understand which platforms best meet certain needs requested by users (Positioning).

1. Overview on streaming video platforms

In recent years the way we watch movies and TV series has been totally revolutionized. While years ago to watch the next episode of a TV series you had to wait weeks, now you can watch all the episodes when and where you want, and it could happen that you are not at home during the transmission of the episode and consequently lose an episode, perhaps even important thing that now, however, cannot happen through the advent of streaming platforms. With the advent of the Internet, in fact, many aspects of everyday life changed, soon the potential of this new resource was understood but, because of the "rudimentary"

infrastructure, it was used for basic operations. The files uploaded, or downloaded, did not exceed the Kilobytes and the transfer operations lasted a long time, not allowing the use of "heavy" data such as video. Exactly in this period companies like Netflix, Hulu or PrimeVideo were dreams in the drawer replaced by the world of physical rental.

1.1. The first video on demand

On September 5, 1995, ESPN SportsZone broadcast a live radio baseball game between the Seattle Mariners and the New York Yankees to thousands of its subscribers worldwide. It was the first live streaming event in the world. A few years later the company changed its name to RealNetworks and soon found itself involved in a bitter technological and legal war with Microsoft for the dominance of a brand-new technology market: streaming media. Although the prospect of streaming media over the internet had always thrilled technology nerds and CEOs, the childhood years of streaming media were mainly ruined by pragmatic issues such as how to successfully watch video streaming over 56k modem lines. Microsoft emerged from the war with RealNetworks as a winner (thanks to Windows Media technologies), but was unable to capitalize on the victory. While the U.S. Redmond company lost its advantage, Macromedia (later acquired by Adobe Systems) slowly but surely eroded Windows Media's market share in the mid-2000's in favour of its increasingly popular Flash Player. Flash shook the streaming media industry by marrying interactivity, Web 2.0 and streaming media for the first time. A new era in streaming media had arrived, but the old problems still remained: bandwidth, scalability and reach.

With time, around the 2000s, thanks to technological evolution, developers began to devise new protocols and compression algorithms that allowed the upload of poor-quality video to the web. In 2007 a company called Move Networks introduced a technology and service that would once again change the industry: HTTP-based adaptive streaming. From here, the first video streaming platforms began to be thought of and with them the beginning of a new market. Obviously, it wasn't easy: as much as the technological innovation had gone on, it wasn't uniform in all countries. Most areas of the world didn't have a connection, others, despite having access to that "privilege", couldn't reach a bandwidth wide enough to support those platforms. All this had to be added to the little, if any, confidence that most people had in this new tool. Growing up in this new market was more a bet than a secure investment.

1.2. The market now

The spread of stable and fast connections has opened up new possibilities for streaming. Free video streaming services accessible from the browser and with significantly reduced loading times became available. Parallel to the growth of the bandwidth, algorithms were developed, less severe in compression, which allowed the upload of high-quality content on the web, arousing greater interest among potential customers. Terms such as HDR, UltraHD and 4K, although not entirely clear to the user, were and still are used to increase their market share. The development of devices was the second factor that allowed the explosion of streaming. Mobile devices have developed following two trends: the increase in the size and quality of the screens and the increased connection to the Internet. These two elements combined, together with the increase in computing capacity and available bandwidth, have taken video streaming everywhere, even outside the home. Even the development of TVs with increasingly updated operating systems has allowed companies to create applications that facilitate access to the service mentioned, replacing the normal concept of "channel". Today the TVs are almost all Smart, real computers capable of processing and storing information, the interface has evolved and streaming services have landed in mass. Smart TV was the last piece of a change that began almost twenty years ago on the net.

1.3. Player in the market

To establish an order of priority among all the platforms on the market we used a tool provided by Amazon: Alexa Rank. Founded in 1996, Alexa is a global pioneer in the world of analytical insight. Alexa's traffic estimates are based on data from global traffic panel, which is a sample of millions of Internet users using one of many different browser extensions.

Name	Position	Country
Netflix	24	Global
Hulu	198	USA
Amazon Prime Video	222	India e Italia
Crunchyroll	349	Australia, Brasile, USA, UK e Canada
Rakuten Viki	1500	USA, Messico, India, Brasile e Francia
SBS on demand	3540	Australia, UK, USA e Cina
iFlix	8816	Indonesia, Malesia, Filippine e Pakistan
HBOnow	9726	USA
Kanopy	10627	Australia e UK
Fubo	13277	USA, UK, India, Canada e Spagna
Cravetv	13925	Canada e USA
Pluto tv	20501	USA, India, Canada, Spagna e Messico
Chili	23311	Italia, Polonia, UK, Germania e India
Popcornflix	24423	USA, India, Norvegia e Canada
Fandango Now	26651	US, India, Norvegia, Brasile e Canada
Rakuten TV	26918	Europa
VVVVID	30390	Italia
Infinity TV	33698	Italia
NowTV	35470	Italia
TimVision	36507	Italia
Shudder	36512	UK, Australia, Canada e USA
Acorn TV	39538	USA, Canada, Messico e Australia
Hooq	46238	Indonesia
Spuul	54523	India, Pakistan, Arabia Saudita, Bangladesh e USA
Fandor	77011	India, Germania, UK, USA e Canada
Philo	102021	USA, Canada e India
Crackle	115919	India, Sudafrica, UK, Brasile e Messico
Pantaflix	131652	USA, Germania, Turchia e Australia
Feeln	133395	USA
Shout Factory TV	162795	Canada e USA
Quickflix	290187	Australia e USA
Cunimation now	513168	USA
UMC	522280	USA
Big star	714112	USA
Warner Archive	1313493	USA
Tribeca Shortlist	1445492	USA
Volta	2647523	Australia, USA, India, UK e Cina

Table 1 Player in the market

In addition, are collected much of traffic data from direct sources in the form of sites that have chosen to install the Alexa script on their site and certify their metrics. However, site owners can always choose to keep their certified metrics private.

Global traffic rank is a measure of how a website is doing relative to all other sites on the web over the past 3 months. The rank is calculated using a proprietary methodology that combines a site's estimated average of daily unique visitors and its estimated number of pageviews over the past 3 months. We provide a similar country-specific ranking, which is a measurement of how a website ranks in a particular country relative to other sites over the past month.

After carrying out this data collection, the group decided to analyse those streaming platforms that have a significant global rank. Specifically, we decided to focus on the first 8 platforms, which are present in the market worldwide involving a greater number of countries and population, and therefore significant for the analysis that we will conduct.

2. The most important player in the market

2.1. Netflix

Netflix is a company active in the Internet distribution of films, television series and other entertainment content. Founded by Reed Hastings and Marc Randolph on 29 August 1997 as a DVD and video game rental business.



Figure 1 Netflix's logo

Users could book their discs via the Internet and receive them directly at home via the postal service. Since 2008, the company has been running an online on-demand streaming service, accessible via a subscription, which soon became its core business. Since 2010, with the expansion of the offer in other countries, in particular in South America and Europe, and the start of original productions, Netflix has recorded a rapid increase in popularity, exceeding in 2014 the 50 million subscribers, more than 35 million of which in the United States. Since January 2016, Netflix has made the streaming service available in over 190 countries, reaching 74 million customers in the same month, of which 44 million in the United States. At the end of 2016, Netflix established itself as the leader in the on-demand sector with 93.8 million subscribers (with 19.0 million new net activations compared to 17.4 million in 2015), 8.3 billion revenues (+35% per year) and profits of 188 million (+54%). In 2010 Netflix became available in Canada. In 2011, the service landed in Brazil and Hispanic America. Since 2012,

Netflix has been expanding in Europe, launching the service in the UK, Ireland, Finland, Norway and Sweden. In 2013, it expands further into Austria, Belgium, France, Germany, Luxembourg and Switzerland. In 2015, the service will also reach Australia, New Zealand, Japan, Italy, Portugal and Spain. In January 2016 Netflix announces the launch of the service worldwide with the exception of China, Syria, North Korea and the Crimea.

2.2. Hulu

Hulu is an on-demand video internet service operating in the distribution of films, television series and other entertainment content. The Hulu initiative was initially announced in March 2007 with AOL, MSN,



Figure 2 Hulu's logo

MySpace and Yahoo! initially as distribution partners. Jason Kilar, previously at Amazon.com, was appointed chief executive officer in June. The name Hulu was chosen at the end of August, when the site was finally published with only one announcement about it but no content. In October Hulu starts a private beta phase both for users who had previously left their email address and for their friends through an invitation system. Hulu finally launched the service on March 12, 2008. Hulu, a joint venture between NBC Universal and News Corp, also received funds from Providence Equity Partners in the amount of \$100 million and 10% of the shares. In 2010, The Financial Times revealed for the first time the company's willingness to undertake territorial expansion, identifying the UK and Japan as the first potential markets where Hulu could be more easily exported. In fact, on September 1, 2011, the service was launched in Japan. Time Warner acquired a 10% stake in Hulu in 2016, joining current owners Disney, 21st Century Fox and Comcast, and as part of Turner's investment I will bring its cable networks to Hulu's live TV streaming service. Time Warner has invested \$583 million in cash, which means that Hulu is worth nearly \$6 billion. Hulu, with the cash infusion and strategic support of Time Warner, now has the strength to challenge Netflix, the VOD subscription leader, to acquire original shows by cutting license agreements and expanding its service.)

2.3. Prime video

Prime Video is a video on demand service offered by Amazon.com, was launched on September 7, 2006 under the name Amazon Unbox, changing its name in 2011 to Amazon Instant Video, in September



Figure 3 Prime Video's logo

2015 to Amazon Video and in 2018 to Prime Video. Since December 2016, the service has been available in over 200 countries, including the United States, United Kingdom, Germany, Belgium, Canada, France, India, Italy and Spain. In May 2016 it was joined by Amazon Video Direct, a service where professional users can directly upload their products by making them available along with the rest of the Amazon Video catalogue for a fee or supported by advertisements. From 2013 the platform will also distribute original content, the production of which is managed by the Amazon Studios division. Prime video offers streaming movies and shows as part of a \$99 a year Amazon Prime subscription. Amazon, in aggressive competition with Netflix and Hulu, has invested heavily in acquiring and producing streaming content, winning two Golden Globes for the Transparent show, and paying \$250 million to acquire the popular Top Gear show for its Prime audience.

2.4. Crunchyroll

Crunchyroll, the anime and manga entertainment site owned by Otter Media of AT & T-Chernin Group, said it now has more than 1 million paid subscribers and over 20 million registered users. This streaming platform in the last year has received about \$83 million in subscription revenue, as its plans start at \$6.95 per month. Crunchyroll said it saw a 36% increase in paid subscribers last year, a record for a company that has existed for 10 years. Through its app



Figure 4 Crunchyroll's logo

on game consoles, mobile devices and more, Crunchyroll offers content directly from leading media producers to professionally translated viewers in multiple languages. The service is available free of charge or through a premium offering that allows users to watch without advertising with direct access to the series available immediately after the Japanese broadcast.

2.5. Rakuten Viki

Viki engages users by offering them the opportunity to choose languages. In LEARN mode they can study Chinese, Korean, Japanese, referring to double English and foreign language



Figure 5 Rakuten Viki's logo

subtitles, pausing programs to repeat words, and also looking for words and phrases so that they can be heard in different ways, in different languages. Although Viki is headquartered in the United States, and owned by Rakuten, in the Japanese online "global marketplace", Viki users are everywhere. American users account for more than 30 percent of the service subscriber base, with France, Canada, the UK, Brazil and Mexico comprising the company's five largest markets. The site puts the content on one of its channels, and the content can be subtitled by community volunteers. Viki was the first platform for real-time subtitling and video sharing of all types of content. Community members can subtitle their favourite videos in their favourite languages, under a license that uses subtitling technology, allowing individuals to collaborate globally, in dozens of languages simultaneously. Viki is available in a free version but with a big 'but': in the course of viewing the user will have to get used to the continuous interruptions of advertising. For those who just don't digest advertising and prefer high definition, Viki provides two subscription plans. The first is at a monthly rate (4.99 euros), the other with annual billing (49.99 euros). In September 2011, Viki debuted a new iPhone application called Viki On-The-Go, which allows users to watch content on their smartphone. In that year the company also collaborated with Samsung Southeast Asia to develop an Android application. Viki.com achieved 14 million unique views in August 2011. Viki raised \$20 million from Greylock Partners, Andreessen Horowitz and BBC Worldwide in October 2011. In July 2012, Viki signed a non-exclusive agreement with Chinese social network Renren, in which Viki would provide a video site for the social network called VikiZone. The agreement includes only a part of the Viki catalogue and is offered free of charge. In the year following its acquisition by Rakuten, Viki went from about 22 million active monthly users with 10 million mobile users to 35 million active monthly users and 25 million mobile users. The company has a list of original content sourcing partners, including BBC Worldwide. The company has also signed distribution agreements for its original content with Hulu, Netflix, Yahoo!, MSN, NBC and A&E, as well as TVB in Hong Kong, SBS in South Korea, Fuji TV in Japan and Amedia in Russia.

2.6. SBS On Demand

SBS On Demand is a video on demand and catch up TV service managed by the Special Broadcasting Service. The service has been available since 1 September 2011. SBS On Demand is a world of inspired entertainment - a curated selection of premium dramas, documentaries and films from around the world, available anytime, anywhere and



Figure 6 SBS On Demand's logo

absolutely free. With over 6,000 hours of programming and immediate retrieval of your favourite BSS programs, SBS On Demand has something for everyone. SBS TV is watched by over 13 million Australians every month. SBS Radio is the most linguistically diverse radio network in the world, broadcasting in over 70 language programmed to a potential audience of over three million Australians who speak a language other than English in their homes. SBS Online continues to grow and serves on average nearly 7 million unique browsers per month.

2.7. iFlix

iFlix is a free, subscription-based video on demand (VOD) service focused on emerging markets. Its headquarters are located in Kuala Lumpur, Malaysia. The site serves as a digital hosting and distribution platform for Western, Asian and Middle Eastern television shows and films made through partnerships with over 150 studios and content distributors



Figure 7 iFlix's logo

globally including Metro-Goldwyn-Mayer, Disney, Warner Bros, Paramount, NBC Universal, Fox, CBS, BBC, Sony Pictures and Discovery. iFlix is currently available in 22 countries in Asia, the Middle East and North Africa. As of July 2018, iFlix has more than 15 million subscribers to its service. iFlix was founded by Patrick Grove, CEO of Catcha Group, Mark Britt and Evolution Media, an investment bank focused on the media, sports and entertainment industry. In July, iFlix registered over 100,000 subscribers, making it the fastest growing Internet TV service in Southeast Asia. In the 12-week trial phase of its official launch in Thailand in November, iFlix reached nearly 200,000 subscribers. In February 2017, iFlix announces a joint venture with Zain, a leading telecommunications group in the Middle East

and Africa, with the establishment of iFlix Arabia. In January 2018, iFlix announced a joint venture with Football Malaysia LLP to develop and produce new content formats, competitions and live streaming matches, including Liga Super, Piala Malaysia, the Piala FA marquee and some Liga Premier matches on a dedicated channel "Football Malaysia on iFlix".

2.8. HBO Now

HBO Now is a video-on-demand subscription service operated by the premium American cable and satellite television network HBO. Officially launched



Figure 8 HBO Now's logo

on March 9 and April 7, 2015, the service allows on-demand subscribers access to the HBO library of original programs, movies and other content on personal computers, smartphones, tablet devices and digital media players. Unlike HBO Go, HBO's online video-on-demand service for existing subscribers to the linear television channel, HBO Now is available as a standalone service and does not require a television subscription for use, turning to cable cutters that use competing services such as Netflix and Hulu. Since February 2018, HBO has now 5 million subscribers. The service was officially presented as HBO Now at an Apple press event on March 9, 2015. It was also announced that Apple will be the exclusive launch partner of the service, with the HBO Now application exclusively for Apple TV and iOS devices for a period of three months after the launch of the service. HBO Now content is also available on its website. HBO Now officially went live on April 7, 2015, coinciding with the first of the fifth season of Game of Thrones on April 12. Apple maintains 15% of the monthly subscription fee for users who subscribe from an IOS device. HBO now offers on-demand access to most of the HBO libraries of the original series. It also broadcasts original HBO films and documentaries, along with films acquired from its library through the cable channel's content partners (such as 20th Century Fox, Universal Pictures and the HBO subsidiary Warner Bros. Pictures).

3. P.E.S.T.L.E. Analysis

3.1. Introduction

P.E.S.T.L.E. analysis is used as a tool by companies to monitor the environment in which they operate or are planning to launch a new project / product / service, etc. All aspects of this technique are fundamental for any sector in which a company may be involved. Besides the simple understanding of the market, this structure represents one of the vertebrae of the strategic management backbone that not only defines what a company should do, but also accounts for an organization's objectives and strategies related to them.

3.2. Political Factors

Political factors highlight the main laws and regulations, safety measures and restrictions that can apply to the whole industry itself. Most traders will carefully follow any political factors, such as new laws or regulatory changes, that could have a substantial impact on the way their company operates and its profits.

3.2.1. Internet usage rules

In US markets, audiences are moving away from traditional TV to on-demand streaming services such as Prime Video or Hulu. However, with an increase in Internet usage, US telecommunications giants AT&T went to the Federal Communications Commission to insist on stricter usage rules. If it passed through Congress, Internet prices could rise, which could threaten the business model of the Internet streaming service. In America, the era of net neutrality - the principle that Internet providers must treat all content in the same way, without preferential lanes - could end in a few hours. The Federal Communications Commission, with a Republican majority, should overturn a 2015 decision today and allow Internet Service Providers (ISPs) to block unwelcome pages, give preference to other pages or demand payments to provide more content. to get the contents up and running quickly.

REPUBLICAN MOTIVATIONS - According to Conservatives, this is a necessary measure to eliminate over-regulation and restore free competition. The chairman of the commission, Ajit Pai, appointed in January by Trump, also argues that increasing the profits of providers is in the collective interest: the profits could be reinvested to improve the network and all - from customers - would benefit. Providers themselves also say they need more resources to restructure and upgrade facilities that some services, such as video streaming, have put to the test.

NON-NEUN NETWORK EFFECTS - Net neutrality advocates fear that deregulation may allow providers to prioritise content in line with their political agenda. Or those of those who can pay more, with an obvious advantage for the giants of the network. According to critics, promoting free competition between Internet providers could, in short, kill competition between content providers.

CONFLICTS OF INTEREST - Moreover, some high-speed Internet providers now also offer content. This is the case with AT&T, one of America's leading Internet Service Providers, which in 2016 created DirecTV Now, a TV streaming service. The company could therefore be able to slow down competing content and give priority to its own.

UNILATERAL CHANGES - Providers will also be free to unilaterally change the conditions of use, provided that they communicate their choices "in a transparent manner". An Internet Service Provider could, for example, propose an agreement that rewards the Netflix streaming service. If at a later stage it were to snatch cheaper conditions with Amazon's Prime Video, it could reverse its policy. The customer would thus be tied to a provider that offers a different offer from the one for which it had signed.

3.2.2. Content Constraints

The EU's controversial decisions will concern class streaming services such as Netflix and HULU in the same category as traditional TV distributors. This means that these companies will have to comply with the rule that 30% of the content on the platform must be European. In addition, the company will be taxed at the same rate as 26% of traditional media, potentially forcing costs to be passed on to customers. In fact, by the end of the year, streaming platforms such as Netflix and Amazon Prime Video could be forced by law to dedicate at least 30% of their catalogue to content produced in Europe: this is the perspective announced, during his visit to the Venice Film Festival, by Roberto Viola. The director of Dg Connect, the European Commission's section dealing with web security and digital innovation, said that a draft European law is ready and should be in the process of being approved. According to the new EU regulations, therefore, on-demand operators should commit to providing TV series, films and documentaries produced within member states, and this would also mean financing local productions. In addition to this, a solution could be added that has already been adopted in Germany and that Netflix itself has tried to fight in court: the platforms should also direct part of the income from subscriptions to the financing of national funds to support the cinema. The aim is to push the platforms to increase their investments in Europe, even if Viola himself

admits that a reality like Netflix is not far from reaching the 30% share of European titles, especially in view of its recent expansion projects in Spain (Casa de Papel, season 3).

3.2.3. Censorship

Censorship is a phenomenon that still persists in many countries. Companies can only share what countries (and TV stations) allow. For example, in India, many streaming platforms will adopt a "code of self-regulation" that will previously cut scenes from movies and TV series (primarily sexual and religious) considered particularly "sensitive" in the Asian country. Unlike Amazon Prime Video, which will not adhere to this protocol, Reed Hastings' company has made itself available for the first time in a foreign territory to embrace a form of preventive censorship.

3.3. Economic Factors

They represent the set of fundamental information that influences the value of a company or an investment. Several economic factors must be taken into account when determining the present and expected future value of a company or investment portfolio. For an enterprise, key economic factors include labour costs, interest rates, government policy, taxes and management.

3.3.1. Diffusion of Platforms

As of 2016, video streaming platforms currently have over 250 million subscribers accessing their service globally. A key factor is their competitive price compared to traditional television services. In a current global recession where many customers who spend budgets are limited, services such as Crunchyroll or Prime Video, for example, are more attractive than traditional media subscriptions. Pay-Tv executives have long ignored the idea that cutting the cable would significantly disturb their businesses. But this year the phenomenon is accelerating: cable and satellite service providers in the United States have lost 732,000 customers, a decrease of 2.4 percent, the worst annual decline recorded, according to Moffett Nathanson. "Netflix contributes to cutting the cable because it is driving video consumption outside of pay-tv and many other online streaming platforms are taking advantage of it by attracting eyes outside of traditional linear television," said Corey Barrett, senior media analyst at M Science researcher. A recent M Science report, however, suggests that Netflix may not be the biggest driver behind more people abandoning pay-tv subscriptions. Netflix subscribers pay

about \$1 a month less for their cable subscriptions than the average cable customer, according to M Science. Conversely, subscribers to Hulu, the US video streaming site owned by Walt Disney, 21st Century Fox, Comcast and Time Warner, pay an average of \$10 to \$15 per month less than the average cable customer. Barrett attributed the difference to the fact that Hulu broadcasts many shows only a day after they are broadcast on cable TV, while Netflix often doesn't get new seasons of TV series until a year after their first broadcast. "The content is much more real-time. It's a more natural displacer than pay-tv," said Barrett. M Science also found that while more than 80% of Hulu subscribers join Netflix, on average, Netflix subscribers are less likely to join Hulu. "Netflix is still the gateway service," said Barrett. In the IS-LM scheme, where prices are fixed (i.e. in a substantially Keynesian worldview) and a closed economic system is assumed, a comparison between fiscal and monetary policies, both of which are expansive, shows that the most significant difference concerns the effect on the interest rate. Expansive economic policies in any case involve an increase in income and production, but if fiscal policy also increases the interest rate, monetary policy, on the contrary, reduces it. The most immediate consequence is that, in the first case, a fiscal policy implemented through an increase in public spending displaces private initiative. Monetary policy, on the other hand, not only does not produce this displacement effect but, if the hypothesis that prices are fixed is maintained, the interest rate should even decrease, thus favouring an increase in investment. When you move in a context where prices are no longer fixed, things change. In a system of flexible exchange rates, only monetary policy retains a certain degree of effectiveness.

3.3.2. Exposure to exchange rates

A key issue affecting the expansion of video streaming platforms is the issue of exchange rates. Companies aim to set the price around the \$8.5 US commission, however, in some markets this can go as high as \$19 due to exchange rates and VAT. This shifts Netflix and Hulu, for example, into a luxury purchase for some customers and could potentially affect the attractiveness of an entire "price conscious" segment. In particular, an expansive monetary policy (for example, an increase in the supply of money that leads to a reduction in the interest rate) is tantamount to devaluing the exchange rate and, by making domestic production more competitive, allows to increase exports and thus the production of balance. In addition, the fluctuation of the exchange rate can affect negatively on the revenues, increase of the costs of the personnel due to the increase of the staff. In addition to these third-party expenses,

they contributed to the overall increase in general and administrative expenses and increases in plant costs. The costs of domestic streaming, national marketing expenses and other costs that need to be controlled also increased. Cash outflows continue to increase and thus reduce liquidity. A key factor is price competitiveness compared to traditional TV services. In a current global recession where many customers spend tight budgets, services such as Netflix are more attractive than expensive traditional media subscriptions.

3.4. Social Factors

In UK markets, younger viewers are watching a third less traditional television and are now turning to online streaming services for their entertainment. Social trends are showing that many customers are moving to watch video content on their smartphones rather than on larger traditional screens. In 2015, U.S. viewers watched an average of 24 minutes on smartphones, and in 2016, more than 40 minutes passed. Italians' spending on subscription-based online video content (S.V.O.D.) is worth 88 million euros in 2016, up 69% from 2015. Values still marginal, compared to the ability to monetize Pay TV, which is worth € 4.9 billion (including the fee) and grows by 9%. Almost half of the users subscribing to S.V.O.D. services, however, were not previously subscribers to Pay TV, demonstrating that these services are attracting new users to paid offers. All the main operators benefit from this. Watching live TV content on traditional channels and through Pay TV in a typical week still captures 55% of Millennials (16-34 years), 71% of Generation X (35-54 years) and 84% of Baby Boomers (55-75 years). However, in addition to traditional television, the use of the Internet as an alternative channel is developing, especially among the Millennials, allowing for greater flexibility in the use of the content sought. Among the Millennials, 44% still let themselves be guided by television programming, but 56% first of all look for a specific content regardless of where it is transmitted (via Internet or TV) or watch the offer on demand at its disposal. The same percentage decreases to 48% in Generation X and 43% in Baby Boomers.

3.4.1. Changing the tools for using video content

43% of Millennials, 36% of Generation X and 27% of Baby Boomers watch programmed, films and TV series streamed free of charge over the internet in a typical week, and the percentages drop to 21%, 14% and 10% respectively for the use of the same paid content. In fact, while Pay

TV is still used for the most part through traditional TV (70% of respondents), Subscription Video On Demand (S.V.O.D., i.e. Netflix, Prime Video, Hulu, etc.) is mainly divided between TV (45%) and PC (29%), while streaming is more related to the use of PC (47%) and more generally through new devices (74%). In the United States, "Cord-Cutting" is the act of customers who switch from traditional cable supports to online streaming services. In 2017, US cable companies recorded the largest losses, with a record exchange rate of 2.4%. The tendency of customers to consider expensive cable options as less attractive considering the variety of online viewing options demonstrates the influence of services such as Netflix.

3.4.2. The use during the day

"It is interesting to note that the proliferation of the offer has not increased or decreased the total time spent in front of the videos: 47% in fact use the new On Demand services in place of the use of traditional television offers. The moment of the day in which the peak of the fruition of Video contents is concentrated is still the evening after dinner- It's the comment of Guido Argieri, Telco & Media Director of Doxa. "In particular, the after-dinner becomes the preferred time for Streaming: while at dinner time the S.V.O.D. and Streaming services are only displayed by 20 and 17% of the sample, the percentages rise to 61% and 63% during the evening".

Pay users are more loyal to the offer they have subscribed to: 39% of subscribers in fact say they watch content almost every day; otherwise, for regular users of Streaming or S.V.O.D., the average frequency drops to 1 or 2 times a week (respectively for 31% and 35% of cases), while only 8% and 11% respectively enjoy it every day. Video viewing on the move is still not very frequent: less than 10% in fact say they "often" watch mobile content when they are away from home.

3.4.3. Most viewed content

The most viewed programs through Pay TV are Sport events or sports broadcasts: they are viewed at least once a month by 54% of those who have had access to the service. This is followed by American TV Series (50%) and older Films (41%), while those who access S.V.O.D. services or online streaming sites first see American TV Series (46% and 32% respectively) and older Films (44% and 31%). Third place in the ranking of programmes viewed by users of S.V.O.D. platforms was given to Sports events (25%), while users of streaming sites viewed newly released films (23%). The reasons that push consumers to join the S.V.O.D. offers are

different: for almost half (47%) of the respondents the possibility to use the contents whenever they want plays a key role, but also the interest in specific contents offered (30%) and the greater economy compared to the pay proposals (28%) are important factors. This trend shows a demand for content in motion to adapt to the hectic life of clients. "Cord-Cutting" in the US is the act of customers switching from traditional cable media to online streaming services. In 2017, U.S. cable companies recorded the largest loss with 2.4% of record conversions. The tendency of customers to consider expensive cable options less attractive considering the. Variety of online viewing options demonstrates the influence of services like Netflix.

3.5. Technological Factors

The 4K television market recorded a 10-year growth of 43% in the United States, with a market estimated at \$71.9 billion. To capitalize, video streaming companies have invested money in research and development to support 4K streaming efficiently, but this technological shift to 4K screen resolutions has created a problem for streaming services. The amount of data required for streaming is a huge effort for customers' broadband services, which is why companies are aiming to create a new patented technology that will allow for better 4K signal compression. Last year companies started choosing different codec settings for each title in order to optimize quality on slower internet connections with a 20% bandwidth saving. For the download option they have further expanded the concept: instead of changing the settings for content, they have divided each video into clips from 1 to 3 minutes long, a system finally detects the complexity of the clips by choosing the appropriate setting. According to the companies, this system allows to save about 36% in combination with the codec VP9, while in the case of videos compressed in H.264/AVC the saving is about 19%. In this way, companies can choose, depending on the segment, to optimize the file on the quality or weight on the integrated memory, delivering the user in any case a high-quality playback. Finally, the companies stressed that the new method will be introduced "in the coming months" also in streaming via mobile. The focus is not only on the quality of video streaming, but also on improving the experience in convenient payment and delivery processes. The new evaluation system "thumbs up\down" will help to improve customization.

3.5.1. New support technologies

The demand for S.V.O.D. is expected to grow rapidly, driven by the younger generation. According to statistics, 18-24-year olds spend an average of 39 minutes a day using a kind of S.V.O.D. service.

Technavio said that a key factor driving market growth is the growing adoption of mobile computing devices and applications. The growing adoption of smartphones and tablets has increased the target consumer base for providers offering S.V.O.D. (streaming video on demand) and VOD services, while the availability of high-speed internet applications and smartphones has improved access to S.V.O.D. services.

Initially, providers offered S.V.O.D. services through websites. However, the increasing use of mobile computing devices has encouraged them to develop mobile applications capable of streaming video. The use of such applications simplifies the payment process. They also collect personal information from consumers, which can be used to store it through targeted advertising. As a result, the number of people consuming S.V.O.D. services through their mobile computing devices is increasing. Parks Associates research finds that S.V.O.D. services have returned to the living room at home, with a majority (52%) of U.S. broadband households now watching online videos on an Internet-connected TV. The company's latest research, 360 View: Digital Media and Connected Consumers, also finds that watching TV or movies at home is the most popular recreational activity among American broadband families, with 55% selecting it among their two favourite recreational activities. In U.S. households, 19% of consumers subscribe to Netflix, Hulu or Amazon Prime Video and another S.V.O.D. service, compared to 13% in 2017.

3.6. Environmental Factors

For video streaming services, access to data servers puts enormous pressure on the environment. In collaboration with Greenpeace, technology companies are starting to look for solutions to reduce their carbon footprint, at current usage rates, global governments have asked technology companies to pay a portion of an environmental bill worth \$11 trillion by 2025. In 1977, the film industry consumed 58 million kilograms of plastic. By 2016, the quantity had fallen to 8 million. A drastic drop, thanks to the fact that the sector has profoundly changed. The advent of digital and especially streaming platforms has reduced the use of films in physical format and consequently also the use of plastic materials. In short, one could say that streaming video respects the environment, but that's not really the case. In fact, according to a study by the University of Glasgow, the introduction of the digital format has

led to an increase in greenhouse gas emissions. In 2016, the greenhouse gases produced by the transmission and storage of video files amounted to a maximum of 350 million kilograms. This is much higher than the 58 million kilograms of plastic produced in 1977. The use of wind energy to compensate for its energy for cloud storage is a new initiative to reduce carbon footprints. "One could say that streaming is good for the environment, but the study shows a very different picture. Especially when we think about the electricity consumed to boost online streaming. Storage and processing use a huge amount of resources and energy, which have a strong impact," says Kyle Devine, researcher at Oslo University among the signatories of the research.

3.7. Legal Factors

In 2016, Netflix took an expensive step against a consumer lawsuit. At the beginning of the year, the company announced that it would raise subscription prices, but it was not clear how current users would be affected. As a result, Netflix received a lawsuit against angry customers, and the company also received a lot of media criticism for their confusing customer contracts. Also in 2016, to meet the growing demands of television and film studios for access to copyright in content, Netflix introduced alternative solutions to block users accessing content from other countries so many users had access to other countries Netflix through technology solutions, however, to allow Netflix to meet copyright law standards with content providers, the company had to put in place blocks. As a result, this will affect a small segment of users and their demand for the product due to the limited access of some Netflix countries. In Italy, the distribution of Italian films on online or pay-per-view platforms is regulated by the implementing decree of the Cinema Act, 220 of 2016, and concerns only Italian films. Until now, in Italy the windows were regulated, as in Germany, not by a written rule but by a widely respected practice: 105 days was the time reserved for theatrical programming, starting from the first screening. The rule is certified by the decree: 105 days are provided for the audio-visual work - the mainstream film - to be eligible for the benefits that the law grants to Italian films (tax credit, etc.). But the deadlines are reduced to ten days if the work is scheduled for only three (or less) working days, with the exception of Friday, Saturday and Sunday. Of sixty days, if the work is programmed in at least 80 screens and after the first 21 days of programming, having obtained a number of viewers of less than 50 thousand. The reduction, then, is allowed only if during the programming period there has been no activity of launch and

promotion on the subsequent availability of the work through providers of audio-visual media services.

4. Porter model

The microenvironmental analysis of the sector was carried out using the model of the five Porter forces. It can help companies deter the attractiveness of the sector, how trends will affect competition in the sector, in which sectors a company should compete and how companies can position themselves and change their successful strategy.

4.1. Threats of new entrants

Barriers to entry are high in the online television streaming industry. In addition to the large amount of capital needed to build the infrastructure needed to deliver video directly to someone's device, you also need the power to negotiate with content providers.

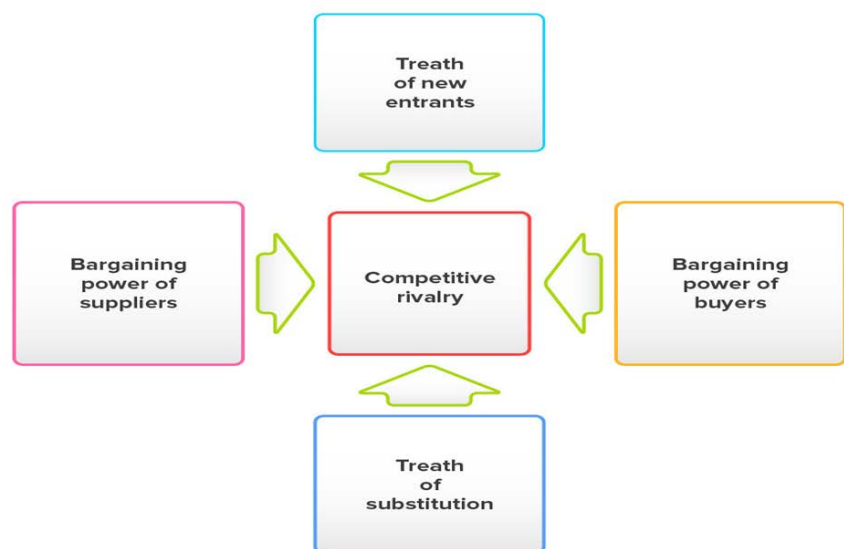


Figure 9 Porter model

With the exception of

Amazon and Hulu, many companies have not been able to provide content by negotiating agreements with television show networks and film production companies. Apple too, with its outstanding streaming service, has had difficulty reaching an agreement with the television networks. It is reported that Apple wants to offer a TV streaming package at a price of between \$30 and \$40 a month, but television networks and other content providers expect to be compensated at a higher rate that makes Apple's plans unrealistic at this time.

In addition, entry into the in-home video entertainment industry is not regulated, but constrained by the cost of obtaining distribution rights from studios. However, the distribution of video and television content is becoming increasingly widespread through the

Internet, so the cost of entry to start a business has decreased, but barriers to entry remain high.

4.1.1. Economies of scale (EOS)

The concept of economies of scale can be one of the most valuable ingredients for lowering the cost structure as the idea of innovation increases. They can be described as "cost advantages that companies achieve through their operational scale (typically measured by the amount of production produced), with the cost per unit of production decreasing as the scale increases". To begin with, we must emphasize that this includes the ability to invest in a better value proposition for the customer through the ability to spread costs (fixed/indirect/one time) over a wider customer base (existing or future).

Investment decisions

The reduction in unit costs can result from a continuous optimisation effort linked to the increase in scale. In other cases, they may also require capex (or one-off apex) investment to achieve these lower unit cost levels. When Netflix went streaming, it reduced implementation costs, but had to invest in technology and development for several years.

Competitive advantage

One of the great advantages of achieving economies of scale is the improvement of competitive advantages:

- A lower unit cost can help you reduce the price of your products that smaller competitors may not be able to achieve profitably.
- The first company to obtain lower unit costs can compete with other companies and gain market share, which can further worsen the competitive situation to invest in the same technology.
- It can also give you an advantage that you can use to guide others in additional investment decisions.
- Economies of scale have long been a major source of competitive advantage for large players in their respective industries.

There are two main drivers for streaming:

- A better value proposition for the customer supported by the convenience of streaming
- Fast and broad scalability, thus providing opportunities for rapid revenue growth and reduced unit costs thanks to economies of scale.

Content acquisition is the highest cost for streaming platforms in most years. Once streaming begins, these costs rise dramatically.

Their own content somehow reduces their dependence on studios and this could lead to a shift of power within the wider industry (especially if others, such as Amazon, continue to create their own originals). Original content helps to build their own brand and avoid them being a pure content distribution company. Barriers to new entry also increase.

4.1.2. Diseconomies of scale

Diseconomies of scale due to the growth of a company and lead to an increase in the unit cost of production.

Decreasing yields

This in itself can lead to a series of effects. For example, marketing expenditure will be less effective in getting new subscribers. There will still be a considerable need for marketing expenditure in order to stimulate consumption to prevent people from cancelling the subscription over time. There may be a need to go to more expensive marketing to achieve further growth by increasing the cost per customer acquisition.

These effects are also called decreasing returns, closely related to diseconomies of scale.

Inelasticity of supply

When inputs from low supply (or aggregate demand increasingly exceeds supply), prices will rise. The cost of content is an example. They increase as competition between streaming providers leads to higher prices on the same content.

Also, as your business grows and becomes more profitable, providers try to participate in this growth. There will be an arm wrestling with input costs. As Netflix has grown, so too have their ambitions to deliver exclusive content. But exclusive rights are priced and make content scarcer while other streaming providers offer to license the same content exclusively (or not exclusively) in competing offerings. One of the most obvious and known causes of diseconomies of scale is linked to cultural phenomena associated with large growing companies (the analogy of metastatic growth comes to mind). Netflix is aware of these phenomena and calls them on their culture page.

Decision-making, prejudice and fallacy: hiring more people than necessary to anticipate growth rates will never be reduced; accepting disproportionate wage increases; pouring resources into elusive opportunities for future growth adds costs difficult to remove;

investing in ever lower returns; looking at the wrong parameters can all be related to/caused by twisted decision-making processes.

4.1.3. Economies of scope

Economies of scope are efficiencies formed by variety, not volume. Expansion of product portfolios should take place at lower unit costs due to economies of scope.

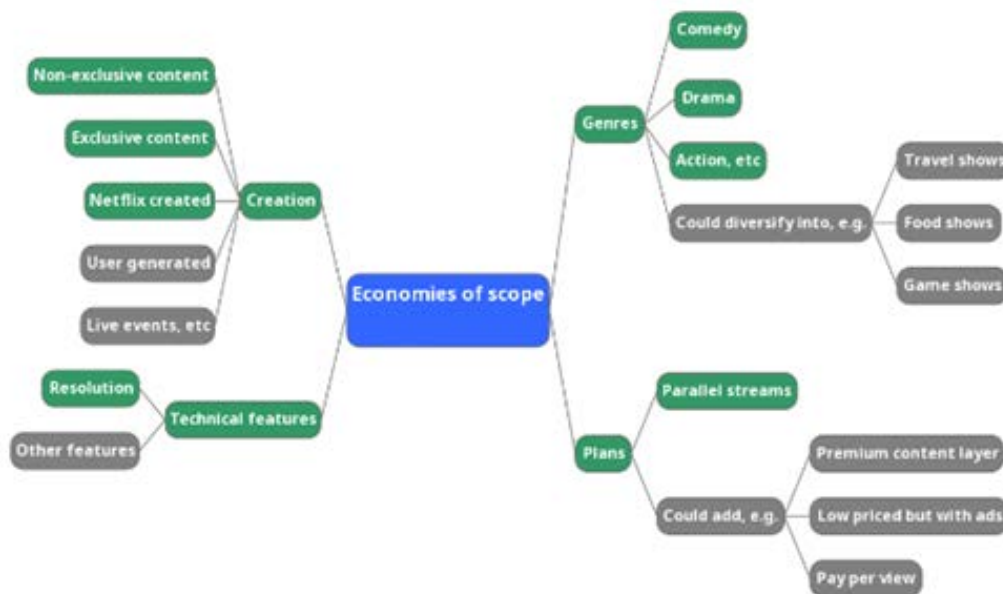


Figure 10 Economies of scope

However, before making a decision, it should be assessed on a case-by-case basis and, where reasonably possible, tested.

Streaming industries may diversify across many sectors in an attempt to take advantage of economies of scope. Green nodes show where they diversify and grey nodes show what they abstained from.

But there are also economies of scope to benefit from. These economies come into play when activities remain the same (and thus the fixed cost component) regardless of how and by whom the content is created, e.g.: Distribution, i.e. the streaming infrastructure is the same for third-party content and independently created content.

Technological and development efforts

Marketing remains largely the same (although there may be more marketing on self-created content, but the type of marketing is largely the same).

Most streaming platforms create their own content, they do so through different genres (theatre, comedy, etc.). Many of the underlying cost factors are the same. Some actors may specialise in one genre (although this may be more perceptive/expectful of reality) and, in the

same way, directors, but most actors/directors may do more than one genre. The same is true for most other ingredients (people, tools, processes, etc.).

Revenue streams

You can imagine that they diversify their income streams, for example by offering a low-cost subscription that comes with advertising breaks.

Or they could introduce a premium content level for access to their blockbuster content (but they don't).

Potenziiali vantaggi delle economie di scopo

When they are done well, economies of scope can bring a number of advantages (not all apply in all cases): Flexibility to adapt to changing tastes, for example, a competitor has had a revolutionary success with a new type of TV series (Game of Thrones), use of your assets and your staff, customer satisfaction with the amount of choice, satisfaction and development of staff and brand reputation.

4.1.4. Product differentiation

Without any differentiation in the distribution of content, subscriptions (annual or monthly) and business model, the video streaming industry is rapidly converting to an entertainment, media or content generation industry. Users do not have to bear any switching costs and can quickly change providers. In such scenarios, content is and will be the only differentiator in the S.V.O.D. space. There are two ways in which companies obtain content, license it to content already produced (including series, popular films, etc.) or make their own series and films. With the licensed product, the content remains with the company only for a fixed time. Thus, there are limited and non-exclusive popular content. In addition, there are contractual obligations (as only for certain regions, countries) that the company must comply with, and this hinders the access and experience of the same user throughout the platform. Content providers like Disney are entering the S.V.O.D. space and will withdraw their content from other S.V.O.D. providers. That's why Netflix and other platforms like Amazon Prime are making their own shows and movies. The company needs quality content to attract the user. In addition, this demand and the creation of "original" content is very broad and there is no guarantee that each new show and film will be welcomed by the user. Although the new content is popular, there is only a fixed shelf life for the content. Most content remains popular only during the first 6-12 months.

The video streaming industry is growing. So, there will be more global actors and some local actors (Disney+, iQiyi in China) will deploy more resources to make their services more differentiated. There are niche areas for streaming video as live events (Amazon is committing resources here) that remain unexplored.

4.2. Threat of substitute products or services

Since within the industry it competes with many different entertainment display formats that are relatively identical and replaceable, including VOD, pay-per-view, online streaming, etc., the threat of substitutes is very high. Many users simultaneously subscribe to a combination of these services. Since these services are similar and switching costs are usually minimal, trivial price fluctuations may cause consumers to cancel that particular display format and replace it with an alternative, usually very similar one.

Although often perceived as a declining industry, many substitutes for digital streaming remain in the market. My substitutes include satellite and cable television, DVDs and DVD rentals, and cinemas. In Canada, according to regulatory data, total cable and satellite subscribers decreased for the first time in the year ended August 31, 2013. As the latest technological advancement in television and film viewing, the growth of on-demand video streaming has become a popular medium for accessing content and a pervasive pleasure for traditional ways of viewing television and film. The simultaneous increase in the popularity of digital streaming and the decline in popularity of traditional media reduces the threat of substitute products.

However, some viewers may be reluctant to adopt new technologies. Although traditional substitutes for digital streaming services are more expensive and less easy to use, they are deeply rooted in the consumer psyche, and those uncomfortable with new technologies may choose to use the traditional method of watching films and television. This consideration is particularly important with regard to methods of viewing film and television, also considering the aging population in many of the key markets for S.V.O.D. platforms, including Canada and the United States, who spent most of their lives watching television and films through traditional television means.

In addition, many of these replacement products offer benefits not yet offered by S.V.O.D. platforms. Television broadcasters offer viewing of appointments, where viewers will be able to watch live events, shown only on certain types of television and satellite networks events.

Cinemas offer viewers the opportunity to view films immediately after release and provide a more immersive viewing experience.

It is difficult to compete against the free, and Netflix faces this competitive force on several fronts. First, Netflix runs the risk of people replacing its service with piracy. Whether video pirates receive their videos from one of the many piracy sites on the Internet or through the log-in of a friend borrowed from Netflix, there is a huge cost to the company. Netflix also has to compete with other streaming video providers that provide their content for free. In addition to free cable streaming networks, many streaming applications such as PBS, Crackle or Snag Films offer some content for free or in exchange for aired advertising.

There is also a risk that Netflix subscribers will replace the time they spend streaming video with more time being social. If social media services like Facebook have shown anything, it is that people are looking for ways to connect with others around them and share their experiences. Whether it's playing online and interacting with friends or spending more time face to face with loved ones, the fact is that watching binge watching on Netflix is not an intrinsically social experience.

Although many on-demand videos streaming substitutes are in decline, they remain ubiquitous in the entertainment industry and remain a threat to S.V.O.D. platforms. However, as demand for streaming continues to grow in popularity, the threat of substitute products may be diminished. With the rapid pace of technological change, S.V.O.D. platforms are likely to face the threat of new and innovative substitutes in the future.

4.3. Contractual power of suppliers

The process of acquiring films and other audio-visual programmes is fully controlled through revenue sharing, licensing and direct purchasing. These agreements allow companies to stream video content or, in some services, to rent DVDs, which are mainly purchased by studios, networks and distributors. Therefore, suppliers (networks, studios, distributors) are responsible for and have full control over the prices that Internet streaming companies have to pay for video content. We are talking about the high power of the suppliers.

Since S.V.O.D. platforms obtain most of their content through licensing agreements with content owners, their providers therefore have considerable bargaining power. When licensing agreements expire, content providers can choose to terminate their relationship with S.V.O.D. platforms, thereby reducing the amount of content they can offer their

consumers. In contractual negotiations between platforms and the content provider, they are the smallest fish and are often forced to succumb to costly price agreements.

In 2013, for example, a Netflix agreement with Viacom expired, leading Netflix to lose the right to broadcast any Viacom program, including its Nickelodeon library dedicated to children. Once the Netflix agreement expired, Viacom entered into a contract with Amazon Prime, demonstrating that the providers have a variety of digital streaming competitors with whom to enter into licensing agreements. Potential providers are also offering their own streaming services for digital downloads, a trend that may lead to a continuation in the future. Hulu, for example, is an on-demand digital service owned by 21st Century Fox NBC. Universal and Walt Disney Company offer hundreds of television shows from ABC, BET, CBS, CBS, Central Comedy, CW, FOX, NBC and other networks through its Internet video streaming service. Although commercials are included in its scheduling, this business model could be perceived as mitigating the risk of consumer price sensitivity by creating an additional revenue stream and making Hulu less dependent on the volume of subscriptions to remain profitable.

In addition, Netflix does not own the rights to the original content. Netflix owns the right to stream programs such as *Breaking Bad* before and exclusively for a limited period of time, but the license rights may be sold to a competitor once the contract expires.

Another important provider and enabler of the streaming service offering are network and broadband providers. Netflix, YouTube, Amazon Instant Video and other online video streaming providers all require a broadband connection. Presumably, cable operators will be looking for ways to charge more for broadband service, as recently discussed by Canadian Internet providers such as TELUS, which is considering ending unlimited use of the Internet in favour of different price premiums for set data amounts. The recent legislation of the CRTC will allow them to do so. If broadband becomes more expensive, this is likely to have a related positive effect on online streaming services. This effect will create a serious threat to the S.V.O.D. industry.

Ultimately, the bargaining power of the providers with whom S.V.O.D. platforms contract is extremely high, and ultimately poses a threat to the long-term viability of their current business model.

4.4. Contractual power of purchasers

As mentioned above, the home video entertainment industry is extremely competitive because customers are able to subscribe to many providers at the same time, and it is absolutely transparent (and free of charge) to compare different providers.

Buyers have high levels of power.

It is their choice of which supplier to use and how much to pay. The landscape industry is very competitive and aware of competitors' prices and strives to keep subscription costs down. Companies must also be flexible when it comes to meeting customer needs. In particular, technological development and preferences in video consumption are constantly evolving, which causes consequences such as unstable buyer preferences and supports the already strong position of buyer power. The current business model of video streaming platforms offers its customers a large amount of bargaining, as consumers face minimal consequences for cancelling subscriptions, as customers can cancel at any time without termination fees, and have their profile data, such as by Netflix, saved for one of them. The price sensitivity of consumers further increases their bargaining power, on average at \$8.99 per month, the subscription to these platforms is relatively cheap compared to traditional media. The low price and high amount of content available creates a competitive offer and this is a great advantage over traditional media, but also creates high consumer expectations regarding both price and content, and may have inadvertently increased the bargaining power of consumers. As a result of these expectations, consumers are extremely price sensitive and the risk of abandonment is very high in the face of relatively incremental price increases. For example, in 2011, when Netflix split its DVD by mail services and streaming services, with a cost of \$7.99 per service per month instead of \$10 for access to both, it lost 800,000 subscribers in three months. In 2014, it again raised prices from \$7.99 per month to \$8.99 per month to mitigate the risk of audience loss by allowing existing customers a two-year price reduction.

While this strategy appears to prevent the loss of customers, the amount of media coverage related to the ad illustrates the price sensitivity of customers. Buyer bargaining power has increased through the large number of alternatives available, with piracy. Sites that provide free streaming services are particularly attractive to video streaming companies, although these sites violate copyright laws. For this reason, in 2012, Netflix presented a political action to the Federal Electoral Commission to form a committee called FLIXPAC, a US political action

committee against piracy. At the time, Netflix CEO Reed Hastings expressed concern about the growing popularity of the pirated site Popcorn Time, citing it as the top competitor.

Many video streaming platforms mitigate buyer power by offering customers only original content available. For fans of these programs, the loss of access to these programs creates a consequence for the cancellation of their subscription and increases the difficulty and likelihood of switching providers. Access to this original content thus decreases the bargaining power of these customers. However, the availability of alternatives and the price sensitivity of customers ultimately confers bargaining power on purchasers.

4.5. Rivalry between existing competitors

Home entertainment involves a wide range of technologies and distribution channels. Rivalry includes not only Internet streaming companies, but also VOD services of satellite companies (video-on-demand), cable networks broadcasting films on television and websites performing video.

With the growing number of new entrants entering the streaming video-on-demand market segment, the rivalry between competitors in this market segment can be expected to be high. Numerous digital streaming services, including Hulu, Google Play, YouTube and Amazon Prime as well as Shomi and Crave TV have emerged, and the prevalence of digital streaming providers can be seen as a major source of increasing rivalry within the industry. However, perhaps counterintuitively, a competitive collaboration seems to emerge among digital on-demand competitors. The inclusion of third-party applications for these products indicates an acknowledgement of the value of competing products, as well as the possibility for consumers to choose the products best suited to their needs. Rival organizations have indicated that they believe that the digital on-demand market is evolving in a direction where consumers will subscribe to multiple digital on-demand services. In a 2014 Globe and Mail interview, Rogers Media president Keith Pelley expressed that their market research as indicated that "consumers can support two, three or even four services [video on demand subscription]", enabling more organizations to achieve market share despite the growing number of direct competitors in the digital streaming arena. The credibility of this argument is provided at the points of difference between competing organizations offering a variety of content, which can act as an incentive for consumers to subscribe to multiple services. Due to the low cost of these services, consumers may purchase multiple services, subscriptions and still pay less than the cost of a traditional cable or satellite package. Licensing agreements that have some

S.V.O.D. platforms, such as Netflix, create additional revenue for these organizations, and allow these companies to broadcast previous seasons of popular TV programmed by increasing the number of subscribers. Major video streaming companies face many direct competitors, the latter posing only a moderate threat based on the current competitive environment, however, rivalry may intensify as more competitors enter the market or consumers choose not to subscribe to multiple streaming services. In recent years Netflix has established itself as a leader in digital streaming services, however, certain aspects of its current business model, including dependence on providers and a cost structure that makes Netflix heavily dependent on volume to remain profitable and consumers sensitive to price increases, have created a situation where Netflix is highly vulnerable to competitive forces. In a constantly changing technological environment, the current dominant position in the market does not guarantee continuity or future. For this reason, video streaming companies must remain flexible enough to adapt to changes and consumer tastes, integrating new technological advances into their business models. To continue to deliver original content and maintain a profitable business model, future price increases are inevitable. To maintain a broad customer base, S.V.O.D. platforms need to find ways to mitigate the effects of such price increases by providing added value to customers, being transparent about price increases and giving ample notice of price increases to give customers time to adjust their expectations. Finding a means to create an additional revenue stream, whether through advertising or another means to provide high quality content and to maintain the lowest dependence on sales volume. maintaining good relationships with suppliers, for example Netflix may want to consider providing added value and incentives to its suppliers, such as increased brand awareness, by including supplier logos in its products. In an ever-changing technology environment, innovation is critical, which is why video streaming companies must be able to meet changing consumer preferences and offer innovative products to meet their needs to maintain a dominant position in the marketplace. Netflix, for example, has gained market dominance through its innovation in providing television and film services, having had intuitive capabilities to predict changes in consumer tastes in content display, building a sustainable business model through these competitive advantages.

4.5.1. Rivalry between major industries

At the top of the list is Netflix, which started offering a streaming service in 2007, long before most companies thought they would get in the ring. This gave Netflix enough breathing space

to expand its content catalogue through licensing agreements with cable networks and content studios. Twelve years later, Netflix has collected 139 million subscribers in over 190 countries and territories.

Following in Netflix's footsteps is Amazon, which has also made available its Prime Video streaming service in over 190 countries and territories. Amazon has never revealed how many users subscribe to Prime Video, but last April the company said that more than 100 million people use its Prime Umbrella subscription, which brings together a number of services, including rapid delivery of goods and Prime Video.

In the United States, Netflix and Amazon also compete with Viacom's Hulu, HBO, Showtime, CBS All Access and Noggin - to name but a few. Hulu, which is available only in the United States and Japan, offers movies and shows, as well as access to some television channels. The company stated in January that it had reached 25 million subscribers. (Apple says it will make Apple TV+, the streaming service announced this week, available in over 100 countries, although it has not offered content or details on prices).

The cable giant HBO offers customers in the United States access to its original films and shows such as Game of Thrones and Westworld through its streaming service HBO Now. HBO Now also includes content from its subsidiaries Warner Bros. Pictures, 20th Century Fox and Universal Pictures. At the beginning of last year, the service had 5 million subscribers. Other players, such as CBS All Access, are relatively new to the market and have not yet gained significant traction.

Then there's YouTube, which people spend a lot of time watching. Google's proprietary service increasingly caters to on-demand video streaming users by adding movies to its catalogue and slowly expanding the reach of YouTube Premium - a subscription service that gives users access to exclusive content and an advertising-free experience - to multiple markets.

While YouTube is the most consumed video streaming application in most markets, Netflix is the world leader in revenue. Since 2018, Netflix has generated more revenue than any other video streaming service - and in some cases, more than any other application in any category - in Argentina, Australia, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Indonesia, Malaysia, Mexico, the Netherlands, Singapore, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom, the United States and Vietnam, among other markets, according to Annie App.

4.5.2. Future challenges

Companies hope that the original schedule will help them gain a competitive edge, but research suggests that people spend much of their time watching a small number of old shows. In the coming quarters, when more players enter the market, we'll find out if the new original programming or the old classics are actually more profitable. In addition, as the list of streaming services grows, so does the fatigue of consumer apps. Research suggests that users are increasingly frustrated by the number of streaming services they have to pay to get all the content they want. This also means that the first adoption that many services are seeing today may be difficult to sustain. And finally, we still have to learn exactly how Apple, with hundreds of billions of dollars sitting in its bank, intends to make its mark.

5. Market Analysis

5.1. Lorenz curve

In this part of the project we analysed the market using the Lorenz Curve.

This is based on the market share and the annual earnings of the companies considered (Netflix, Hulu, Prime Video, SBS OnDemand, Viki, IFLIX, HBONow, Crunchyroll). In the graph we find in the axis of the abscissae the market shares relative to the companies, in the axis of the orders the revenue of each firm. The blue line represents the case of perfect competition, which occurs when the market share is equal for all companies, the grey line represents the case of "real competition" where the market shares differ for each firm. The area between the two curves is the "concentration area" and it is equal to 0.612. There are various indices for concentration, we have used: R^* , which is based on the Lorenz curve, GINI INDEX, CR_n (Concentration Ratio) and Herfindahl-Hirschmann.

GINI INDEX and R^* are very similar, in fact they are sometimes the same. In our case they differ slightly R^* is 0,876 and the GINI is 0,811.

The CR_n is calculated using the N companies with the highest revenue, in our case 3 and are NETFLIX PRIME VIDEO and HULU. The value of CR_n is 0.989.

The last index analysed is Herfindahl-Hirschmann. We know that its value varies from $1/N$ (Perfect Competition) to 1(Monopoly), where "N" represents the number of companies taken into account. In our case $1/N$ is 0.125 and the value of H is 0.515.

FIRMS	REVENUE	REVENUE SET	Marketshare (%)	CUM. REVENUE (Qi)	Perf.Comp	CUM. CONCPERF (Pi)	Qi+(Qi+1)	(Pi+1)-Pi	Prodotto	marketshare
			0	0		0	0.00023507	0.125	2.9384E-05	3.91498E-08
CRUNCHYROLL	\$5M	0.005	0.000197863	0.000235073	0.125	0.125	0.0006308	0.125	7.885E-05	3.91498E-08
IFLIX	\$5M	0.005	0.000197863	0.000395726	0.125	0.25	0.00118718	0.125	0.0001484	1.56599E-07
VIKI	\$10M	0.01	0.000395726	0.000791452	0.125	0.375	0.00265137	0.125	0.00033142	1.14161E-06
SBS ON DEMAND	\$26.5M	0.027	0.001068461	0.001859913	0.125	0.5	0.01254452	0.125	0.00156806	7.78752E-05
HBO NOW	\$223M	0.223	0.008824693	0.010684606	0.125	0.625	0.10051444	0.125	0.01256431	0.006263968
HULU	\$1.8B	2	0.079145231	0.089829838	0.125	0.75	0.41709537	0.125	0.05213692	0.056375709
PRIME VIDEO	\$6B	6	0.237435694	0.327265532	0.125	0.875	1.32726553	0.125	0.16590819	0.452571664
NETFLIX	\$16.6B	17	0.672734468	1	0.125	1	1	0	0	1

Table 2 Revenue

TOT	25,27
SOMMA PRODOTTO	0,232766
Concentration AREA	0,616383
GINI	0,811184
CRn	0,989315
H	0,515291
R*	0,876565

Table 3 Concentration Index

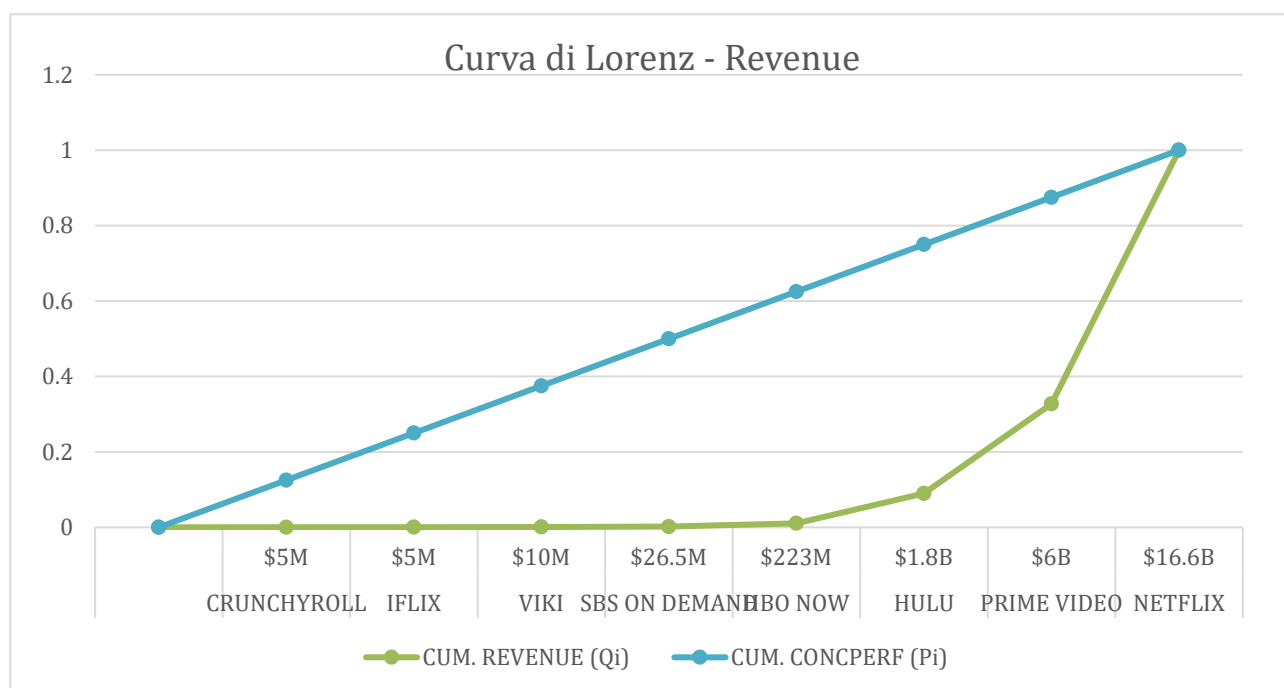


Figure 11 Lorenz curve - Revenue

5.2. Estimation of Demand

In this analysis we took in consideration the quarterly data about the Netflix subscribers, data starts from Q3 2011 to Q1 2019. From the graph we can see that, as expected, at market entry, Netflix had a lower number of members than in the first quarter of 2019, which are

about 150 million. We applied two method to forecast the demand in q2-2019, "Moving average with trend" and "exponential smoothing".

5.2.1. Moving average with trend

The value estimated with the "Moving average with trend" for the following quarter is 135.27, obtaining a value for the intercept $a = 69,614$ and an angular coefficient $b = 4,103$. As mentioned, this is an estimate, in fact, the value is lower than the last quarter recorded.

MOVING AVERAGE WITH TREND					
	PERIOD	SUBSCRIBERS	t	Values2	t^2
1	q3-2011	21,5	-15	-322,5	225
2	q4-2011	21,6	-14	-302,4	196
3	q1-2012	24,43	-13	-317,59	169
4	q2-2012	25,71	-12	-308,52	144
5	q3-2012	27,49	-11	-302,39	121
6	q4-2012	30,36	-10	-303,6	100
7	q1-2013	34,24	-9	-308,16	81
8	q2-2013	35,64	-8	-285,12	64
9	q3-2013	38,01	-7	-266,07	49
10	q4-2013	41,43	-6	-248,58	36
11	q1-2014	46,13	-5	-230,65	25
12	q2-2014	47,99	-4	-191,96	16
13	q3-2014	50,65	-3	-151,95	9
14	q4-2014	54,48	-2	-108,96	4
15	q1-2015	59,62	-1	-59,62	1
16	q2-2015	62,08	0	0	0
17	q3-2015	66,02	1	66,02	1
18	q4-2015	70,84	2	141,68	4
19	q1-2016	77,71	3	233,13	9
20	q2-2016	79,9	4	319,6	16
21	q3-2016	83,28	5	416,4	25
22	q4-2016	89,09	6	534,54	36
23	q1-2017	94,36	7	660,52	49
24	q2-2017	99,04	8	792,32	64
25	q3-2017	104,02	9	936,18	81
26	q4-2017	110,64	10	1106,4	100
27	q1-2018	118,9	11	1307,9	121
28	q2-2018	124,35	12	1492,2	144
29	q3-2018	130,42	13	1695,46	169
30	q4-2018	139,26	14	1949,64	196
31	q1-2019	148,86	15	2232,9	225
				#Values	31
				AVERAGE SUB. (a)	69,61451613
				X-Elements	10176,82
				b-values	4,103556452
				Q1-2019 Exstimated sub.	131,1678629
				Q2-2019 Exstimation sub.	135,2714194

Table 4 Mooving average with trend

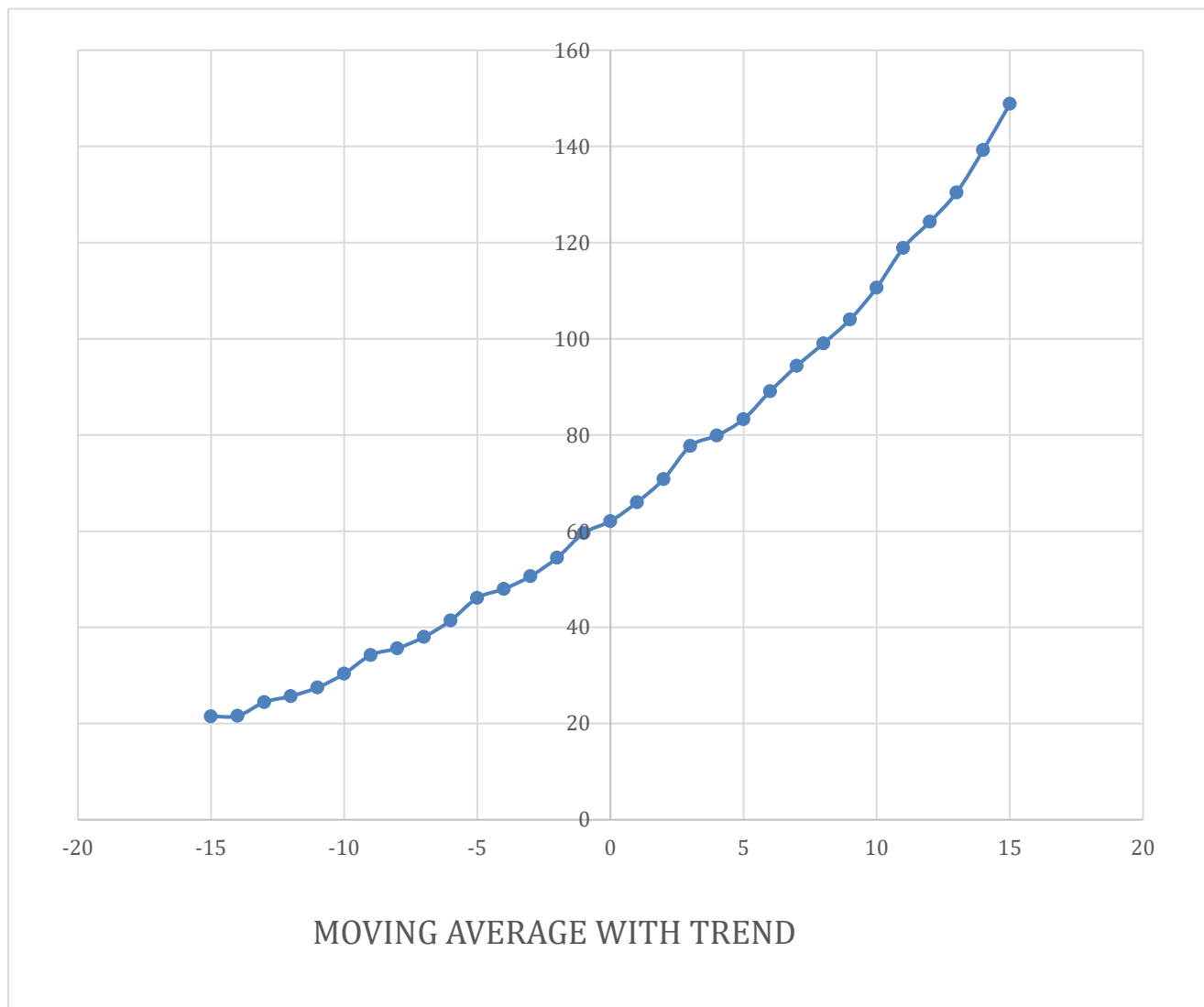


Figure 12 Moving average with trend - growth

5.2.2. Exponential Smoothing

Other method that we used to forecast demand was "exponential smoothing".

There we have analysed 31 quarters, from 2011 to 2019. First, we test the method with the value of first quarter of 2019 and We have calculated a delta equal to 11,37 and alpha-value equal to 0,825.

Then we estimated the value for the second quarter of 2019 by calculating an estimated number of subscribers of 146.87 million. This value is lower than that recorded in the first quarter of 2019 but assuming a delta equal to that mentioned above, we can assume a number of subscriptions that goes beyond 150 million.

EXPONENTIAL SMOOTHING

	TIME	SUBSCRIBERS	COUNT	X-VALUES
1	q3-2011	21,5	30	3,46764E-22
2	q4-2011	21,6	29	1,99072E-21
3	q1-2012	24,43	28	1,2866E-20
4	q2-2012	25,71	27	7,73719E-20
5	q3-2012	27,49	26	4,72735E-19
6	q4-2012	30,36	25	2,98337E-18
7	q1-2013	34,24	24	1,92265E-17
8	q2-2013	35,64	23	1,14358E-16
9	q3-2013	38,01	22	6,9693E-16
10	q4-2013	41,43	21	4,34078E-15
11	q1-2014	46,13	20	2,76184E-14
12	q2-2014	47,99	19	1,64183E-13
13	q3-2014	50,65	18	9,90189E-13
14	q4-2014	54,48	17	6,08608E-12
15	q1-2015	59,62	16	3,80588E-11
16	q2-2015	62,08	15	2,26452E-10
17	q3-2015	66,02	14	1,37614E-09
18	q4-2015	70,84	13	8,43776E-09
19	q1-2016	77,71	12	5,28917E-08
20	q2-2016	79,9	11	3,10756E-07
21	q3-2016	83,28	10	1,85087E-06
22	q4-2016	89,09	9	1,13142E-05
23	q1-2017	94,36	8	6,84772E-05
24	q2-2017	99,04	7	0,000410706
25	q3-2017	104,02	6	0,002464899
26	q4-2017	110,64	5	0,014981537
27	q1-2018	118,9	4	0,092000036
28	q2-2018	124,35	3	0,549811582
29	q3-2018	130,42	2	3,295142813
30	q4-2018	139,26	1	20,1056625
31	q1-2019	148,86	0	122,8095
a		0,825		
Ext. Q2-2019				
146,8700561				

Table 5 Exponential smoothing

5.3. Maslow's hierarchy of needs

Maslow's hierarchy of needs is a motivational theory in psychology comprising a five-tier model of human needs, often depicted as hierarchical levels within a pyramid.

Needs lower down in the hierarchy must be satisfied before individuals can attend to needs higher up. From the bottom of the hierarchy upwards, the needs are: physiological, safety, love and belonging, esteem and self-actualization.

Our most basic need is for physical survival, and this will be the first thing that motivates our behaviour. Once that level is fulfilled the next level up is what motivates us, until we arrive at the last level.

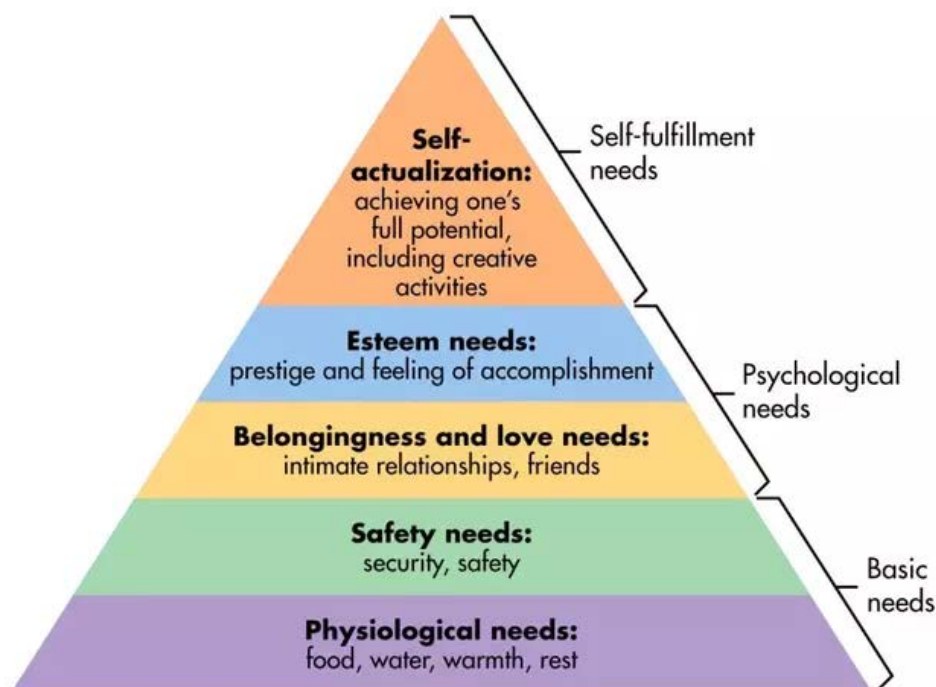


Figure 13 Maslow's pyramid

This five-stage model can be divided into deficiency needs and growth needs. The first four levels are often referred to as deficiency needs (D-needs), and the top level is known as growth or being needs (B-needs).

Deficiency needs arise due to deprivation and are said to motivate people when they are unmet. Also, the motivation to fulfill such needs will become stronger the longer the duration they are denied. Maslow initially stated that individuals must satisfy lower level deficit needs before progressing on to meet higher level growth needs.

Based on this model, streaming platforms appeals to needs of belongingness as by sharing content and spending time with loved ones and friends, they enhance the social needs thereby creating more levels of happiness and contentment. By its very nature, the streaming platforms don't belong to the physiological needs, neither to the safety needs or love needs because is a service only for entertainment. They purely appeal to needs of the ego (or esteem needs) and self-actualization needs within Maslow's hierarchy of needs through knowledge and understanding due to the regularly updated content.

6. CUSTOMERS 6W

6.1. What

To understand the type of good/service we are talking about, it is important to answer several questions, such as: "What is the purchase of goods?", "What do my customers want to buy?", "What are their interests?" and so on. However, in more detail, it is possible to classify a product/service on the basis of different factors.

6.1.1. Based on tangibility and frequency of purchase/use

The most common classification can be made with reference to durable and non-durable goods. The former should last for a long time, instead of the latter, whose consumption is very rapid. However, in the case studied by the group, the most appropriate classification is that of continuous services: they consist of services used over time, such as the periodic use of S.V.O.D. platforms after subscription.

6.1.2. Based on consumer behaviour

This classification is based on the consumer's purchasing habits. In the opinion of the team members, the type of product used falls within the Convenience goods, i.e. those products whose purchase is frequent and the effort is low, due to the following characteristics:

- High knowledge of the product concerned;
- Low propensity to reflect on choice;
- High frequency of purchase.

6.1.3. Based on the ability to evaluate quality

For this criterion we distinguish three types of goods. Search goods, experience goods and trust goods. Without any doubt, the product we analyse belongs to the category of goods research, because the consumer is able to define his expectations of value and, after consumption, to perceive the value of the product through previous knowledge and or appropriate reconnaissance.

6.1.4. On the basis of consumer involvement

This classification is based mainly on two categories: Low and high involvement goods. The variables to be taken into account are risk perception, price, interest and involvement in purchasing. Considering the levels of these factors, the choice would fall into the category of low-involvement goods.

6.1.5. Depending on the complexity of the purchasing process

Considering transparency, level of information, differentiation and price as variables, two main groups can be distinguished: Trivial and problematic products. In the industry under consideration, we can classify the S.V.O.D. platforms among the banal products because of the information disseminated, even if the level of difference is high.

6.2. Where

What leads to the choice of the place of sale has been the subject of study for many years, and is one of the main objectives of current commercial marketing. Today, to understand this goal, store and brand loyalty are considered key concepts. It is possible to define two types of dominant relationship between them:

- Brand loyalty > Point of sale loyalty: high product differentiation, high involvement, high brand trust, fragmented distribution system, policy of attraction;
- Store loyalty > Brand loyalty: low product differentiation, distribution concentration, good capacity evaluation, policy push.

According to these definitions, for the industry chosen, it is dominant that the customer is more loyal to the brand than to the store. In fact, the market of S.V.O.D. platforms are considered as a market, with a low level of involvement, but at the same time, with a high level of involvement and trust in the brand. For this reason, for these companies a pull strategy is very predominant, that is, it promotes its products/services directly to the buyer.

6.3. Why

For a company, it is important to understand why the consumer is led to buy that particular service. Once this is known, the company can focus on creating products and services that better reflect the buyer's idea. In this specific area, the reasons why a potential buyer decides to try this type of experience are many:

- Value: S.V.O.D. platforms combine all the components necessary for a comfortable view of the content that the customer would otherwise have to pay individually. Instead of having to wait for the TV broadcasters' programming to watch a TV series, go and watch a new film at the cinema and pay for expensive subscriptions to various TV platforms, all this is paid for when you subscribe to a S.V.O.D. platform.
- Variety: A S.V.O.D. platform allows you to customize the viewing experience of content based on customer needs with the use of various algorithms. For example, Netflix uses an algorithm that collects data on users' behaviour and identifies what might interest them the most, to make them live a very engaging experience.

According to the means-end chain, the knowledge a consumer has about a product would be

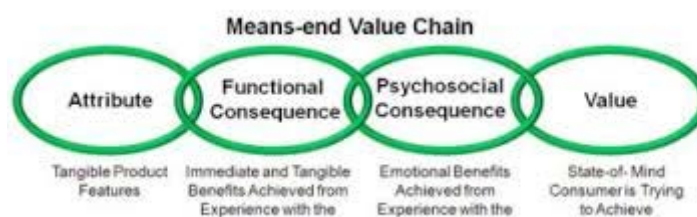


Figure 14 Means-end value chain

organized hierarchically according to a growing degree of abstraction, or according to a decreasing degree of concreteness depending on the points of view:

- ACTUAL: A consumer can know a product based on its attributes. Some of these attributes may be more concrete. Others may be more abstract. In our case, the main attributes related to the streaming platforms are: in the case of the concrete ones, they have a fairly easy payment method, in the abstract they are quite easy to use and are available to everyone.
- FUNCTIONAL CONSEQUENCE: At a later level, a consumer may know a product based on the personal consequences of using it. Here, too, some of the consequences may be more concrete, i.e. functional. Others may be more abstract, i.e. psychological. The function of the S.V.O.D. is to provide entertainment to all users who use them (through TV series or movies).
- PSYCHOSOCIAL CONSEQUENCE: at the last level a consumer can know a product based on the personal values it satisfies. And also, in this case some values can be more concrete, i.e.

instrumental, while others can be more abstract, i.e. terminal. The psychosocial consequences for the consumer are to entertain him and relax him and detach him from daily life and empathize with what he looks at.

- VALUE: It is the last link in the chain and determines the degree of customer satisfaction that is reflected in his mood after using a product. The consumer then feels fulfilled and satisfied (for example, after finishing a TV series), and the consumer's thought evolves and this experience can gain him any knowledge.

6.4. When

The main questions that help companies make strategic decisions are: "When do my customers decide to buy?" "Do they buy when they need to?" and so on. Since subscription to S.V.O.D. platforms are very cheap, it is intuitive to understand that people decide to buy a package if they are stimulated to do so. More specifically, other variables that influence the customer's decision may be related to the wide offering of that specific S.V.O.D. platform, to some offers that companies periodically suggest or if there is original content. It is therefore not possible to estimate a specific period of time when a customer will decide to subscribe.

6.5. Who

In this paragraph, the main purpose was to understand which customers correspond to the target market of the S.V.O.D. industry. First, the analysis is addressed from the point of view of the actors in the purchasing process, then the group decided to give an in-depth view of the decision-maker in the purchasing decision, thanks also to the help of the questionnaire drafted by the group, fully represented and explained in the chapter "Segmentation".

Subjects and roles of the purchasing process.

Those who play a key role in the entire purchasing process are divided into five categories:



Figure 15 Five categories of "Who?"

- Initiator: Those who raise the idea, first highlight a perceived need and promote the possible solution. As far as the market of the S.V.O.D. industry is concerned, the initiator

could identify with those who did not want to be subject to the programming of the various TV stations.

- **Influencer:** those who turn to buyers to turn their attention to a specific product or service. Obviously, the main influencers are represented by the Family&Friends category, which, after subscribing to one or more S.V.O.D. platforms, transmit their feelings and experience to the people around them. Secondly, another useful tool to influence the choice of people is the advertising system, of companies in the sector, a system that has as its ultimate goal been to guide the consumer through advertising space or advertisements on the Internet.
- **Decider/Buyer/User:** these categories identify themselves respectively with the category that actually decides the product/service event to be purchased, that bears the purchase costs and that is the "final protagonist" of the consumption process. As far as the industry concerned is concerned, these three categories overlap in a single category.

6.6. How

The last aspect analysed is how a buyer decides to choose and buy a certain product. This factor depends on two variables: the perceived difference between the brands (differentiation) and the level of involvement. The Assael Matrix is a tool that allows you to define all types of products / services based on the level of these two variables (high or low) so it was possible to assign to the sector considered a certain unique position.

In the sector considered, the level of involvement is, according to the team, low in terms of economic and personal aspects.

On the other hand, the perceived level of differentiation between brands is high, considering that in the market of S.V.O.D. platforms there are many companies that provide this type of content and that the services offered are similar.



Level of involvement
Figure 16 Assael's matrix

7. NETFLIX: CASE STUDY

7.1. The business model of Netflix

Netflix, the great giant of American streaming, was founded in 1997 in Los Gatos, California by a brilliant computer engineer, Reed Hastings, with a marketing expert Mark Randolph and a man in the industry, Mitch Lowe, owner of Video Droid. Together, the three men devised a new DVD rental service, in which the user could choose the film to rent through the help of an online platform, originally called Netflix's FlixFinder, with which it was possible to query a database of content according to different criteria (such as: search by actor, director, year of production), and also could, without bothering, have the film sent home via the postal service. If today this novelty seems to be quite obvious or even useless, at the time, where the rental of films was an activity that was typically carried out in the physical stores of the Blockbuster chain, it was a great innovation.

7.1.1. The history of Netflix

Before being recognized internationally as the "brand of streaming", in the minds of Americans Netflix was only a provider of a DVD rental service, but thanks to the ability of Hastings to interpret the latent needs of consumers, in fifteen years from a simple U.S. distributor of films became a global company that now has almost 75 million subscribers. In the evolutionary path of Netflix, from 1997 to today, it is possible to identify three different phases:

- First phase: 1997, Netflix is a provider of a DVD rental service;
- Phase two: 2007, Netflix becomes a streaming platform;
- Phase three: with the production of House of Cards in 2013 Netflix becomes a producer of video content.

These phases will be examined in detail through the Business Model Canvas tool, which allows you to analyse how a company creates value through the graphical representation of the nine elements that allow the operation, including: key partners, key activities, key resources, value proposition, customer relations, customer segments, channels, cost structure and revenue streams. Netflix was born in the United States as a distributor of DVDs, VHS and video games for hire, but what distinguished it from competitors offering the same service, was the pricing.

The value proposition of the American company relieved the consumer of the burden of having to return the film in person and therefore of having to come across fines for possible delays. They could, by paying a flat monthly subscription, rent an unlimited number of films and

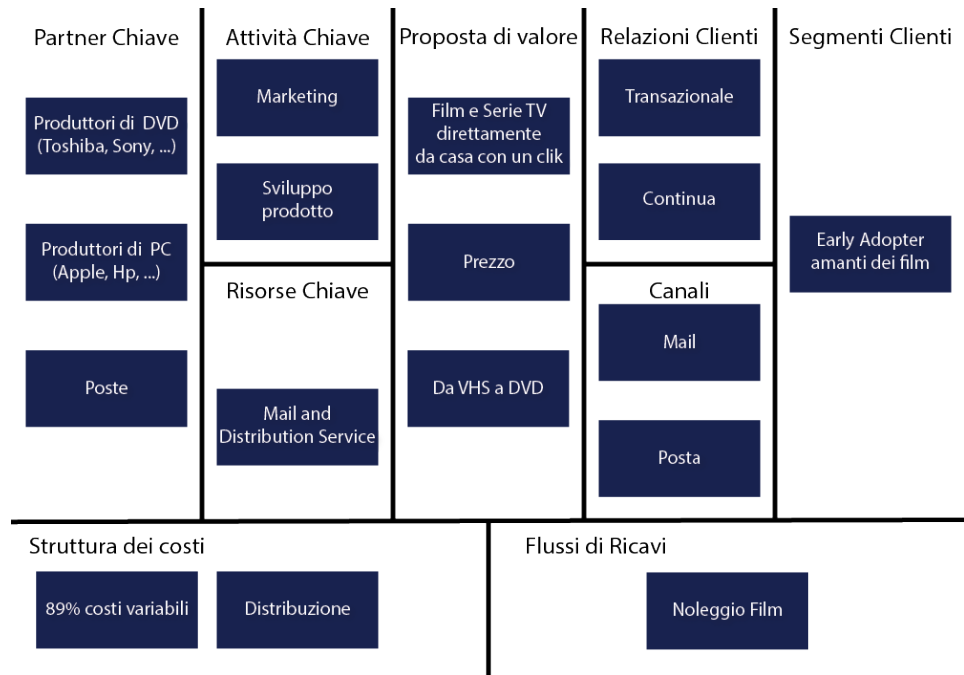


Figure 18 First Netflix's Canvas model

enjoy the service of delivery by post for the return. It is said that it was precisely a \$40 fine paid for the late delivery of "Apollo 13" that triggered in Hastings the desire to change the system. Figure 1 represents, according to the Canvas approach, the key elements of the U.S.

company in its first phase of life: the key partners for Netflix were inevitably the Post Office, the producers of DVDs and consequently the producers of PCs; the activities carried out by the U.S. team were marketing and product development; mail and mail were the main channels of distribution

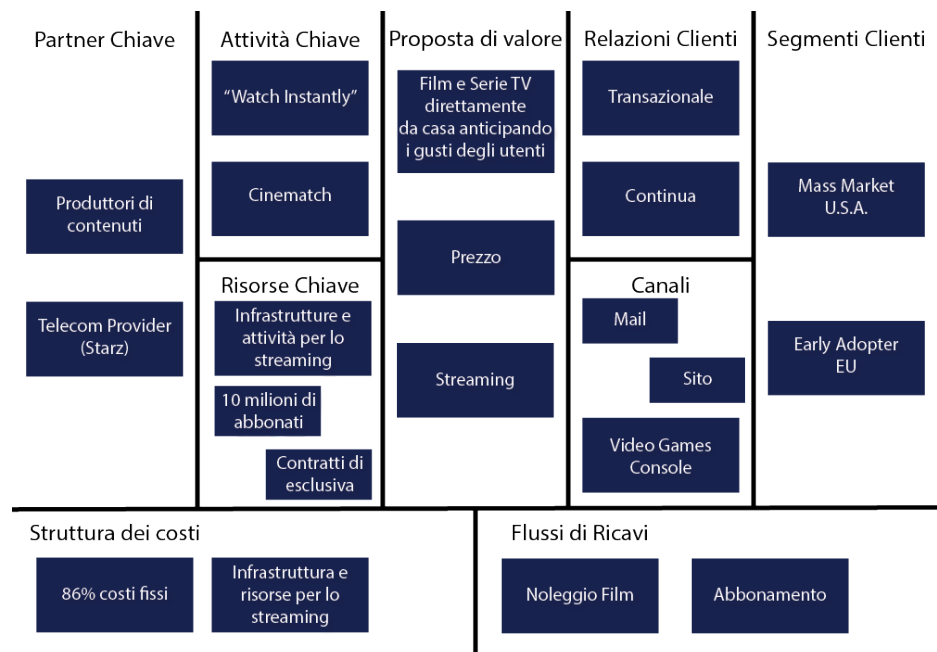


Figure 17 Secondo Netflix's Canvas model

which were aimed primarily at that segment of the population called "Early Adopter". Finally, the costs to be borne by the company consisted mainly of variable costs and distribution costs; revenues, on the other hand, derived solely from the price of subscriptions paid by users.

In 2007, the CEO of Netflix introduced an important innovation: he decided to add a new service, called "Watch Instantly", to his rental film offering. Hastings offered its subscribers an online platform where it was possible to search, among about 100,000 titles, for the film to be rented, but above all there was added the possibility of watching more than 17,000 films in streaming at a modest total price of \$ 8. In a short time, the new service was much appreciated and thanks to the spread in the States of the technology enabling Internet and new forms of television consumption such as Smart TV, the streaming function of the platform became the core business of the company, thus stimulating the birth of the first competitors, such as Amazon. To expand its online film catalogue in 2011, the company had to change the price of the service by increasing it by 60%, inevitably causing complaints from users. Figure 2 represents the model that characterizes the second

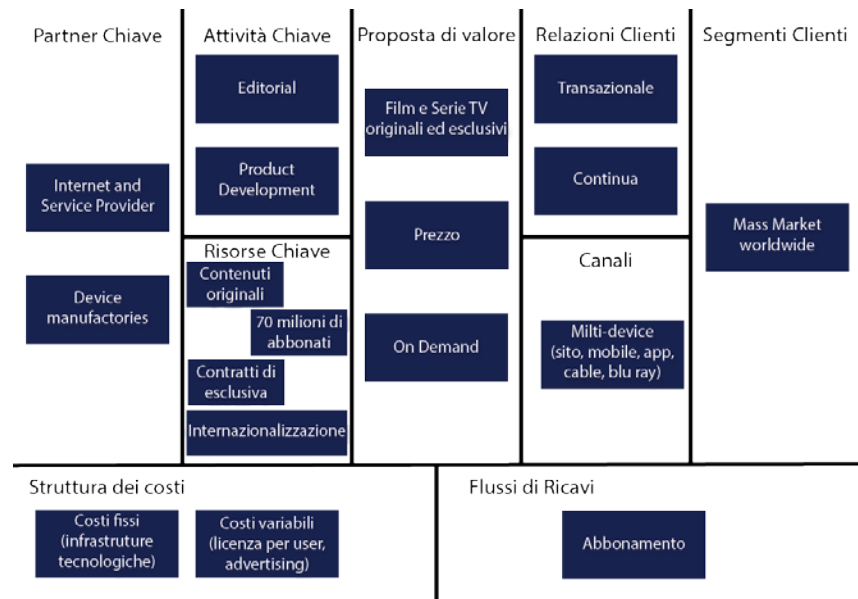


Figure 19 Third Netflix's Canvas model

phase of Netflix and highlights the main differences with respect to its previous structure. As can be seen from figure 2, the partners change, the content producers become important, with whom Netflix establishes agreements to be able to increase its library; the segment of subscribers increases, now the clientele is composed of the American mass market and the European "Early Adopters". The cost structure changes, variable costs decrease and fixed costs represented by licences increase in turn. The DVD rental service is completely replaced by the offer of the streaming schedule that is constantly expanding thanks to the new software cinematch, a program that allows you to identify the most requested content and more in line with consumer tastes thanks to the system of evaluation of users. In 2013, Jason Blackwell, Director of Strategy Analytics, in line with the current trend of entertainment companies to vertically integrate upstream, realized that the real added value that would determine the

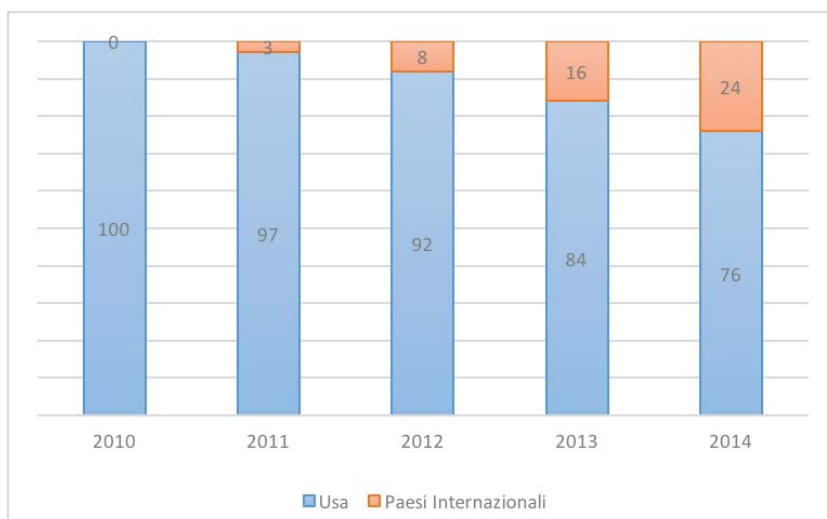


Figure 20 Revenues by geographical area from 2010-2014 (data in percent)

success of the company corresponded to the original production of Netflix content. Already that year two Netflix TV series were released on the market: House of Cards and Orange is the new black, which became very famous all over the world. Such innovation, as can also be seen from figure 3

representing the third and final phase of Netflix, has led to a further change in the business model of the U.S. company, first of all there has been the expansion of customers, it has been reached the "mass market worldwide" with a total of 40 million users; the power of suppliers has been reduced, becoming the first person content producer, the Los Gatos company has preferred to establish greater relations with Internet service providers. Key resources become subscribers and original production content. The cost structure has also changed again, as there are many more fixed costs caused by upstream vertical integration activity.

7.1.2. International evolution

The Los Gatos-based company, during this evolutionary process, has increasingly developed the desire to become a global company. After collecting the sum of 400 million dollars, in 2012 Netflix decided to take the first step towards conquering the world, so it planned to enter the European continent and in particular pointed to the United Kingdom as the first country, given its similarity, especially in linguistic terms, with the American continent. The first thing he did was to enter into agreements and collaborations with local content production companies, with the aim of increasing their competitive capacity. One of the major obstacles that American society has had to deal with in order to enter the European market is the total diversity of each individual state, which has had to take into account cultural inequalities, consumer habits and, above all, linguistic differences (almost 28 different languages). For this very reason, the process of internationalisation has involved major investments, such as the purchase of television rights and the cost of translations. After entering the UK, the American A.V.O.D. company also conquered Scandinavia, the Netherlands and Ireland year after year.

In 2014 it entered Germany, Switzerland and Austria, France, Belgium and Luxembourg, while in the year next landed in southern Europe: Italy and Spain. It is estimated that in 2019 the potential European customer base will reach around 20 million subscribers. As can be seen from Figure 3.4, the distribution of national and international revenues from 2010 to 2014 has changed, American national revenues are predominant, but with the entry of the platform in Europe, 2014 was marked by significant international revenues. Since January 6, 2016, the American V.O.D. platform has entered 130 other countries, reaching a total penetration of 190 countries; in a short period of time it has become the largest Internet TV in the world and has managed to conquer the world except, due to strong government restrictions, China, Crimea, North Korea and Syria.

7.2. Netflix Porter's Five Forces Analysis

Porter's model would allow to gain insight into the industry of Netflix, identifying the magnitude of each of the five forces which affect the company's business strategy and profitability. By using the information in Netflix five forces analysis, strategic planners will be able to understand how different factors under each of the five forces affect the profitability of the industry. A stronger force means lower profitability, and a weaker force means greater profitability. Based on this a judgement of the industry's profitability can be made and used in strategic planning.

7.2.1. Threat of New Entrants

The economies of scale are fairly difficult to achieve in the industry in which Netflix operates. This makes it easier for those producing large capacities to have a cost advantage. It also makes production costlier for new entrants. This makes the threats of new entrants a weaker force.

The product differentiation is strong within the industry, where firms in the industry sell differentiated products rather a standardized product. Customers also look for differentiated products. There is a strong emphasis on advertising and customer services as well. All of these factors make the threat of new entrants a weak force within this industry.

The capital requirements within the industry are high, therefore, making it difficult for new entrants to set up businesses as high expenditures need to be incurred. Capital expenditure is

also high because of high Research and Development costs. All of these factors make the threat of new entrants a weaker force within this industry.

The access to distribution networks is easy for new entrants, which can easily set up their distribution channels and come into the business. With only a few retail outlets selling the product type, it is easy for any new entrant to get its product on the shelves. All of these factors make the threat of new entrants a strong force within this industry.

The government policies within the industry require strict licensing and legal requirements to be fulfilled before a company can start selling. This makes it difficult for new entrants to join the industry, therefore, making the threat of new entrants a weak force.

Netflix can take advantage of the economies of scale it has within the industry, fighting off new entrants through its cost advantage.

Netflix can focus on innovation to differentiate its products from that of new entrants. It can spend on marketing to build strong brand identification. This will help it retain its customers rather than losing them to new entrants.

7.2.2. Bargaining Power of Suppliers

The number of suppliers in the industry in which Netflix operates is a lot compared to the buyers. This means that the suppliers have less control over prices and this makes the bargaining power of suppliers a weak force.

The product that these suppliers provide are fairly standardized, less differentiated and have low switching costs. This makes it easier for buyers like Netflix to switch suppliers. This makes the bargaining power of suppliers a weaker force.

The suppliers do not contend with other products within this industry. This means that there are no other substitutes for the product other than the ones that the suppliers provide. This makes the bargaining power of suppliers a stronger force within the industry.

The suppliers do not provide a credible threat for forward integration into the industry in which Netflix operates. This makes the bargaining power of suppliers a weaker force within the industry.

The industry in which Netflix operates is an important customer for its suppliers. This means that the industry's profits are closely tied to that of the suppliers. These suppliers, therefore, have to provide reasonable pricing. This makes the bargaining power of suppliers a weaker force within the industry.

Netflix can purchase raw materials from its suppliers at a low cost. If the costs or products are not suitable for Netflix, it can then switch its suppliers because switching costs are low.

It can have multiple suppliers within its supply chain. For example, Netflix can have different suppliers for its different geographic locations. This way it can ensure efficiency within its supply chain.

As the industry is an important customer for its suppliers, Netflix can benefit from developing close relationships with its suppliers where both of them benefit.

7.2.3. Bargaining Power of Buyers

The number of suppliers in the industry in which Netflix operates is a lot more than the number of firms producing the products. This means that the buyers have a few firms to choose from, and therefore, do not have much control over prices. This makes the bargaining power of buyers a weaker force within the industry.

The product differentiation within the industry is high, which means that the buyers are not able to find alternative firms producing a particular product. This difficulty in switching makes the bargaining power of buyers a weaker force within the industry.

The income of the buyers within the industry is low. This means that there is pressure to purchase at low prices, making the buyers more price sensitive. This makes the buying power of buyers a weaker force within the industry.

The quality of the products is important to the buyers, and these buyers make frequent purchases. This means that the buyers in the industry are less price sensitive. This makes the bargaining power of buyers a weaker force within the industry.

There is no significant threat to the buyers to integrate backwards. This makes the bargaining threat of buyers a weaker force within the industry.

Netflix can focus on innovation and differentiation to attract more buyers. Product differentiation and quality of products are important to buyers within the industry, and Netflix can attract a large number of customers by focusing on these.

Netflix needs to build a large customer base, as the bargaining power of buyers is weak. It can do this through marketing efforts aimed at building brand loyalty.

Netflix can take advantage of its economies of scale to develop a cost advantage and sell at low prices to the low-income buyers of the industry. This way it will be able to attract a large number of buyers.

7.2.4. Threat of Substitute Products or Services

There are very few substitutes available for the products that are produced in the industry in which Netflix operates. The very few substitutes that are available are also produced by low profit earning industries. This means that there is no ceiling on the maximum profit that firms can earn in the industry in which Netflix operates. All of these factors make the threat of substitute products a weaker force within the industry.

The very few substitutes available are of high quality but are way more expensive. Comparatively, firms producing within the industry in which Netflix operates sell at a lower price than substitutes, with adequate quality. This means that buyers are less likely to switch to substitute products. This means that the threat of substitute products is weak within the industry.

Netflix can focus on providing greater quality in its products. As a result, buyers would choose its products, which provide greater quality at a lower price as compared to substitute products that provide greater quality but at a higher price.

Netflix can focus on differentiating its products. This will ensure that buyers see its products as unique and do not shift easily to substitute products that do not provide these unique benefits. It can provide such unique benefits to its customers by better understanding their needs through market research, and providing what the customer wants.

7.2.5. Rivalry Among Existing Firms

The number of competitors in the industry in which Netflix operates are very few. Most of these are also large in size. This means that firms in the industry will not make moves without being unnoticed. This makes the rivalry among existing firms a weaker force within the industry.

The very few competitors have a large market share. This means that these will engage in competitive actions to gain position and become market leaders. This makes the rivalry among existing firms a stronger force within the industry.

The industry in which Netflix is growing every year and is expected to continue to do this for a few years ahead. A positive Industry growth means that competitors are less likely to engage in competitive actions because they do not need to capture market share from each other. This makes the rivalry among existing firms a weaker force within the industry.

The fixed costs are high within the industry in which Netflix operates. This makes the companies within the industry to push to full capacity. This also means these companies to

reduce their prices when demand slackens. This makes the rivalry among existing firms a stronger force within the industry.

The products produced within the industry in which Netflix operates are highly differentiated. As a result, it is difficult for competing firms to win the customers of each other because of each of their products is unique. This makes the rivalry among existing firms a weaker force within the industry.

The production of products within the industry requires an increase in capacity by large increments. This makes the industry prone to disruptions in the supply-demand balance, often leading to overproduction. Overproduction means that companies have to cut down prices to ensure that its products sell. This makes the rivalry among existing firms a stronger force within the industry.

The exit barriers within the industry are particularly high due to high investment required in capital and assets to operate. The exit barriers are also high due to government regulations and restrictions. This makes firms within the industry reluctant to leave the business, and these continue to produce even at low profits. This makes the rivalry among existing firms a stronger force within the industry.

The strategies of the firms within the industry are diverse, which means they are unique to each other in terms of strategy. This results in them running head-on into each other regarding strategy. This makes the rivalry among existing firms a strong force within the industry.

Netflix needs to focus on differentiating its products so that the actions of competitors will have less effect on its customers that seek its unique products.

As the industry is growing, Netflix can focus on new customers rather than winning the ones from existing companies.

Netflix can conduct market research to understand the supply-demand situation within the industry and prevent overproduction.

7.3. Analisi S.W.O.T.

To conclude the analysis of Netflix's business model and to fully understand the phenomenon, it is useful to dwell on the four variables of the Swot Analysis: strength, weakness, opportunities and threats (Table 1). The matrix is a strategic tool able to identify the strengths and weaknesses deriving from endogenous elements, belonging to the environment in which

the company operates, and also allows to assess the opportunities and threats concerning the external market of reference, characterized by exogenous elements.

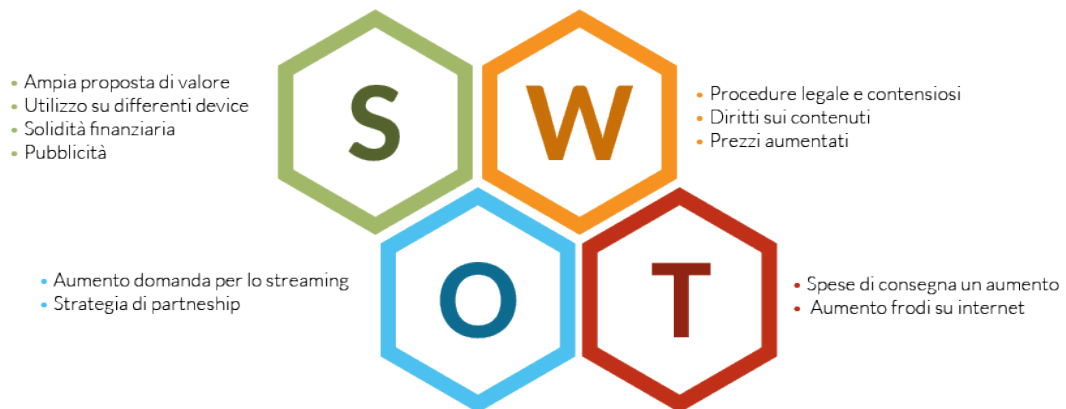


Figure 21 Netflix Swot Analysis

7.3.1. Strengths

As for the strengths of the business model of Netflix there is primarily the wide range of value offered, the Californian company has between the DVD rental service and the streaming platform almost 75 million subscribers. The great advantage of the Netflix rental service, compared to traditional models of physical stores, is the absence of the point of sale, having no limits of space and not having to display the DVDs on physical shelves, but only virtual, the company is able to offer a wide range of DVDs. Moreover, the rental is much simpler and more effective thanks to the mail and also less expensive because with a very trivial monthly subscription you do not have the opportunity to run into fines for late delivery.

Netflix often collects television series that have been deleted and left to rot. They create "sequels" or new seasons years after the end of the original show (as with Gilmore Girls, who had a special spinoff for Netflix.)

Netflix originally broadcast older shows like Friends, but in recent years has begun to create its own original content. Many of these have become exciting hits including Orange Is the New Black and Stranger Things. Not only have these shows been developed with interesting premises, but you are also able to watch the series rather than forcing yourself to wait every week for a new episode as in traditional television programs.

They're also expanding more into foreign shows. Netflix has created a second season for a Japanese reality show called Terrace House that has been a success with international viewers. They continued to renew the series several times, allowing people who are never traveling to these countries to take a look. And surprisingly, people love it.

A further strength is the possibility to use the streaming service from many different devices, such as: video game consoles, Smart TVs, Blu-ray players, Apple TVs, Google TVs, smartphones, tablets, PCs, and it is also compatible with both Android and Apple systems. Another element of differentiation compared to competitors is represented by the desire to improve and increase the customer experience assiduously, for example through the expansion of the multimedia library and the continuous improvement of interfaces. Finally, Netflix's last strong point is represented by its strong financial position, which has recently been growing more and more, thanks also to the international revenues generated by the company's entry into new countries.

Moreover, no advertising!

The biggest complaints among users who watch (or were used to watching) television were too many advertisements. Many felt that they were paying to watch commercials with mixed TV programmes. Customers jumped on Netflix for their content without advertising and although Netflix discussed placing ads, viewers unanimously expressed their complaint against it.

7.3.2. Weakness

A weak element of the model is characterised by legal proceedings, disputes and complaints which sometimes affect society. The MarketLine report reports that in 2013 Netflix had to pay a \$9 million penalty for a lawsuit concerning the retention of data relating to the consumption behaviour of audio-visual products for a period longer than that specified by law. Such disputes can be very onerous for the company, both from the point of view of brand image and from the financial point of view.

Although they are branching into more original content, the cost of these shows and films is incredibly high. In 2017, Netflix invested \$2.5 billion just to secure the rights to these original shows. This included a contract with Adam Sandler for 3 films, which is great for Sandler, but left a terrible impression on users. The Netflix movie charts are pierced by dozens of 1-star (negative) reviews on the site.

And speaking of reviews, users have also complained about this system because of how new shows are recommended. Initially, you could offer a star rating to the shows. But now all you can do is give an inch up or an inch down. Often, the site uses a "match" system to select your next show, but it's not accurate. A show you despise can still be a "92% match." How? People don't know, and nobody really cares about finding out. They just want them gone.

Also, the shows disappear. Netflix doesn't have the rights to their shows. When the rights expire, the shows disappear. They can finally reappear, but who knows when? What we do know is that it is not uncommon for seasons to disappear without warning.

Netflix is also increasing prices. Initially, a monthly subscription cost less than \$10 a month. But they increased prices twice in a couple of years. Although the increase was about a dollar, much of the consumer base loved Netflix for its convenience. Seeing prices rise makes them wonder if this is just the beginning.

7.3.3. Threats

Recently the U.S. postal service has increased the cost of postage and announced its intention to partially change the mail service, i.e. eliminating the "next day service", all this could create for Netflix an unfavourable situation and a possible threat to its DVD rental service, as deliveries could suffer significant delays. Still, by offering an online service, Netflix requires a range of personal data including credit card data or prepaid for monthly payment, being very sensitive data the company adopts different systems to protect them from fraud or possible attacks by hackers, but the statistics of the Internet Crime Complaint Centre are not reassuring and indicate continuous increases in fraudulent behaviour.

7.3.4. Opportunity

The external conditions that offer the American company opportunities are primarily related to the growth in demand for streaming films, in fact, according to estimates of MarketLine (2014) the number of subscribers to video on demand services has increased by 34% in the first quarter of 2016 compared to the same quarter of 2015. Secondly, this growth was also made possible by the development of enabling technologies such as Internet download speeds, broadband penetration, the spread of interactive devices, etc. To conclude the opportunities, from 2012 to today, Netflix has begun to establish partnerships with big players in the field of content production, such as: The Walt Disney Studios, DreamWorks Animation, Pixar Animation Studios, Marvel Studio etc., thus increasing the number of subscribers.

7.4. The transition from the schedule to the algorithm

Until recently, one of the most important strategies implemented by television operators to maintain and retain their audience was programming the schedule. With the evolution of

technologies and with the change in consumer habits, viewers have noticed a preference for customisation of products and offers. It is therefore essential to leave more room for action to the viewer, allowing them to choose what to watch, when to watch it and where to watch it. Netflix, in order to approach the needs of the new consumer, directs its strategy no longer towards the planning of a schedule, but towards the creation of an algorithm, determining an important turning point for the communication industry. The algorithm is defined as "a new criterion for the selection and sorting of television products lined up in a very deep catalogue", what makes the difference compared to the closed and not very dynamic system of the schedule is the dialogue that is formed with the audience. To offer a successful catalogue the company must first of all have a relationship with its audience, it must analyse the preferences, habits and needs of each individual user. All these data, also called "big data", represent the heart of the algorithm, the analysis of them is the real strategy of the operator. A peculiarity of Netflix is, in fact, represented by the continuous search for an exclusive relationship with its subscribers and to do this the CEO of the Californian company has organized a team of 300 people who daily collect data on user behaviour, identify desires and judgments of consumers and study the different trends. Netflix invests almost 150 million dollars a year to carry out these activities, while the added value that this search engine and recommendations generate is assumed to be about half a billion dollars a year.

In particular, the study that is carried out by the Los Gatos company through the use of the algorithm, is oriented to obtain two different types of information: one type concerns the advice to be disseminated to its subscribers to simplify the process of choosing the content to watch. By studying the preferences expressed by each individual user during the registration phase of the site, the men of Los Gatos already have a starting point that will later be expanded by the analysis of the behaviour that each subscriber has during the use of Netflix. The second information relates to the choice of new content to be included in the multimedia catalogue; by collecting users' preferences, it is possible to identify the audio-visual products that will be most successful in the future. Moreover, one of the strengths deriving from the analysis of big data is the possibility of the company to produce new multimedia products without necessarily starting with pilot episodes, saving time and money. The passage from the programming to the algorithm has determined the birth of a new way of "making television", and being able to orient the offer through the study of big data has been a great innovation for the entire entertainment industry.

7.5. The entry of Netflix into Italy

Netflix enters Italy on October 22, 2015, the pricing strategy adopted in the Italian context is composed of the offer of a free month's trial, useful to test the loading speed with the Italian infrastructure poorly developed, and three different subscriptions. The characteristics that distinguish the three floors concern first of all the video quality and then the number of users who can access a streaming session at the same time. The basic subscription has a price of €7.99 per month, the video quality is standard, the speed is equal to 3Mbps and allows a single person at a time to access the platform; the standard subscription has a price of €9.99 per month, offers HD video quality with a speed of 5Mbps and allows two users to access the streaming simultaneously; finally, the last subscription called premium consists of a video quality of ultra-high definition UHD, with a speed of 25Mbps and with four users connected simultaneously, at a price of €11.99. Subsequently, paragraph 3.3 will analyse the alternatives offered by the main Italian competitors. After a few months from the debut in the Italian context, the first estimates have begun to be collected; if in January 2016 subscribers to on-demand platforms were around 700 thousand, 280 thousand were those who approached Netflix, of which 110 thousand were real subscribers and the remaining users of the free month offered by the company of Los Gatos.

7.5.1. The problems of the Italian context

The debut in Italy of the streaming platform most loved by Americans has been postponed several times, the reasons behind this choice were many and will be analysed later. Before highlighting the main structural difficulties that have characterized the Italian market for years, it should be remembered that Italy, unlike other Western European countries, is the country that still has the widest offer of films and fiction in clear and offers the lowest cost of subscriptions to pay TV compared to the European average. The difficulties that the CEO of Netflix encountered during his entry into the Italian market are mainly linked to three different peculiarities that characterize the country and its television market:

- infrastructural reasons,
- demographic reasons,
- economic reasons.

From the infrastructural point of view, there is a low spread of the ultra-wideband. From the data of 2015 (Il sole 24ore, 2015), as shown in Figure 5, it can be seen that with regard to broadband base (ADSL, or 3G networks) Italy is in line, or even higher than the European average, especially if we talk about network deployment and coverage of homes. As far as bandwidth penetration is concerned, Figure 5 Comparison of broadband between EU countries: European Commission, Agcom, 2015 population, on the other hand, shows a score 7 percentage points below the EU average. What creates a significant difference in level between Italy and

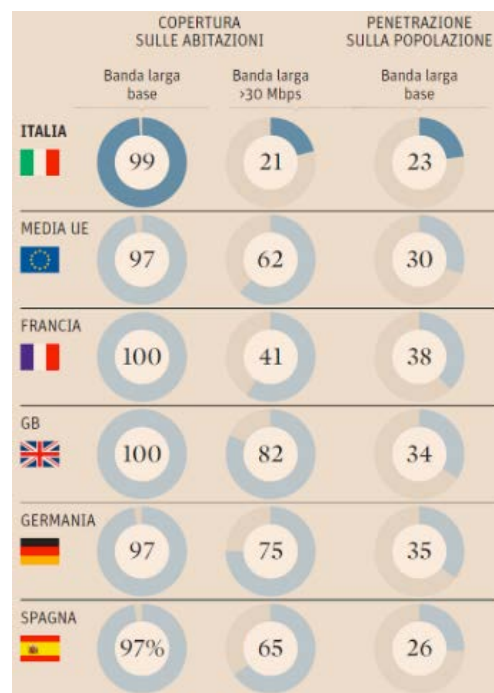


Figure 22 Broadband comparison

Europe is the low diffusion of ultra-wide bandwidth, i.e. bandwidth with a speed of more than 30 Mbps. If on average European countries cover about 62% of their homes with the ultra-broadband network, Italy for now only 21%. About consumption, on the other hand, the users who habitually use the Internet, considering the 2015 data, are just over 61% of the total population and for the most

part are young people from 14 to 29 years (83.9%) and adults from 30 to 44 years (82.9%). From a Censis survey it can be seen that the main activities carried out by users on the web are,

	2002	2005	2007	2009	2011	2012	2013	2015	VAR % 2013-2015
Tv Tradizionale			93,1	91,7	94,4	95,0	95,0	94,0	-1,0
Tv Satellitare			27,3	35,4	35,2	36,8	45,5	42,4	-3,1
IPTV / Smart TV			6,1	5,4	2,0	4,1	3,1	10,0	6,9
Web Tv			4,6	15,2	17,8	19,0	22,1	23,7	1,6
Mobile TV			1,0	1,7	0,9	2,5	6,8	11,6	4,8
Televisione in generale	98,5	97,2	96,4	97,8	97,4	98,3	97,4	96,7	-0,70

Table 6 Percentage change in TV usage

in descending order, the search for a road route (60.4% of the population), the search for information on companies and products (56%), carrying out banking operations (46%), listening to music (43.9%), making purchases (43.5) and finally, only in sixth position is the use of films at a rate of 25.8%. The analysis of the evolution of television consumption in overall terms since 2002-2015 confirms, in fact, that television remains the most followed media, even if in recent years it has recorded a slight decrease. Following the traditional television there is satellite TV, which recently saw a decrease of 3 points in favour, instead, of

IPTV/Smart TV which closed with almost 7 percentage points more than in 2013, Web TV and finally mobile TV (Table 2).

As can be seen from the percentage changes in television consumption in recent years, traditional and satellite television have suffered a slight loss in favour of the new forms of consumption resulting from convergence. In small steps and with various difficulties, Italy is also transforming itself into a "digital society", but what is really fundamental for this transformation to take place is the presence of a widespread spread of the ultra-wide functional band and, above all, the birth of a "digital culture". What slows down Italy in this process towards digitization is its demographic structure, which due to the high rate of seniority is not ready to welcome and make its own this "digital culture". Studies carried out in January 2015 estimate that 21.7% of the total population is over 65 years of age, and assume that in 2065 the index increases to reach 32.6%. A very high average age of the population, characterized by a low use of the Internet and a disproportionate preference for traditional generalist channels, brings a strong closure to change. Finally, the economic crisis that has hit the Italian territory and that has also affected the entertainment sector has slowed down the advance of society. Apart from the various problems analysed so far, the CEO of Netflix has decided to enter the Italian territory with the aim of pursuing its only goal: to become a global enterprise. Netflix aims to enter the new countries with four strong points: the choice to produce in person rather than buy from outside, the offer of a large catalogue at extremely low prices, a special focus on its subscribers and finally the use of big data to satisfy and understand users. After entering the Italian territory, Netflix had to face another big problem: the language. A research carried out by Eurobarometer shows that Italy is the European country less willing to watch films and TV series in their mother tongue, only 17% of the Italian population interviewed watch films in English or with subtitles, a percentage that compared to the EU average of 26%, is quite low. Since the Netflix catalogue is for the most part composed of films and TV series in English, it has been necessary to translate, also by means of subtitles, so that this content can also be enjoyed by an Italian audience. All this, inevitably, has led to a drastic reduction in the size of the bookstore, being less attractive and less extensive than the offerings of direct competitors in the Italian context, such as Sky and Mediaset. Another element that has determined a considerable restriction of the multimedia catalogue offered by the Los Gatos company, concerns the transfer of rights; before its entry, the main Italian players have purchased the rights to multiple contents, leaving a very limited field of action to Hastings. For example, precisely because of the transfer of rights to Sky Italia,

a few years before its entry, one of Netflix's most popular production series, House of Cards, will not be available in the Italian catalogue.

7.5.2. The Video on Demand (V.O.D.) market in Italy

The possibility to see a film when you want, where you want and with what device you want, is a desire increasingly achievable, the service of Video on demand responds to this need and has three different declinations:

- *Subscription video on demand (S.V.O.D.):* corresponds to a service in which a subject, who signs a contract and is therefore defined as a subscriber, pays a monthly fee to have access to an entire library of content, usually very large. They belong to this classification, for example: Netflix, Amazon Prime, Hulu Plus;
- *Transactional video on demand (T.V.O.D.):* corresponds instead to the pay-per-view model, that is the classic payment for the fruition of a single content; they operate with this model iTunes, Amazon instant video, Chili TV;
- *Advertised video on demand (A.V.O.D.):* similar to a commercial television model, users are offered free content thanks to funding from advertisers. It belongs to this model YouTube and VVVVID. Focusing on the Italian context, the service on demand from 2014 to today has brought increasing revenues, and it is expected that these rising rates will continue until 2020. Considering only the model S.V.O.D. and T.V.O.D., from Figure 6 and even more specifically in Figure 7 it can be deduced that the growth in percentage terms of the service of video on demand Subscription before 2017 turns out to be far greater than the re-appearance of the Transactional video on demand, and then note, after that date, a reversal of roles, characterized by a slightly higher increase by T.V.O.D.

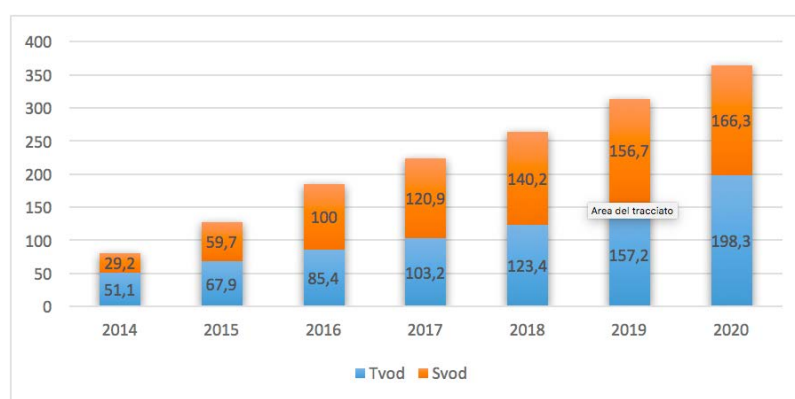


Figure 23 mUSD revenues from on-demand service in Italy. (2014-2020)

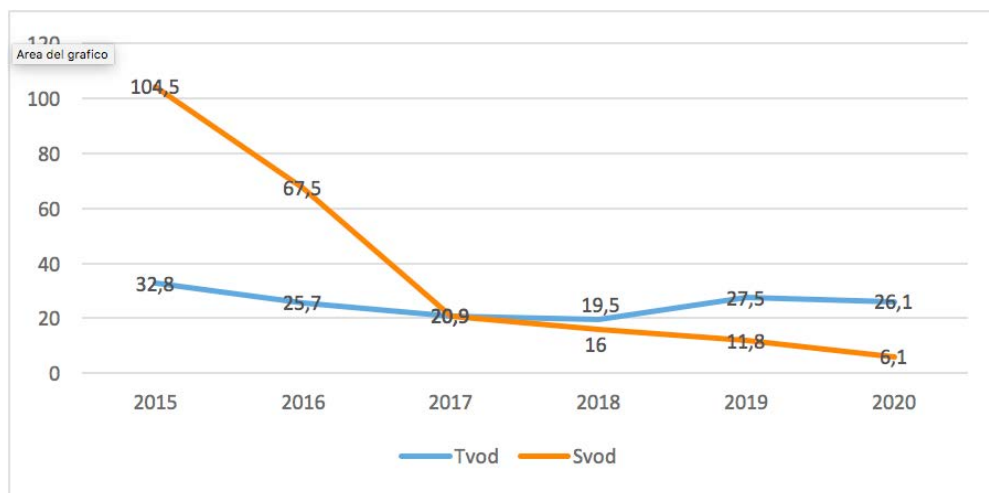


Figure 24 Annual growth rates T.V.O.D. and S.V.O.D. in Italy

The users of this service watch films, TV series and show on demand for almost 6 hours a week on average and are about one third (36%); an indicator of penetration still quite low if compared to the European average (50%) and international average (65%), but as you can see from Figure 8, the trend is still growing.

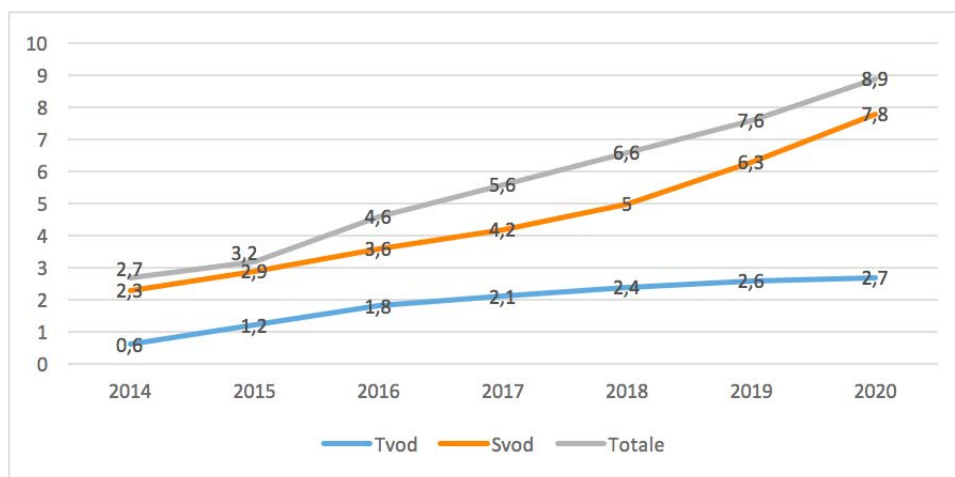


Figure 25 Index of penetration of Video on demand services in Italy. (2014-2020)

7.6. Analysis of competitors

The landing of Netflix in Italy has determined the start of a general acceleration of all television operators, especially its direct competitors operating in the video on demand subscription market: the two big players Sky and Mediaset and the two experiments of connected Italian television Chili TV and Tim Vision, who recently oriented towards the structure of the OTT TV. Below is an analysis of the different players, focusing on the many offers and strategies that have adopted before the advent in the Italian market of the giant American streaming.

7.6.1. Sky – Now TV

Almost a year before Netflix landed in Italy, the Murdoch company launched an interesting new project in 2014: the aim was to offer Italians the possibility of using Sky content without the use of decoders or satellite dishes through the



Figure 26 Now TV's logo

exclusive use of the Internet as a means of distributing content. Initially this service was known at Sky as "River", but then it entered the market as "Sky online". At that time, it was a great affront to the pay-per-view model, because with the purchase cost of 5/6 films you had the opportunity to have a full multimedia catalogue. Unlike Sky go, a web service offered to those who are already Sky customers, created with the aim of creating greater value to the traditional offer of pay TV, Sky online is an alternative to digital. On 20 June 2016, the Sky online platform changed its name to "Now Tv", a new logo with extremely youthful graphics and colours that brings the association with Sky back to the consumer's mind thanks to the payoff "Sky's Internet Tv". Like all streaming on-demand platforms, Now Tv is also available, thanks to the creation of the dedicated app, on many devices, such as: computers, smartphones and tablets (both Apple and Android), consoles and smart TVs. In addition, in order to benefit from the streaming subscription also on the television, Sky has created a device called "Now tv box", which connects to the Internet and acts as a decoder (Figure 3.9). Sky's streaming offer is made up of four "tickets": the entertainment package, in which it is possible to see part of Sky's linear programming; the TV series package, with the offer of fiction produced by Sky and other producers; the cinema package, made up of more than 500

films on demand; and finally the sports package. All the contents offered so far are transmitted with a standard quality, and soon, as announced by the company will also be integrated HD quality. The pricing strategy adopted by the Murdoch company is different from the classic



Figure 27 Tickets for Now Tv

streaming platforms, offering many and different content wanted to differentiate the costs Now Tv Box according to the amount of packages requested by the user: monthly if a subscriber wants to have only one ticket (between entertainment, TV series and movies) will pay € 9.99, for two tickets (between entertainment, TV series and movies) will pay € 14.99 and finally for all three tickets € 19.99. For the sports package, the cost is significantly higher, or 19.99 € per month, or there is the possibility to buy the single event at a price of 4.99 €.

Sky was the first operator to enter the streaming market in the Italian context, and thanks to this strategic move has managed to obtain several advantages, including the purchase of rights to valuable and successful content; for example, has managed to grab the exclusive until 2018 of several TV series of HBO, such as: the well-known Games of Thrones, True Detective, Vice, Veep, and The Leftovers.

7.6.2. Mediaset – Infinity

In order to remain competitive in a constantly evolving market, at the beginning of 2014 Mediaset introduced the new on-demand platform, Infinity, into its product portfolio. The name already



Figure 28 Infinity's logo

conveys the message that Mediaset wanted to send to its audience: the idea of an endless library of content. At the time of the launch of the new platform, the Italian production company described its potential by indicating four strengths (Mediaset, 2013):

- the super extension of the content catalogue with more than 5000 products including movies, TV series, cartoons, and all original Mediaset programs;

- the simplicity and clarity of the offer, through the payment, without additional or hidden costs, of a monthly fee of €7.99 (on offer in this period at €5.99) that makes available the entire multimedia library;
- compatibility with different devices (PC, decoder, smart TV, tablet, smartphone, console etc.);
- reaching a new target: the most technological ones

It also maximizes the user experience, thanks to an offer in HD and with the ability to change audio and subtitles in the mother tongue. In short, as you can see, apart from a different price policy, nothing new compared to the Sky offer. What makes the difference is precisely the content offered, and in general the offer Mediaset is "sewn on" to an Italian audience, there are in fact, in addition to some overseas content, many fictions of national production. With Infinity you can watch streaming movies, rent individual movies from the latest ones listed in a dedicated showcase, but you can also use the download&go service. Unlike its competitors, the Italian company has also thought of subscribers who, for work or pleasure, are always on the move, and who do not always have an internet network at their disposal; thanks to the "download&go" service, it is possible to download, when you have a connection of the contents on the chosen device and see them later. The downloaded contents, maximum 30 per month, will be available on the device for 7 days, after which they will be self-delimited. Even Berlusconi's company, at the beginning of 2015, took advantage of Netflix's absence to acquire many television rights and to conclude long-term agreements with the biggest entertainment producers: Universal, Warner and Medusa.

Recently something has changed, or rather will change, on April 8, 2016 the two companies active in the field of entertainment Mediaset and Vivendi, a French media company led by Vincent Bolloré, have concluded an industrial partnership. The agreement provided for a reciprocal share exchange of 3.5% and given the inequality of the two capitalisations: 25 billion Vivendi compared to 4.5 billion Mediaset, the sale to the French company of 100% of the Premium pay TV has also been planned.

The objectives of this important strategic operation can be summarised in two parts fundamental elements:

- Create a European OTT platform, given by the union of the Italian streaming on demand platform Infinity and French Whatchever, which is able to defeat the American giant Netflix and the company of Murdoch, Sky;
- Start a collaboration for the co-production and co-distribution of multimedia content.

This agreement is due to be concluded on 30 September, but things do not seem to be moving in the right direction. Vivendi wanted to renegotiate the agreements before the actual finalization of the contract, according to the French company, the figures provided by Mediaset on the Premium company do not correspond to reality since there was a 'swelling' of the accounts shortly before the conclusion of the contract in April. For this reason, he proposed to the Italian company to modify the agreements: to acquire not 100% of the pay TV, but only 20%, and to increase the shareholding in the company to be held Mediaset up to 15%, thus determining, for the Berlusconi family, the loss of decision-making control over the company (Colombo, 2016). Soon, on August 19, 2016, the company from Cologno Monzese opened a dispute against the French media company for failing to comply with the agreements by requiring the enforcement of the contract signed on April 8 together with compensation, damages amounting to 50 million euros for each month of delay (Il sole 24ore, 2016).

7.6.3. Chili Tv

Chili Tv was founded in 2012 and was the first experiment in connected Italian television initially with IPTV structure then OTT TV owned by Fastweb, consists of a streaming video on demand platform where you can enjoy many multimedia



Figure 29 Chili TV's logo

contents, without subscriptions, decoders or special antennas, simply by exploiting an Internet connection. In May 2014 Chili Tv became independent, bought the shares of Fastweb and completely exited the company. Unlike the platforms analysed above, Chili TV does not offer any monthly subscription or other type, but the purchase or rental of individual content, in fact, for this reason it is better defined as T.V.O.D. platform, Transactional video on demand. In Italy it has almost 350,000 customers and offers a library with more than 4500 titles in standard quality, HD, HD+ and Ultra HD, for which the download service is active, as with Infinity, even with Chili Tv you can download on your device the movie you are interested in and watch it later even without Internet connection. The Chili Tv platform is compatible with multiple devices, such as:

- smart tv;
- computers, smartphones and tablets (both Apple and Android);
- Blu-ray players;

- console (for now exclusively Xbox 360 and Xbox ONE);
- through devices such as Chromecast.

7.6.4. Telecom – Tim Vision

With a rebranding activity carried out in 2014, the streaming service offered by Telecom is transformed from Cubovision to Tim Vision; in addition to the new name, the platform has undergone a complete transformation: new graphic interface, new compatibility with smartphones and tablets, new movies, TV series and sports events.



Figure 30 Tim Vision's logo

Thanks to various agreements with Netflix, Mediaset and Sky, Tim Vision is the A.V.O.D platform that offers the largest library, almost 8000 contents including: documentaries, fiction, movies, children's content and music, and also offers a portion of the linear television programming of Rai and LA7. The pricing strategy adopted by telco is different from other competitors:

- If you have a Tim Smart subscription for your home phone line, you have Tim Vision already included in the package;
- if you do not have a Tim Smart subscription: the cost for the first month is 1€, then it becomes 5€ per month;

In addition, if you are a Tim customer and have a subscription to surf the Internet, you have the option of using the Tim Vision platform without consuming the data. The Tim Vision app is compatible with all major devices, such as: smart TV, Blu-ray players (Samsung and LG), tablets, smartphones, Windows 10 PCs, and the Tim Vision subscription allows access to up to 6 different devices.



Figure 31 Remote control with voice recognition

A great novelty launched by Telecom in 2016 is the Tim Vision decoder integrated with the Android TV

operating system, designed in collaboration with Google. The set-top box has integrated digital terrestrial, advanced wireless connection, ultra HD quality and is also combined with a latest-generation remote control with voice recognition (Figure 10). Considering only the players that offer a Subscription Video on Demand service (Netflix, Now Tv, Infinity and Tim

Vision), the table represents a summary scheme that allows the comparison of each individual offer in terms of pricing.

Table Comparison of the offers of the main Italian S.V.O.D. players.

	PERIODO DI PROVA	PREZZI			
<i>Netflix</i>	Primo mese gratuito (tutto il catalogo)	7,99€ al mese, qualità SD, 1 device	9,99€ al mese, qualità HD, 2 device	11,99€ al mese, qualità UHD, 4 device	
<i>Now Tv</i>	14 giorni gratuiti (Ticket intrattenimento, serie tv e cinema)	1 Ticket 9,99€ al mese	2 Ticket 14,99€ al mese	3 Ticket 19,99€ al mese	Ticket calcio 19,99€ al mese
<i>Infinity</i>	Primo mese gratuito (tutto il catalogo)	7,99€ al mese (in offerta a 5,99€)			
<i>Tim Vision</i>	/	- se si possiede l'abbonamento Tim Smart, Tim Vision è gratuito - 5€ al mese per 6 dispositivi			

Table 7 Subscription pricing

Finally, by concluding the analysis of the competition in the S.V.O.D. market, it is possible to represent the four platforms by means of a positioning map (Figure 11); it distinguishes the offers according to two fundamental variables: the overall price for using the entire library and the breadth of the catalogues, also considering the prestige of the contents, as well as the year in which the titles were released.

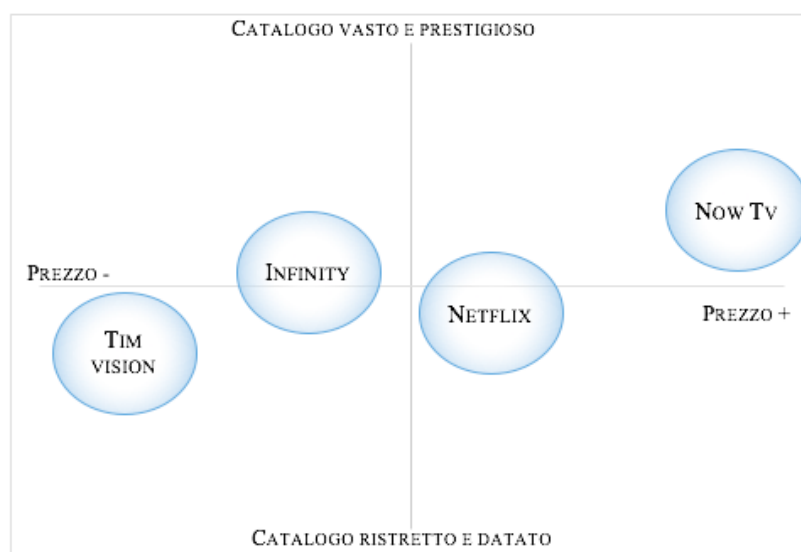


Figure 32 Positioning map of the four Italian players of S.V.O.D.

As you can see from the map, the offer of Sky (Now Tv) is the most expensive and consists of a very large and prestigious catalogue, in fact, in addition to offering a good percentage of recent films is the only subscription that includes sports content and entertainment programs typical of the schedule Sky (X Factor, Italia's got talent etc..). Netflix is positioned below the offer of Murdoch thanks to a much lower average monthly price, and also, with the premium subscription in addition to being able to take advantage of UHD quality you also have the opportunity to access the platform with four devices at the same time, both services not granted by Now Tv. The catalogue is fairly large, older films and TV series are offered due to the restriction of television rights, on the other hand, you can enjoy the exclusivity of content produced by the company with great success. Infinity is characterized by an even lower price compared to previous competitors and has a good library with a wide choice of Italian titles. A point in its favour is the possibility to use the platform even when you do not have an Internet connection, thanks to the download&go service you can in fact download the content and watch it later, even without being online. Finally, Tim Vision is positioned as the cheapest platform, with a large catalogue consisting in part of fairly old titles and few successful TV series, are also included in the package Tim Vision content related to the last week of the linear schedule Rai and La7. Netflix, Now Tv, Infinity, Chili Tv and Tim Vision are the main platforms operating in the Video on Demand market in Italy. Each one of them has strengths and weaknesses, but Netflix is the new entry and it is certainly the one that has made the most of itself in the last year. The current market for Video on Demand has about 700,000 subscribers and just over a third of them (280,000) uses the Californian platform. After almost a year from the debut these are the results, we do not know if they have met or not the expectations of the company of Los Gatos, but certainly we can say that they have led to a strong growth of streaming in the Italian market.

7.6.5. VVVVID – La piattaforma di streaming gratis e legale

VVVVID is an Italian platform with social features dedicated to the legal and free on-demand streaming of cult movies, TV series and especially of souls.

The service is financed with money from advertisements and a paid option to remove the advertising, it is also available exclusively in Italy through the website or through the official app for iOS and Android.

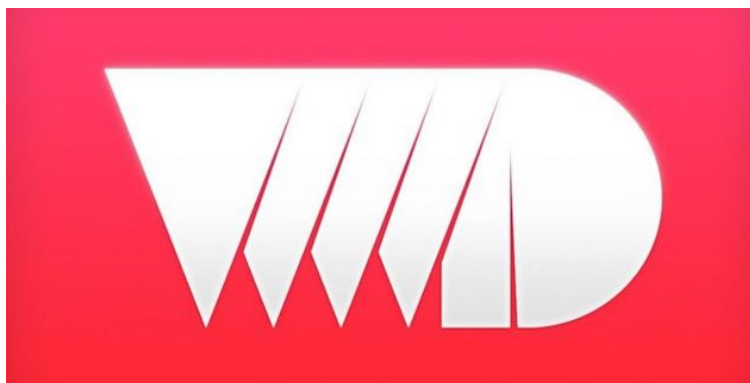


Figure 33 VWVVID's logo

VWVVID was the first platform in Italy to publish online the dubbed

version of an anime, Tokyo Ghoul, without there having been any passage on traditional television, in December 2014.

In addition to offering the content provided by Dynit and Minerva Pictures, VWVVID also offers original content uploaded to its channels that are very often taken care of by people from the Italian web scene, including various youtuber

7.7. 4 P's to Marketing

7.7.1. Product (or service)

Product is the first P of the four P's in marketing. You have to have a product before you can continue with the next steps. The product is important because you need to create something that satisfies people's needs. In our case the product is Netflix. It is a website that you register and pay to be able to watch full seasons of TV shows. It also allows you to watch a wide variety of movies and documentaries. It is a well-rounded product that satisfies many people needs as well as wants. And the good thing is you don't have any contract with them, no cancellation fees, no commitment. You can cancel online subscription anytime. For those who wish to take Netflix's membership there are three plans as follows which give different levels of access of the content to users:

- 1) Basic Plan
- 2) Standard Plan
- 3) Premium Plan

It also offers streaming software for viewing any video instantly as a part of its marketing mix product portfolio but specified internet speed and system requirement is necessary for better experience. A few years ago, Netflix decided to produce films and TV shows and created some like Narcos, Orange is the New Black, Thirteen Reasons Why, etc. It also acts an online

distributor by acquiring broadcasting rights. In addition to all these, it provides delivery of DVD rentals.

7.7.2. Price

Price is the second P. This is a very important part of marketing your product. You have to decide how much to price your product at that people will be willing to pay. The reason this is so important is because you could have a great product but if it is priced too high not as many people will use it. If it is priced too low you will most likely have a hard time raising the price when you get a customer base. Currently Netflix has a couple of different pricing tiers (Basic Plan, Standard Plan, Premium Plan which range from \$7 to \$12). You can pay more for more screens that can be used at once on an account to watch something. Or you can pay the minimum amount and just receive the basic options. Of course, with the tier the more you pay a month the more benefits come with it.

7.7.3. Place

“It’s being in the right place at the right time and taking advantage of your opportunities.” -Lee Majors

When considering the third p, place, it is as simple as the quote above. All products success is determined by a bunch of little factors but a big factor is whether or not you have a good enough product at this point in time to survive in the market. It is truly critical to evaluate different locations, how big you plan on growing, and the clients you plan on working with. Netflix is an online streaming business and hence available everywhere. Almost the entire business of Netflix is conducted online. Its services are accessible through Smart TVs, tablets, smartphones, etc. with internet access. Online availability makes it possible for its customer to avail its services anytime anywhere though it has strategic distributors as well which allows for easy delivery of rented DVDs and has several branches as well.

7.7.4. Promotion

We’ve got a product, price, and place now it’s time to promote Netflix. Promotion is the process of getting our product information to consumers by showing how it differentiates from similar services. Promotion includes any and every way we can reach our audience such as advertising through social media, press, TV, radio, billboards, etc. Instead of spending advertising money on paid media such as those examples Netflix chooses to boost awareness

by posting through social media sites such as Instagram and Twitter. Once we draw in the audience, we need to attract them to subscribe as Netflix users and after that is completed the website does the rest.

7.8. Marketing Strategy

Since 2016 Netflix has stopped segmenting its members by geography and has started treating its 93 million global members as a single, cohesive audience or a community of members with similar movie and TV show preferences. Brand refers to these groups as “taste communities” and there are roughly 1,300 of them. Netflix has always used such clusters which the brand in its own jargon refers to as “Taste Doppelgangers” around the world which means people across boundaries having a similar taste for TV show genres.

Netflix uses differentiating targeting strategy in order to increase its loyal/repeat customers through its subscription-based model.

Positioned as a subscription-based video on demand platform which is easily accessible from anywhere anytime on the go on mobile/Tablets or on TV, it has rich in experience and broadcast quality video ultimately meant to fulfill the digital consumption desire of the audiences.

7.8.1. Mission and vision

Netflix’s mission is promise to their customers stellar service, to their suppliers a valuable partner, to their investors the prospects of sustained profitable growth, and to their employees the allure of huge impact, while is vision is becoming the best global entertainment distribution service, thanks to licensing entertainment content around the world, creating markets that are accessible to filmmakers and helping content creators around the world to find a global audience.

7.8.2. Ansoff Matrix

The Ansoff Matrix is a business analysis technique that provides framework enabling growth opportunities to be identified. It can help to consider the implication of growing the business through existing or new products and in existing or new markets. Each of these growth options draws on both internal and external influences, investigations, and analysis that are then worked into alternative strategies.



Figure 34 Ansoff Matrix

Market penetration

In terms of market penetration, Netflix need to increase its domestic market. Growth in online streaming has resulted due to the increasing broadband penetration, growth in connected devices, faster download speed and the broader trends of media consumption. A large part of the purchasing and usage of Netflix's content come from existing customers in the US. However, there is still a larger market in the US that Netflix can benefit from. Netflix can leverage its first mover advantage to expand more rapidly in the US.

Product development

The company could also benefit from developing its own original content and focusing on the online streaming business. Developing its own original content will reduce their dependence on content providers. There is also an imperative need to phase out the "DVD mailing option" from Netflix's business model. The movie industry is quickly shifting online, yet Netflix continues to develop millions of DVDs which have high operating costs. Despite its huge revenue, Netflix's margins are eaten up by its huge production costs. With the movie industry shifting online, Netflix may lose out on major profits if they take too long to phase out the DVD mailing option.

Market development

International expansion is one of the strategic growth options. Netflix has already entered into regional license agreements to stream media content from 42 countries in Central America, South America and the Caribbean. However, this international expansion needs to be implemented very cautiously. While this has allowed Netflix to expand its subscriber base, the company is spending so much that it doesn't actually profit from this international expansion. For example, in the last quarter of 2012, international losses hit \$105 million despite the gain of 6 million new subscribers.

Diversification

Netflix is currently in competition with rivals in the market in two main product lines: DVD rentals and online streaming. With virtual rivals such as Amazon, Hulu and cable TV companies among many others, competition in online streaming is going to be intense. In the product line of DVD rental, competitors such as Blockbuster and Red-box pose a huge threat. To maintain an edge in the market, Netflix need to diversify its product line to include video and computer games.

7.8.3. B.C.G. Matrix

The BCG matrix of NETFLIX, INC, BCG matrix is used by many conglomerates to analyze their multiple segments and products. It helps them to develop strategies for their business and product portfolios. Keeping in mind the industry sales growth rate and market share of the products and segments. BCG matrix was developed by private consulting firm based in Boston to help the conglomerates, which deals in different businesses and products. It helps them to create strategies for each business and product according to their performance in market. It is the four-quadrant matrix, each quadrant has been assigned different name. Which are as follow, cash cow, dog, question mark and stars.

Netflix is the internet television network which is believed to be largest network in the world. It has 117 million streamers in 190 countries all over the world. Streamers enjoy 140 million hours of TV shows, documentaries and films daily on Netflix. Netflix launched its streaming service in 2007 and they are the pioneer of streaming service. Currently it has the best streaming service in the world. The company has three segments which are as follow, domestic streaming, international streaming and domestic DVD. Netflix compete with another video provider such as, Amazon, Hulu, Disney, Apple and century Fox. After the brief introduction of

company and BCG matrix, now it's time to construct BCG matrix of Netflix and see which segments requires which strategies and which segment lies in which quadrant of B.C.G. matrix.

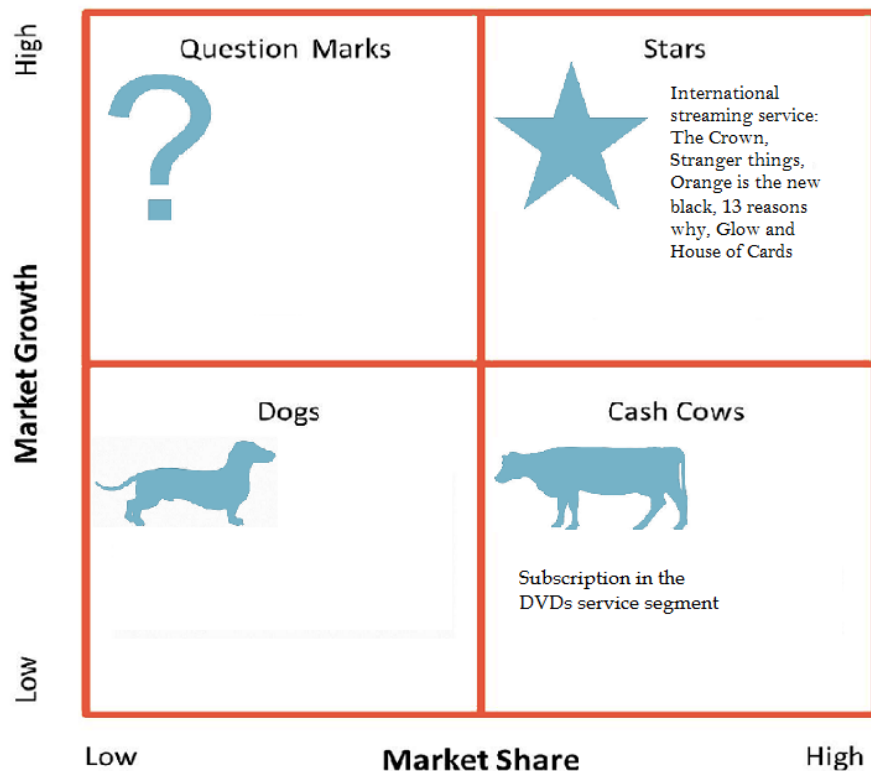


Figure 35 B.C.G. Matrix

Stars

Those segments come under the category of stars which have high industry sales growth rate and high relative market share. Netflix international streaming segment comes under the category of stars. Netflix market occupy the highest place in the market share of international streaming. Thanks to the quality of streaming and contents Netflix is on the top of international streaming list. The contents which boosted the subscribers of Netflix are as follow, The Crown, Stranger things, Orange is the new black and 13 reasons why, Glow and last but not the least house of cards. Domestic streaming segment of Netflix also comes under the category of stars because in United States more and more people are shifting from traditional cable networks towards Netflix streaming, the industry sales growth is increasing rapidly and Netflix occupy the fare share in the domestic streaming market around 60 %. Which is increasing as the time passes by, both the segments of Netflix are doing well in terms of market share.

Cash Cows

Cash cows are those segments which compete in low growth industry and have high relative market share. The industry growth rate declined over the years because many people now prefer to stream online. However, Netflix still have the highest rate of subscription in DVDs. Netflix should explore other markets where blue Ray is still in demand in that way, they can increase their market share. But still DVD segment of Netflix is leading domestically.

Question marks

None of the Netflix segments fall into the question mark category. These segments fall into the question mark category, which has a low relative market share and is active in a high sales growth sector.

Dogs

None of Netflix segments come under the category of dogs. However, those segments are included into the category of Dogs, which operates in low sales growth industry and have low relative market share.

8. Survey Analysis

During the development of the project we administered a questionnaire to which we received 205 replies. The questions proposed were aimed at analysing various factors, such as behaviour, preferences and knowledge relating to the platforms indicated.

The questionnaire was administered only in Italy, more in detail in Sicily. The indicated platforms were selected through the use of the relative Alexa Rank in Italy, in fact you can find platforms that are not found in the global analysis such as TimVision, VVVVID or NowTV.

Età

205 risposte

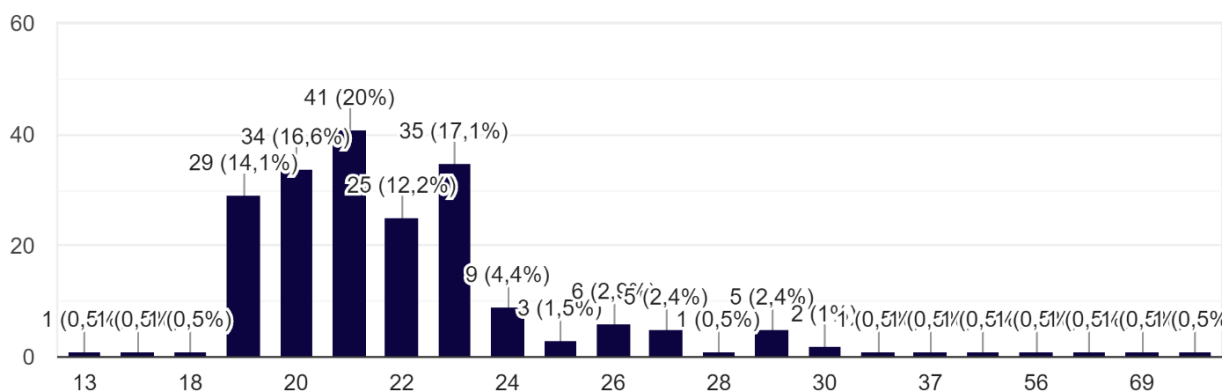


Figure 36 Age of the person

Da quale device utilizzi maggiormente la piattaforma?

205 risposte

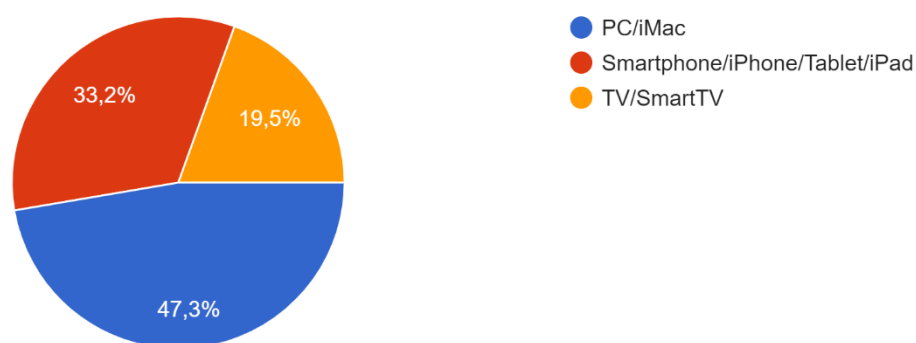


Figure 39 Device used

Sei solito fare uso di più piattaforme durante lo stesso periodo? (Es. "Uso sia Netflix che NowTV")

205 risposte

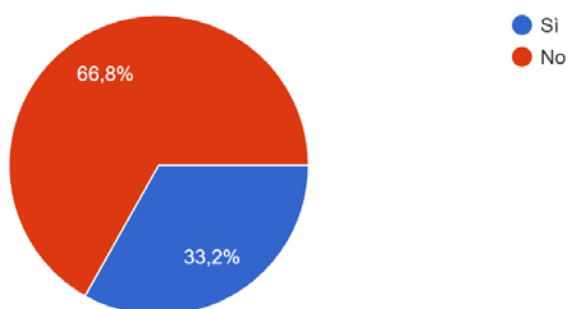


Figure 38 Subscription to different platforms

Per quale motivo utilizzi maggiormente una piattaforma di streaming?

205 risposte

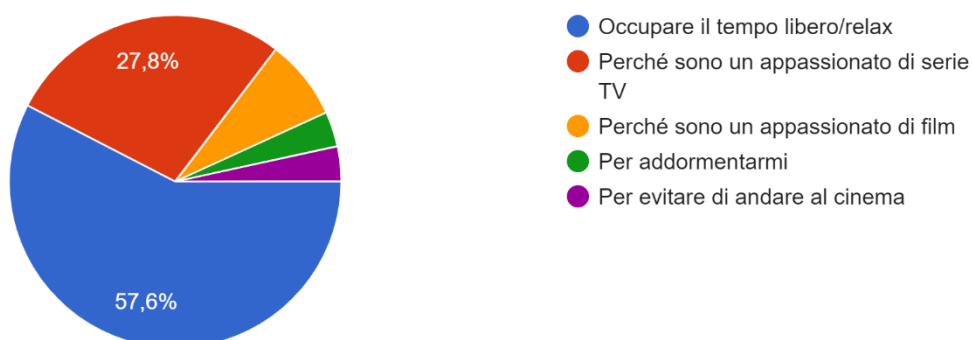


Figure 37 Reason for use

In the images proposed above we see some of the questions proposed with their answers. For example, we have analyzed the age of users, the device they use to take advantage of the various services offered by the platforms or the reason why a user subscribes, or registers, to a particular platform.

8.1. Cluster Analysis

From the questionnaires we have obtained 21 variables. Each variable was considered binary, so if the user marked a certain answer it was set to 1 otherwise 0.

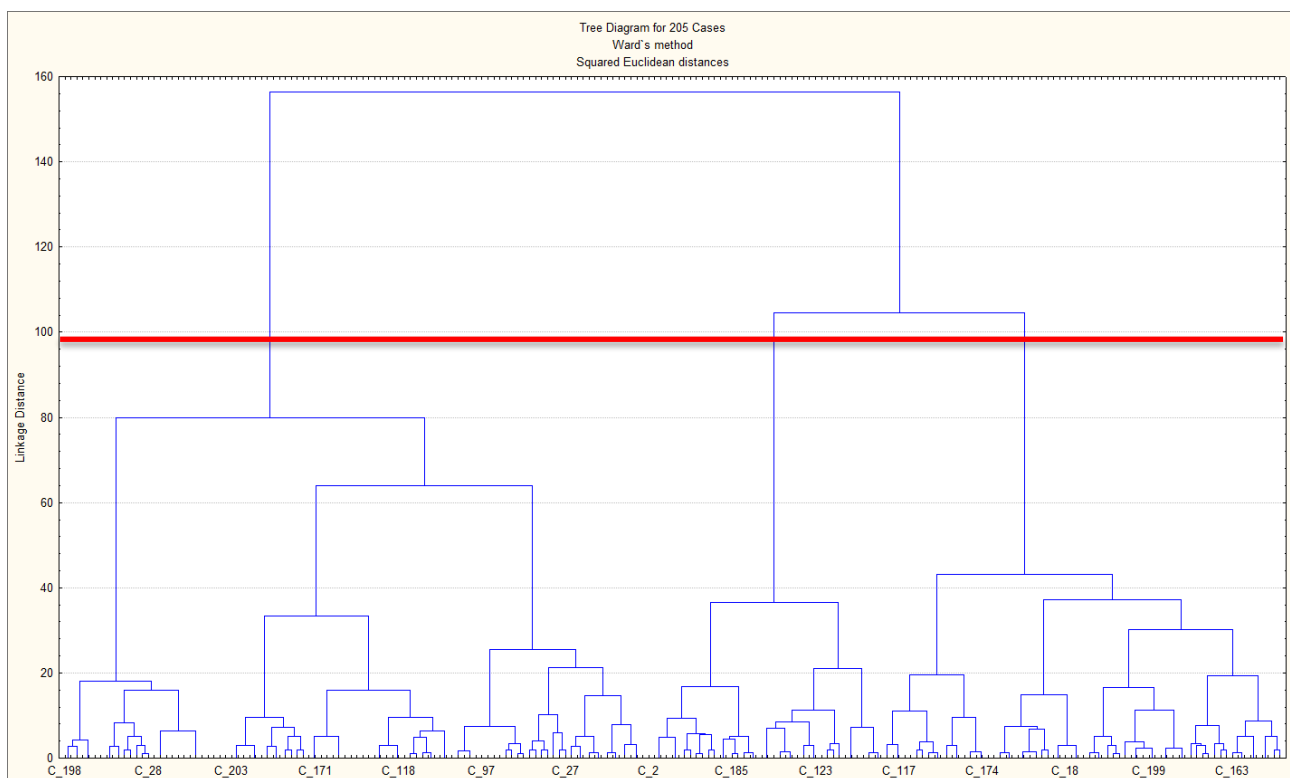


Figure 40 Cluster diagram

The software used for our analysis, Statistica, presents various methods to create and analyse clusters; we have exploited the "Ward's Method". It is a method of cluster analysis that, compared to other methods (such as single-link), has a lower computational cost than other methods. A slight disadvantage is the accuracy, making clusters not optimal, in any case it can be applied without problems for most of the analyses. Like any cluster method, Ward's Method starts with smaller clusters and aggregates them into larger groups. In our case, given the variables and the input data, from the graph we have obtained 3 clusters that group the 205 users deriving from our survey.

8.1.1. Analysis "Cluster 1"

The following table shows the averages for each individual variable analysed.

Looking at the table we can make some considerations on which type of users are part of Cluster 1. We see that of the 75 people in the cluster most are men, although of little, also the whole uses only the PC to take advantage of the streaming platform.

Another data that emerges is that of the time you use, in fact we note that in this cluster there are various types of users, of these most use the platform for about 10 days a month the minority exploits it every day. Finally, the values equal to 0 indicate that there is no subject who has that habit.

Variable	Descriptive Statistics for Cluster 1 (corretto.sta) Cluster contains 75 cases		
	Mean	Standard Deviation	Variance
Sesso	0.680000	0.469617	0.220541
Ogni giorno	0.120000	0.327150	0.107027
Maggiore di 20	0.160000	0.369075	0.136216
Maggiore di 10	0.386667	0.490266	0.240360
Qualche giorno	0.280000	0.452022	0.204324
Raramente	0.053333	0.226211	0.051171
Abbonamento	0.440000	0.499730	0.249730
Noleggio	0.000000	0.000000	0.000000
Gratuite	0.320000	0.469617	0.220541
Abb.Nolegg.	0.000000	0.000000	0.000000
Nolegg.Gratu.	0.000000	0.000000	0.000000
Abb.Gratuito	0.226667	0.421494	0.177658
Abb.Grat.Nol	0.013333	0.115470	0.013333
PC/iMac	1.000000	0.000000	0.000000
SmartPhone	0.000000	0.000000	0.000000
TV	0.000000	0.000000	0.000000
Tempo Libero	0.786667	0.412420	0.170090
SerieTv	0.013333	0.115470	0.013333
Film	0.093333	0.292858	0.085766
Addormentarmi	0.053333	0.226211	0.051171
Non Adare al cinema	0.053333	0.226211	0.051171

Table 8 Cluster 1

8.1.2. Analysis "Cluster 2"

The following table shows the averages and values in Cluster 2.

Variable	Descriptive Statistics for Cluster 2 (corretto.sta) Cluster contains 70 cases		
	Mean	Standard Deviation	Variance
Sesso	0.700000	0.461566	0.213044
Ogni giorno	0.185714	0.391684	0.153416
Maggiore di 20	0.200000	0.402888	0.162319
Maggiore di 10	0.257143	0.440215	0.193789
Qualche giorno	0.228571	0.422944	0.178882
Raramente	0.128571	0.337142	0.113665
Abbonamento	0.471429	0.502787	0.252795
Noleggio	0.000000	0.000000	0.000000
Gratuite	0.128571	0.337142	0.113665
Abb.Nolegg.	0.014286	0.119523	0.014286
Nolegg.Gratu.	0.000000	0.000000	0.000000
Abb.Gratuito	0.385714	0.490278	0.240373
Abb.Grat.Nol	0.000000	0.000000	0.000000
PC/iMac	0.000000	0.000000	0.000000
SmartPhone	0.557143	0.500310	0.250311
TV	0.442857	0.500310	0.250311
Tempo Libero	0.842857	0.366563	0.134369
SerieTv	0.000000	0.000000	0.000000
Film	0.128571	0.337142	0.113665
Addormentarmi	0.014286	0.119523	0.014286
Non Adare al cinema	0.014286	0.119523	0.014286

Table 9 Cluster 2

From the data in the table of Cluster 2, composed of 70 people, we can say that most of the users are male, also you can see heterogeneity in time of use of the platform.

Another data that emerges is related to the type of platform used, in fact in this cluster we find 3 groups of users. One group is composed of those who use subscription platforms, such as Netflix or Prime Video. The second group is composed of those who only use streaming platforms, such as VVVVID. Finally, the last group is composed of those users who use both types of platform. As for the type of device used, we find two groups. In fact, unlike Cluster 1,

in this cluster we have two types of users, those who use smartphones and those who use Smart TVs.

Finally, of this cluster, we can see that most users use the platform more in their free time and that no one uses it as a fan of Serie TV.

8.1.3. Analysis "Cluster 3"

The following table shows the data relating to the last cluster, Cluster 3.

In this cluster we immediately notice some differences with the two clusters analysed before. The first data that emerges is in the variable "sex", this cluster is composed mainly of female users. This can be understood because the value of the average value relative to the variable in this cluster tends to 0 (in this case is equal to 0.3666), remember that all the variables analysed are binary and that in this specific case, that is the gender of the user, the value "0" indicates the female gender and the value "1" the male gender, calculating the average of the

Variable	Descriptive Statistics for Cluster 3 (corretto.sta) Cluster contains 60 cases		
	Mean	Standard Deviation	Variance
Sesso	0.366667	0.485961	0.236158
Ogni giorno	0.466667	0.503098	0.253107
Maggiore di 20	0.233333	0.426522	0.181921
Maggiore di 10	0.083333	0.278718	0.077684
Qualche giorno	0.150000	0.360085	0.129661
Raramente	0.066667	0.251549	0.063277
Abbonamento	0.383333	0.490301	0.240396
Noleggio	0.000000	0.000000	0.000000
Gratuite	0.266667	0.445949	0.198870
Abb.Nolegg.	0.000000	0.000000	0.000000
Nolegg.Gratu.	0.000000	0.000000	0.000000
Abb.Gratuito	0.333333	0.475383	0.225989
Abb.Grat.Nol	0.016667	0.129099	0.016667
PC/iMac	0.366667	0.485961	0.236158
SmartPhone	0.483333	0.503939	0.253955
TV	0.150000	0.360085	0.129661
Tempo Libero	0.000000	0.000000	0.000000
SerieTv	0.933333	0.251549	0.063277
Film	0.000000	0.000000	0.000000
Addormentarmi	0.033333	0.181020	0.032768
Non Adare al cinema	0.033333	0.181020	0.032768

Table 10 Cluster 3

values for the variable just analysed if it is close to 0, as mentioned, will indicate the presence of a greater number of female users, vice versa if the average value tends to 1 the user will be mainly male, as mentioned, the presence of a greater number of female users, if the average value tends to 1 the user will be mainly male.

Another fact that differs greatly from other clusters is the reason for using the platform. In this cluster we see how almost all users use the platforms to watch TV series and that a small part of them use them for other reasons.

There is also a heterogeneity in the type of device used, in fact this is the only cluster that has all types of users, both smartphones and Smart TV that PC.

Finally, we can say that, from the data that emerge, the majority of female users exploit the streaming platforms for TV series and that only a small male part uses them for the same reason.

8.1.4. Chart of Averages

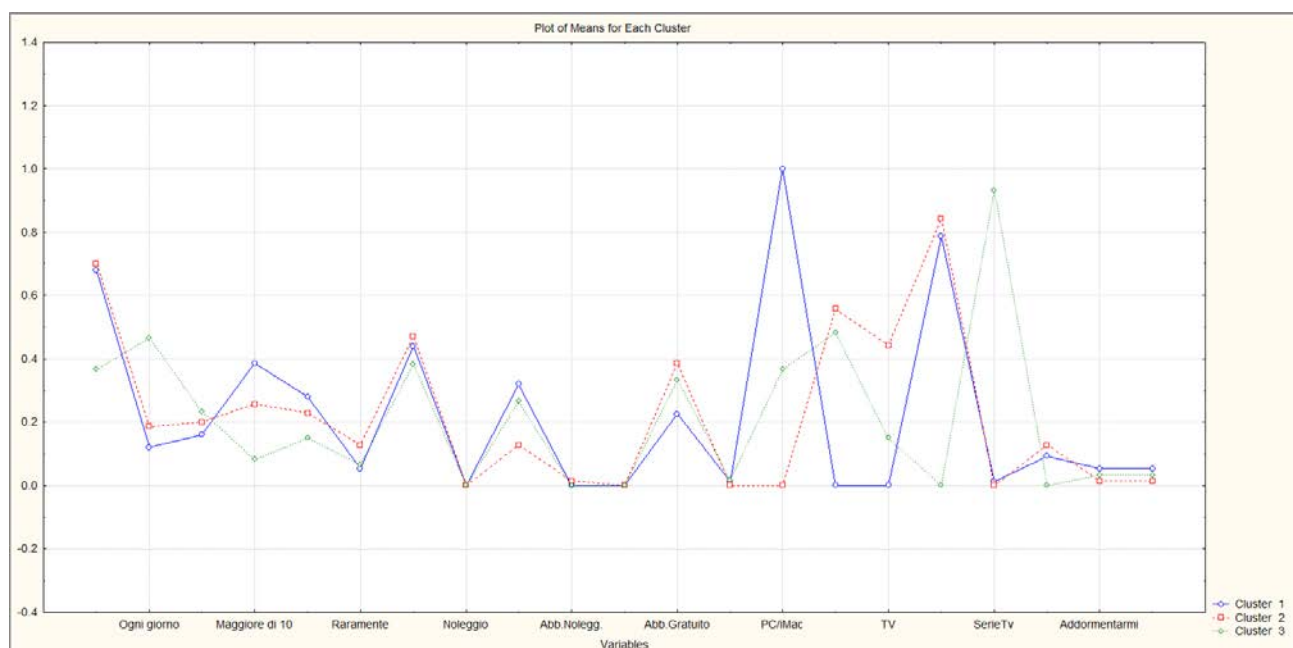


Figure 41 Plot of mean

The image shows the averages of the variables of each cluster.

The graph is used to compare the averages of the selected clusters, in this case we compare the 3 clusters analysed. As mentioned in the previous paragraphs, we see that the value related to gender, or "sex", in the first 2 clusters tends to "1" while the third cluster tends to "0". In the graph we also see peaks that must be associated with the average ones that are very close to the value 1.

Also, from the graph we can see how similar the three clusters are in some points and how similar only two clusters are in others. Finally, we see that there are points of "minimum", these points are related to those variables that do not have average and therefore do not fall within the habits of the user.

8.2. Cluster analysis - without insignificant values

In the previous analysis we have also considered the non-significant variables for the creation of clusters.

In the new analysis we discarded those variables that had a p-value greater than 0.05. Considering this, after a double analysis, of the 21 variables 8 remained ("Gender", "Every Day", "Greater than 10", "PC", "Smartphone", "Free Time", "TV Series", "Film").

This double analysis was created with the aim of comparing the results from the two cases.

Analysing the new cluster diagram, we have obtained again 3 clusters.

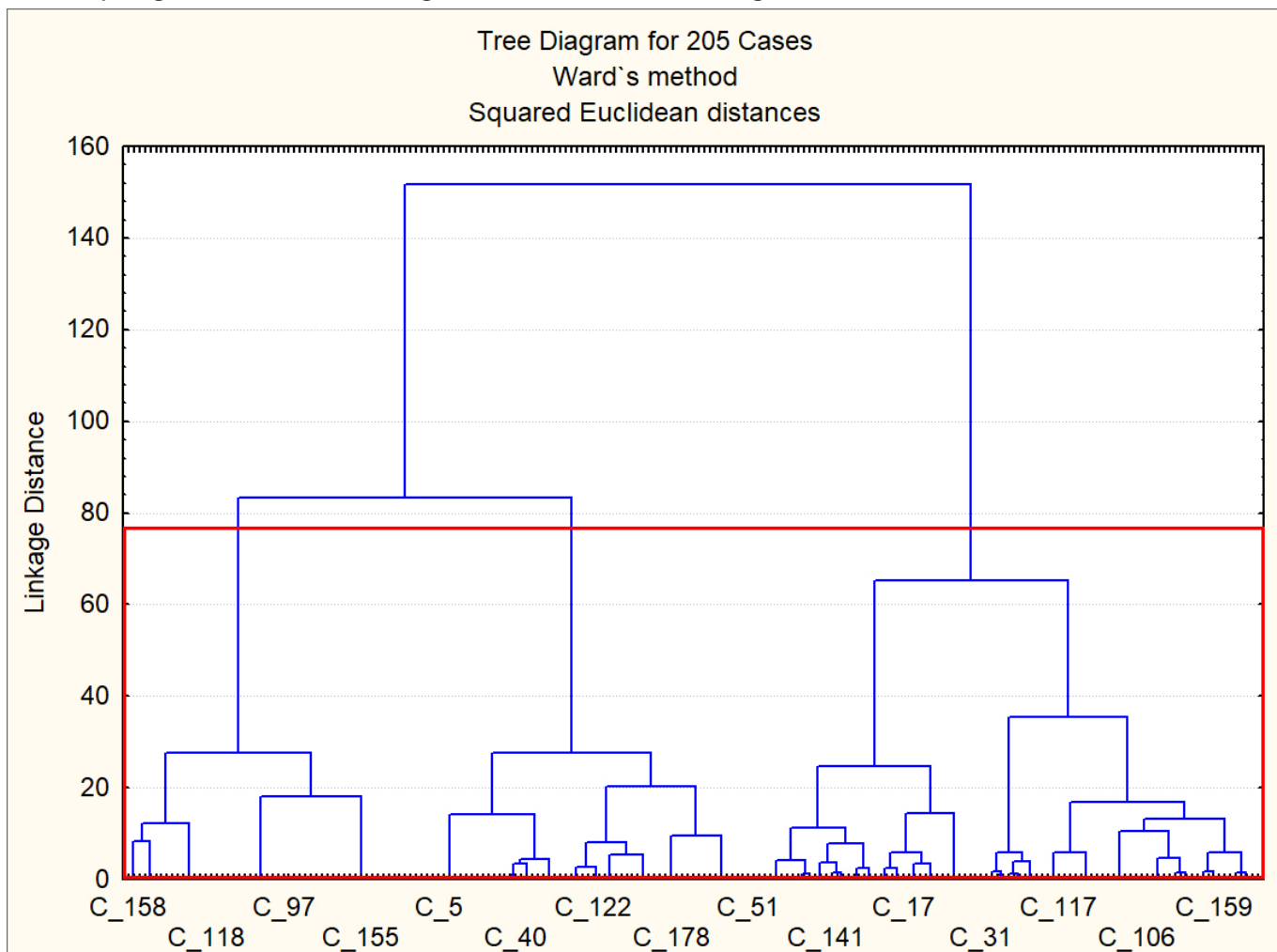


Figure 42 Cluster diagram without non significant values

8.2.1. Cluster 1 analysis and comparison with previous Cluster 1

The first thing we notice is the number of members of the new cluster, in fact the previous cluster had 75 cases and the new one has 104. For the rest, the data remain almost unchanged. The cluster confirms that most of the users are men who mainly use computers and do so in their free time.

Variable	Descriptive Statistics for Cluster 1 (Spreadsheet19 Cluster contains 104 cases		
	Mean	Standard Deviation	Variance
Genere	0.721154	0.450603	0.203043
Ogni Giorno	0.144231	0.353025	0.124627
Maggiore di 10	0.326923	0.471361	0.222181
PC	0.711538	0.455241	0.207244
Smartphone	0.000000	0.000000	0.000000
TempoLibero	0.798077	0.403379	0.162715
SerieTV	0.000000	0.000000	0.000000
FILM	0.125000	0.332321	0.110437

Table 11 Cluster 1 - without non significant values

8.2.2. Cluster 2 analysis and comparison with previous Cluster 2

In the case of cluster 2 the results have varied, the number of cases studied has passed from 70 to 43 and also the number of males and females is almost similar unlike the previous cluster 2 where they were mostly males.

Another variation is in the type of device used. In the new cluster 2 all users use their smartphone to use the platform.

Variable	Descriptive Statistics for Cluster 2 (Spreadsheet19) Cluster contains 43 cases		
	Mean	Standard Deviation	Variance
Genere	0.534884	0.504685	0.254707
Ogni Giorno	0.139535	0.350605	0.122924
Maggiore di 10	0.279070	0.453850	0.205980
PC	0.000000	0.000000	0.000000
Smartphone	1.000000	0.000000	0.000000
TempoLibero	0.813954	0.393750	0.155039
SerieTV	0.000000	0.000000	0.000000
FILM	0.069767	0.257770	0.066445

Table 12 Cluster 2 - without non significant values

8.2.3. Cluster 3 analysis and comparison with previous Cluster 3

The number of cases of the new cluster 3, compared to the old cluster 3, remains similar, in fact it passes from 60 to 58 cases. Even the gender remains almost unchanged, confirming that the prevailing sex is that of women. Finally, we see that both the devices used and the reason for use remain unchanged, confirming that users of the cluster use PCs and smartphones as devices for the use of the service and that the main reason for use and for viewing TV series.

Variable	Descriptive Statistics for Cluster 3 (Spreadsheet19) Cluster contains 58 cases		
	Mean	Standard Deviation	Variance
Genere	0.413793	0.496814	0.246824
Ogni Giorno	0.500000	0.504367	0.254386
Maggiore di 10	0.103448	0.307203	0.094374
PC	0.396552	0.493454	0.243497
Smartphone	0.431034	0.499546	0.249546
TempoLibero	0.000000	0.000000	0.000000
SerieTV	0.982759	0.131306	0.017241
FILM	0.000000	0.000000	0.000000

Table 13 Cluster 3 - without non significant values

8.2.4. Plot of Mean without insignificant variables

This graph shows the averages for each cluster of the individual variables. Comparing it with the old graph, of course we notice some differences due to the removal of non-significant variables. However, the new graph remains very similar to the old one, some similar points are found in the genre or in TV series.

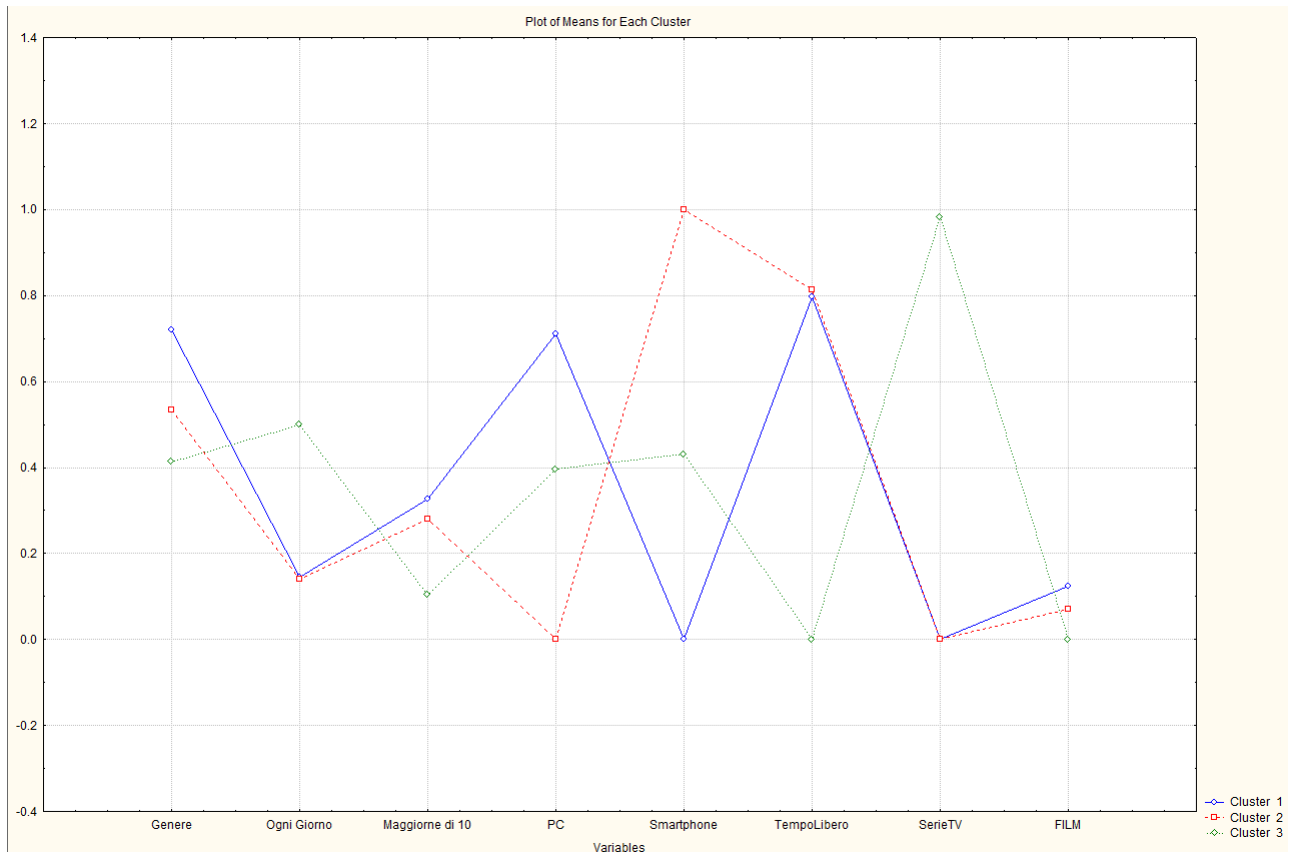


Figure 43 Plot of mean without non significant value

8.3. Positioning

8.3.1. Introductions

For this analysis we administered a questionnaire which received 205 responses.

The survey had the objective of analysing what motivates users to use one platform rather than another. The form was given only to Italian users so we inserted the platforms that were most used in Italy according to the algorithm of Alexa Rank.

The platforms analysed are: Netflix, Prime Video, VVVVID, Chili, Infinity TV, NowTV and TimVision.

The characteristics analysed go to analyse the content offered by the platforms, such as TV series, movies or anime, and the services that characterize, generally the streaming platforms, such as the presence of an app for various devices, the possibility of off-line use or the highest video quality offered by the platform (For example Netflix offers 4K).

8.3.2. Data Analysis

Once the data had been received, we took care of obtaining the frequencies and analysing them using the software Statistica.

From the analysis of the data we obtain elements that will form the graph containing services and companies, also from the various calculations are extracted the coordinates that will be used for the positioning of the various elements.

	Aggiornamenti	Interfaccia User Friend	Utilizzo da browser	Utilizzo Tramite App	Prova Gratuita	Account Differenziato	Qualità Video	Uso Off-Line	Più device	Utilizzo Gratuito	Serie TV	Film	Sport	Intrattenimento	Documentari	Contenuti per bambini	Live TV	Anime
Netflix	130	150	120	149	50	120	160	157	156	20	171	137	7	46	44	23	2	49
Infinity TV	8	11	6	13	16	2	17	4	6	11	15	22	3	4	0	2	0	3
Chili	3	7	6	4	9	2	8	2	2	7	3	11	2	5	0	2	0	2
Prime Video	17	16	23	20	17	3	36	11	12	18	36	32	4	12	5	4	2	3
VVVVID	23	6	35	16	13	4	40	5	7	130	18	8	0	5	0	5	0	120
NowTV	15	7	5	15	23	5	28	4	8	21	30	24	13	122	4	3	7	0
TimVision	17	15	12	20	16	7	19	4	14	22	29	38	7	12	4	4	3	4

Table 14 Data recorded with the questionnaire

Eigenvalues and Inertia for all Dimensions (Spreadsheet2)					
Input Table (Rows x Columns): 7 x 18					
Total Inertia=.57213 Chi²=1822.2 df=102 p=0.0000					
Number of Dims.	Singular Values	Eigen-Values	Perc. of Inertia	Cumulativ Percent	Chi Squares
1	0.553270	0.306108	53.50355	53.5035	974.9537
2	0.458724	0.210428	36.77992	90.2835	670.2120
3	0.209096	0.043721	7.64186	97.9253	139.2517
4	0.077277	0.005972	1.04377	98.9691	19.0198
5	0.067256	0.004523	0.79062	99.7597	14.4069
6	0.037077	0.001375	0.24028	100.0000	4.3784

Table 15 Eigenvalues calculated with the software Statistics

Column Name	Column Coordinates and Contributions to Inertia (Spreadsheet2) Input Table (Rows x Columns): 7 x 18 Standardization: Row and column profiles									
	Column Number	Coordin. Dim.1	Coordin. Dim.2	Mass	Quality	Relative Inertia	Inertia Dim.1	Cosine ² Dim.1	Inertia Dim.2	Cosine ² Dim.2
Aggiornamenti	1	-0.093998	0.15627	0.066876	0.868878	0.004474	0.001930	0.230850	0.007761	0.638028
Interfaccia User Friendly	2	-0.320739	0.30893	0.066562	0.953604	0.024194	0.022369	0.494683	0.030188	0.458921
Utilizzo da browser	3	0.126626	0.09077	0.061538	0.507223	0.005147	0.003223	0.335061	0.002409	0.172162
Utilizzo Tramite App	4	-0.203403	0.18227	0.074411	0.949365	0.010219	0.010057	0.526558	0.011748	0.422807
Prova Gratuita	5	-0.069857	-0.27867	0.045212	0.284393	0.022934	0.000721	0.016815	0.016685	0.267578
Account Differenti	6	-0.370196	0.40126	0.044898	0.730464	0.032021	0.020101	0.335866	0.034354	0.394598
Qualità Video	7	-0.010955	0.04234	0.096703	0.092267	0.003505	0.000038	0.005788	0.000824	0.086479
Uso Off-Line	8	-0.371194	0.44300	0.058713	0.805618	0.042551	0.026428	0.332306	0.054757	0.473313
Più device	9	-0.329955	0.33680	0.064364	0.889335	0.028122	0.022892	0.435534	0.034697	0.453801
Utilizzo Gratuito	10	1.292318	-0.21347	0.071900	0.988902	0.218027	0.392275	0.962636	0.015570	0.026265
Serie TV	11	-0.217598	0.04360	0.094819	0.667460	0.012229	0.014667	0.641695	0.000857	0.025765
Film	12	-0.264867	0.01195	0.085400	0.366749	0.028611	0.019572	0.366004	0.000058	0.000745
Sport	13	-0.323488	-0.93781	0.011303	0.819222	0.023733	0.003864	0.087109	0.047241	0.732113
Intrattenimento	14	-0.353498	-1.49910	0.064678	0.959152	0.279601	0.026403	0.050524	0.690739	0.908627
Documentari	15	-0.438196	0.25983	0.017896	0.773720	0.010492	0.011226	0.572449	0.005742	0.201270
Contenuti per bambini	16	-0.040545	0.09581	0.013501	0.252572	0.001011	0.000073	0.038362	0.000589	0.214210
Live TV	17	-0.366375	-1.32954	0.004396	0.867540	0.016843	0.001928	0.061229	0.036925	0.806311
Anime	18	1.508096	0.18109	0.056829	0.969874	0.236286	0.422234	0.956088	0.008857	0.013786

Table 17 Coordinates associated with behaviours

Row Name	Row Coordinates and Contributions to Inertia (Spreadsheet2) Input Table (Rows x Columns): 7 x 18 Standardization: Row and column profiles									
	Row Number	Coordin. Dim.1	Coordin. Dim.2	Mass	Quality	Relative Inertia	Inertia Dim.1	Cosine ² Dim.1	Inertia Dim.2	Cosine ² Dim.2
Netflix	1	-0.271082	0.28065	0.524647	0.925533	0.150848	0.125948	0.446721	0.196378	0.478812
Infinity TV	2	-0.056754	-0.01657	0.044898	0.011963	0.022931	0.000472	0.011023	0.000059	0.000940
Chili	3	0.013507	-0.17299	0.023548	0.083883	0.014772	0.000014	0.000508	0.003349	0.083375
Prime Video	4	-0.105149	-0.03078	0.085086	0.084375	0.021158	0.003073	0.077716	0.000383	0.006659
VVVVID	5	1.375584	0.01821	0.136578	0.996864	0.453213	0.844266	0.996690	0.000215	0.000175
NowTV	6	-0.265264	-1.24689	0.107692	0.983267	0.311102	0.024755	0.042574	0.795682	0.940693
TimVision	7	-0.076186	-0.10332	0.077551	0.085985	0.025977	0.001470	0.030287	0.003934	0.055698

Table 16 Coordinates associated with firms

The above tables show the data obtained from the processing of the inserted frequencies. The values of the table "Positioning 2" have been used for the selection of the number of dimensions, which in our case are two because they explain about 90% of the inertia of the eigenvalues. The tables "Positioning 3" and "Positioning 4" show the coordinates of the behaviours and the companies.

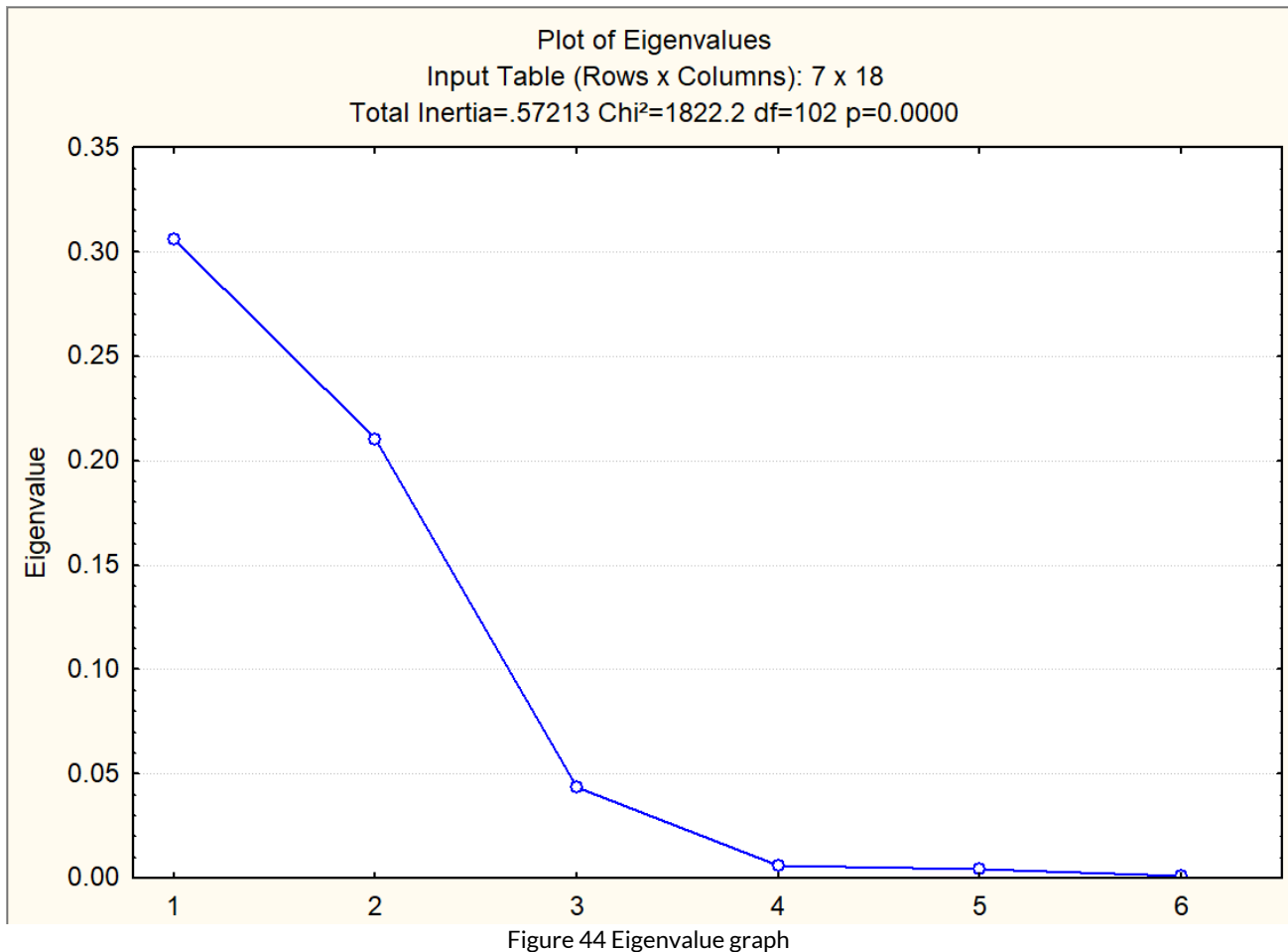


Figure 44 Eigenvalue graph

8.3.3. Coordinate Analysis

The coordinates obtained from the program have been used to create three graphs.

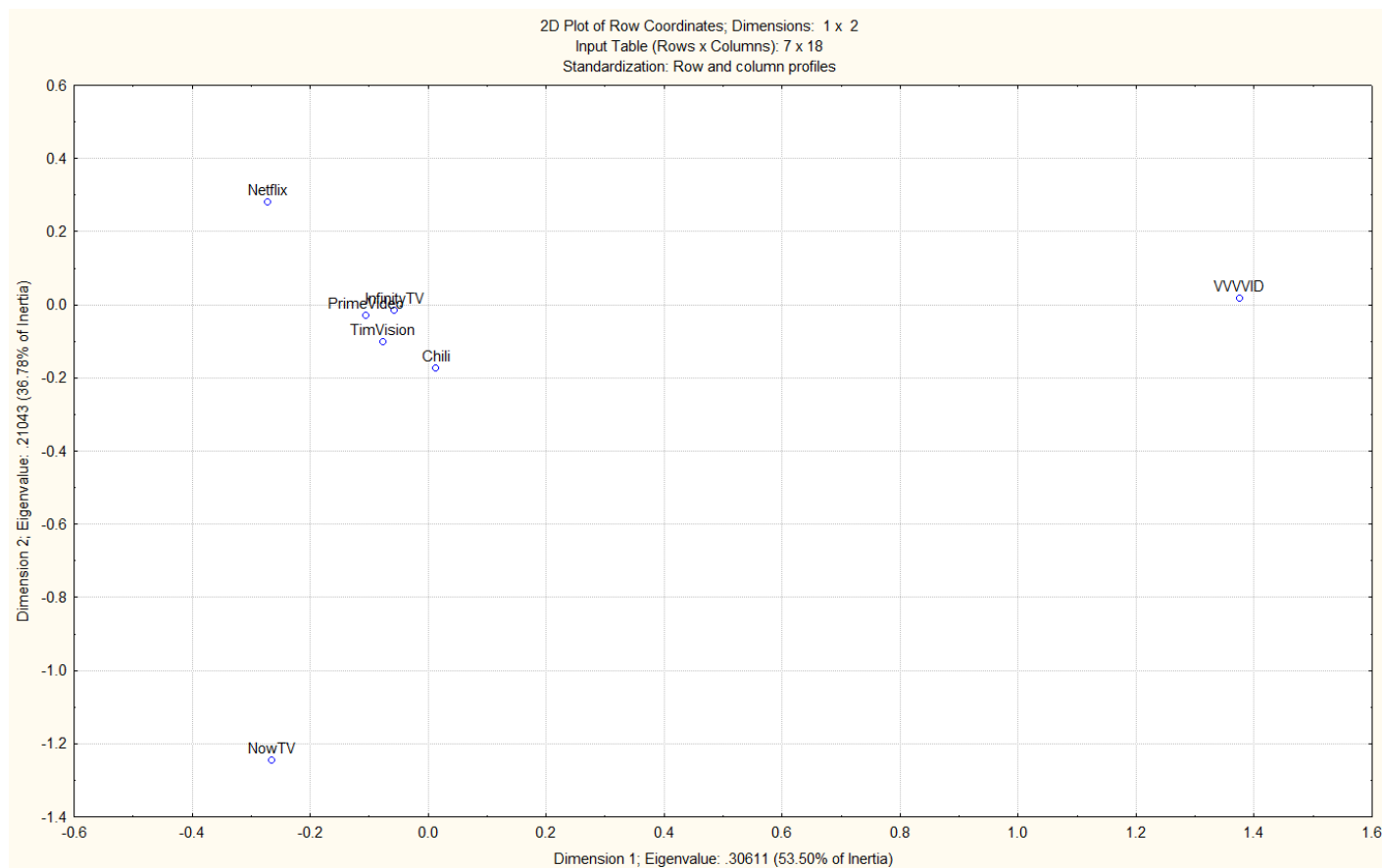


Figure 46 Firm Chart

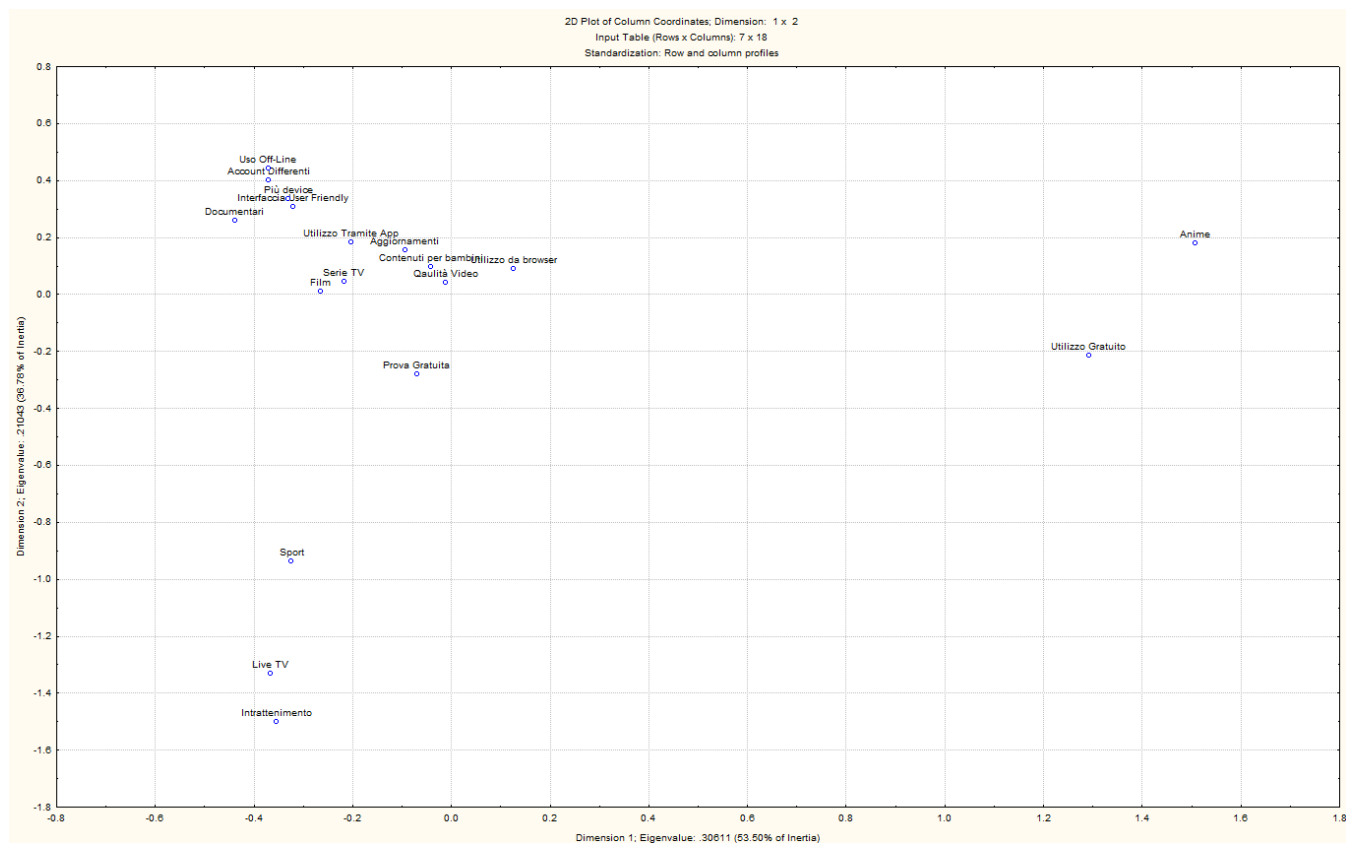


Figure 45 Behaviour Chart

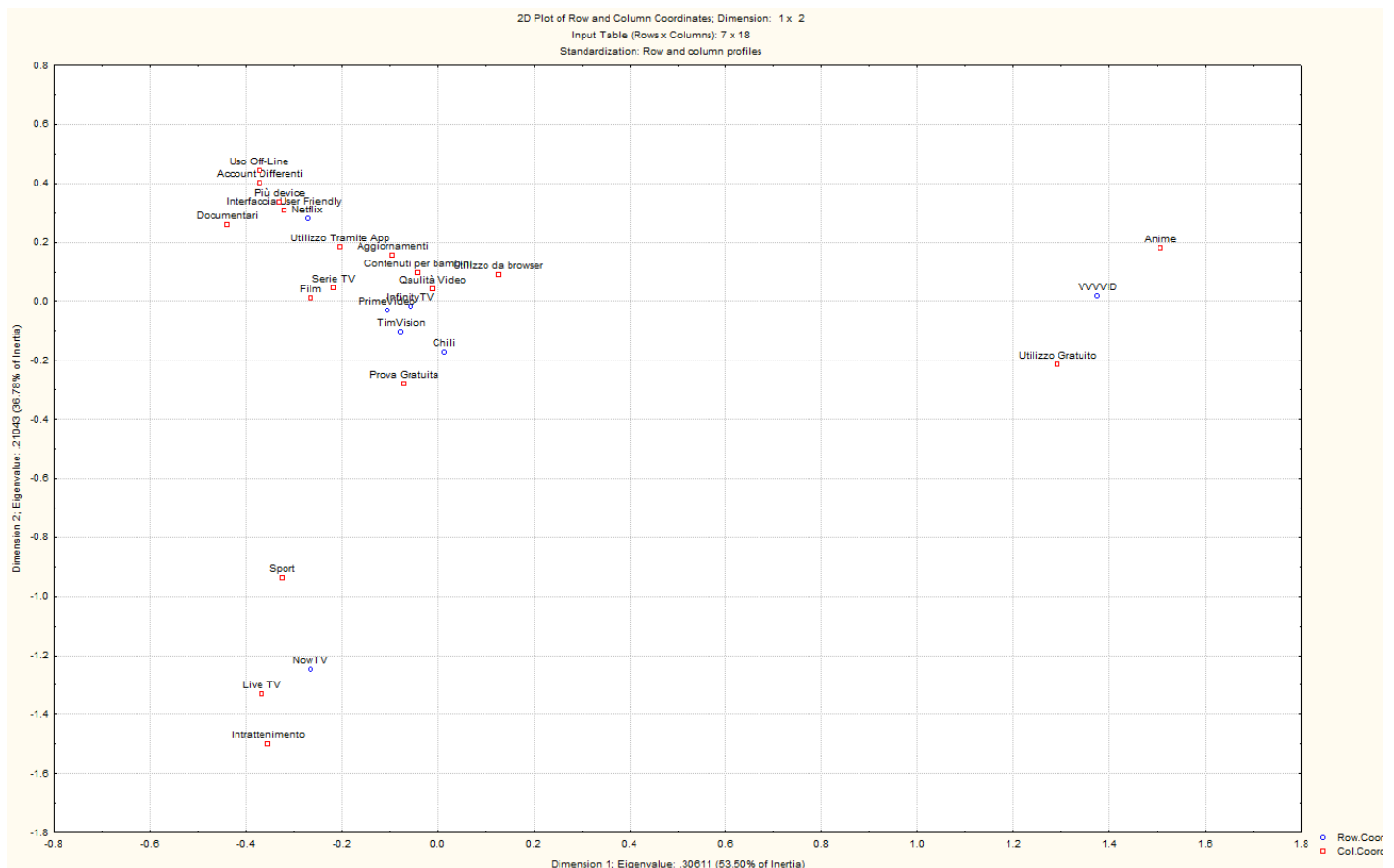


Figure 47 Behaviour and Firm chart

The "Positioning 6" and "Positioning 7" images show the distribution of the individual coordinates relating to the behaviours and companies analysed, respectively. The graph in the "Positioning 8" image shows the union of the two previous graphs.

Some comments can be made on this:

- As expected NowTV, being a platform sponsored and created by SKY, is located near Live TV, Sport and Entertainment. In fact, the main services of the platform just mentioned are based on the distribution of TV and Sport programs. This makes us understand that users tend to subscribe to follow football or to use the main SKY services. The negative aspect is the streaming quality, in fact the standard subscription does not provide high definition and for this service you have to pay in additional "ticket".
- Looking at the position of VVVVID we can see how the free platform is used mainly for viewing "Anime". The company uses advertisements to give users the opportunity to use this service legally.
- Finally, we can see that most of the companies analysed are in the top left corner. We can see how Netflix is close to elements that characterize it, such as the user-friendly interface or the ability to download content for off-line viewing. We can also see how Netflix and

other platforms in the same area are used for the content offered, such as TV Series or Movies, for example, recently Netflix and Prime Video have invested in the production of their own content maximizing the quality offered and minimizing waiting times for the release of a film or TV Series.

Conclusion

In conclusion, we have seen that the S.V.O.D. industry is in the early stage of the industry's life cycle and is one of the industries with a growth perspective in the world. The main market player, Netflix, has a significant share of 70% of the global market.

From the PESTLE analysis we found that there are several aspects that affect the S.V.O.D. industry and that they are in continuous progress, mainly due to continuous technological improvements and changes in the political and legislative environment.

The environmental analysis of the sector has been carried out through the model of Porter's five forces. We have achieved that there are: high competitive rivalry, high threat of new entry, high threat of substitution, high purchasing power and high supplier power.

Focusing on customer behavior, we found that there are 2 levels of the Maslow needs hierarchy that address only ego needs (or estimation needs) and self-fulfillment needs through regularly updated content.

Then, thanks to a questionnaire, it was possible to conduct both segmentation analysis and positioning analysis. The questionnaire was efficiently constructed by inserting as few questions as possible so as not to disturb the respondents too much and at the same time to obtain the information necessary for the analysis. In one case we used three clusters, in the other six clusters, to identify the optimal segmentation of customers

Then the positioning of the companies studied was carried out, to understand how the companies are "placed" on the market according to various factors: the content offered by the platforms, the presence of an app for various devices, the possibility of off-line use or the maximum video quality offered by the platform. From our analysis we have shown that only a few brands adopt appropriate methods, because most of them have not been able to serve very well any cluster.

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