

**twitch**



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# Strategic Recommendations

## Regulatory liability

COPPA laws need platforms to protect teenagers on their platform

## Twitch Kids

Kid-friendly version of Twitch

## Community

Twitch's biggest strength is its community facilitated through in-depth chat participation

## Exclusive Partnerships

Interactive integrations with large/in-house games to further build community

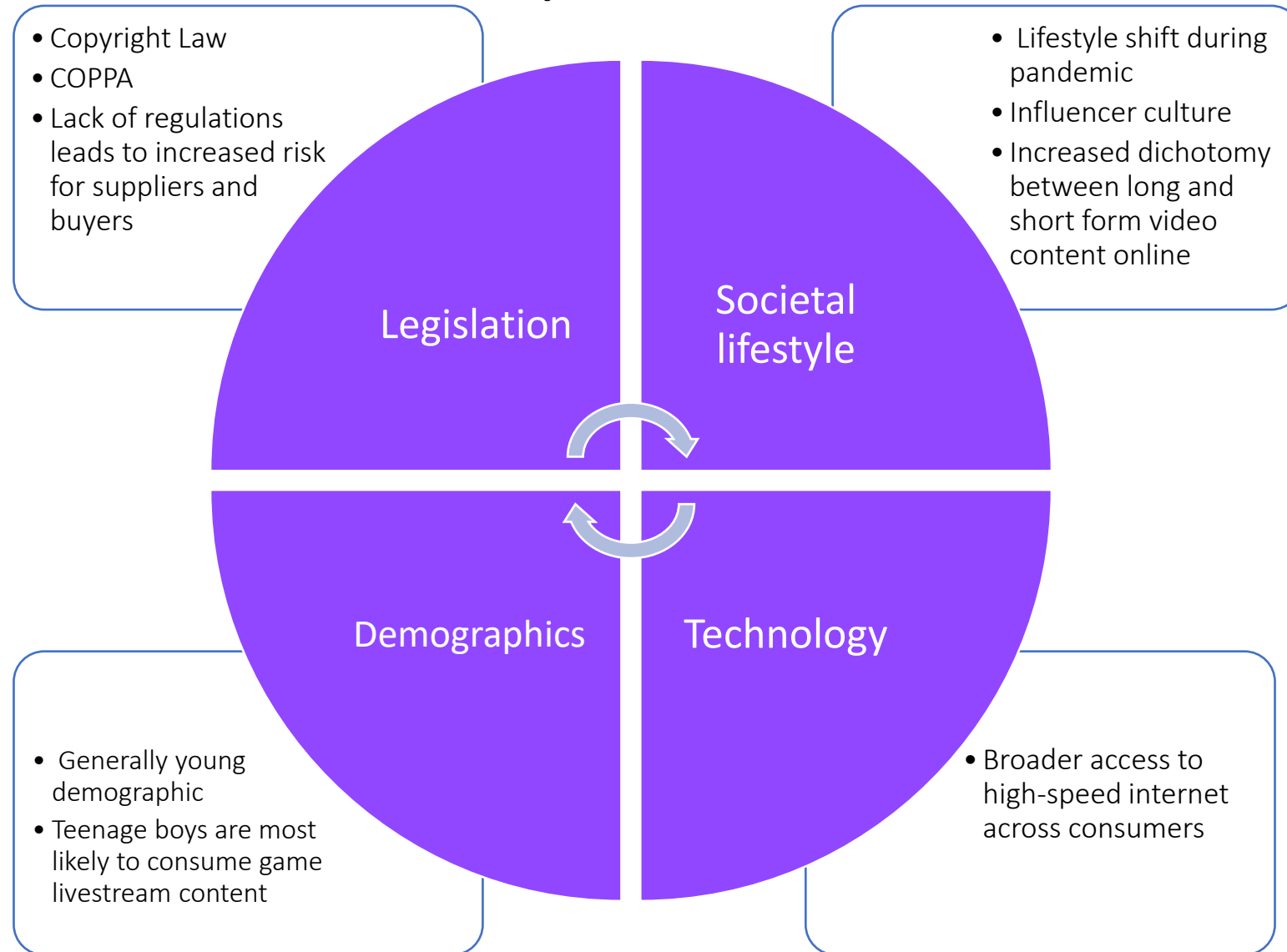
## Streamer Exit

Streamers (suppliers) leaving Twitch for competitors who take a smaller cut of subscription revenue.

## Tiered Retainage

Introduce a tiered subscription retainage model to reduce chances of losing influential streamers.

# Macroenvironment analysis



# Industry participants

## Suppliers

- Content Creators
- Technical infrastructure

## Buyers

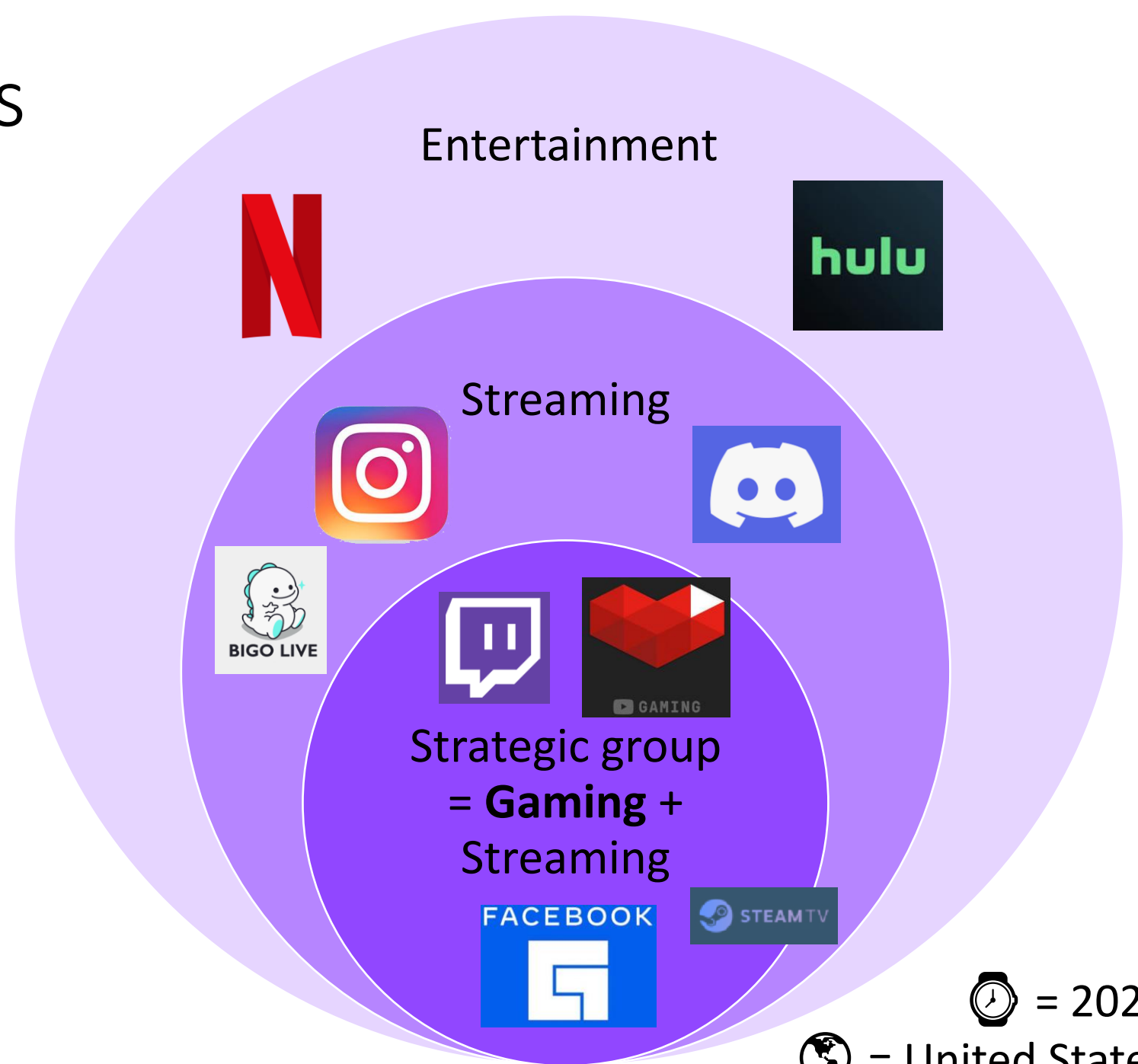
- Viewers
- Advertisers
- Content creators\*

## Complements

- Games
- Social Media (Discord, Reddit)
- Donation services (Patreon)

## Substitutes

- Netflix / Cable TV
- TikTok / Instagram
- Playing games



# Assumptions

- Statistics and information on a global level are representative of the market trends in the U.S (The U.S. is by far the largest market for video game streaming).
- Statistics and information about the strategic group are representative of their gaming business lines (82 percent of stream viewers in the United States said that they watched streams of gaming sessions).

# Industry Analysis

**Industry Rivalry – High rivalry**

- Pricing is competitive given the oligopoly nature of the industry
- There is also competition for popular streamers with each offering lucrative contracts for switching over.

**Threat of new entrants – Medium to high threat**

- Network effect - Distinguishing factor of live streaming is interaction
- Switching costs – Facebook and Twitch have gamified the viewer experience. Thus, value users would not want to switch
- However, barriers for capital, incumbency advantages etc. are non-existent.

**Buyers – High power**

- Viewers - Not as price sensitive since they seek content first. Also, most of these run on a freemium model.
- Advertisers - Given the limited players in this industry, niche gaming industry advertisers do not have many alternates. Thus, power lies with the industry.

**Complements – High influence**

- Games – The top 3 games on Twitch account for 65% of hours streamed. While these are multiple game developers, they still account for a significant activity on Twitter.
- Social Media – Communities are created off Twitch, offline, on Discord, Reddit etc

**Substitutes – Low threat**

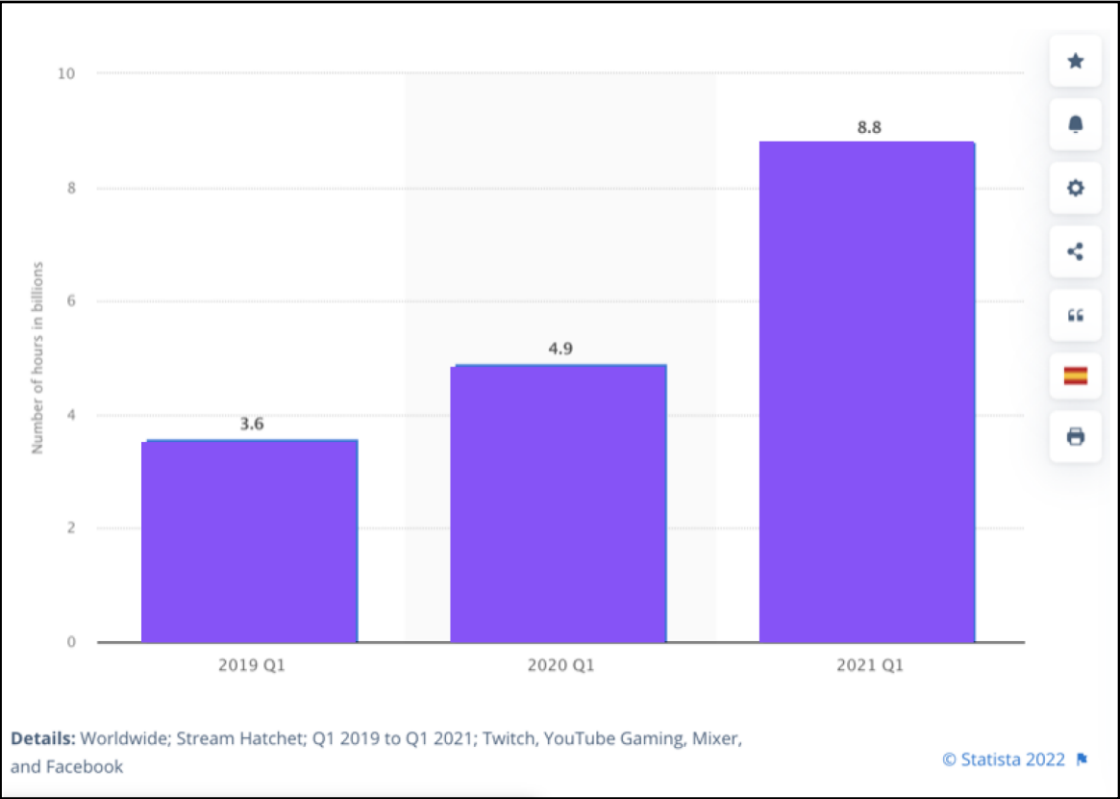
- Pre-recorded content – YouTube (classic), entertainment streaming (Netflix, Hulu)
- Live-steaming but no-gaming, Instagram Live, YouTube Live

**Suppliers – High power**

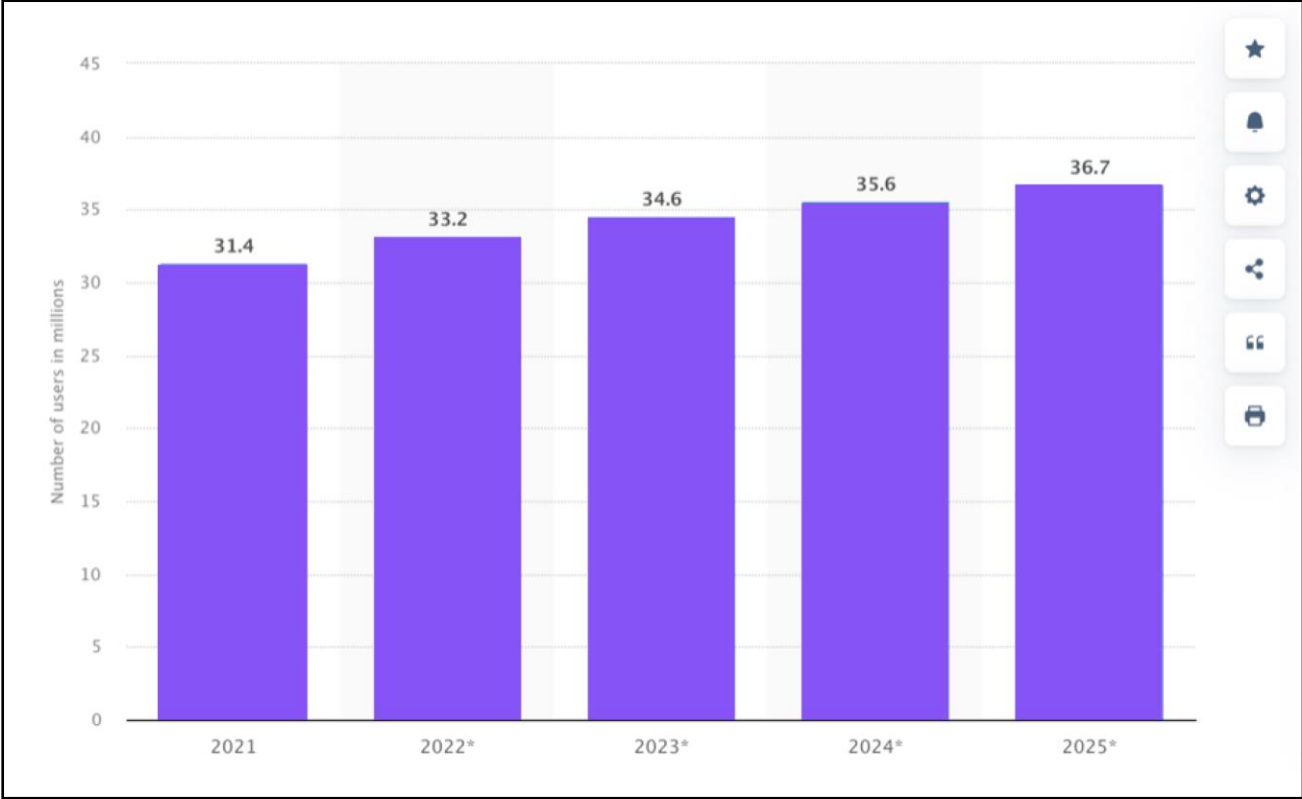
- Facebook, Amazon (Twitch) and YouTube (Google) have economies of scale when it comes to technical infrastructure
- Most streamers are tied to a platform to retain their audiences



# Streaming Industry Growth and Consumer Trends



Number of Hours of Video Game Streaming



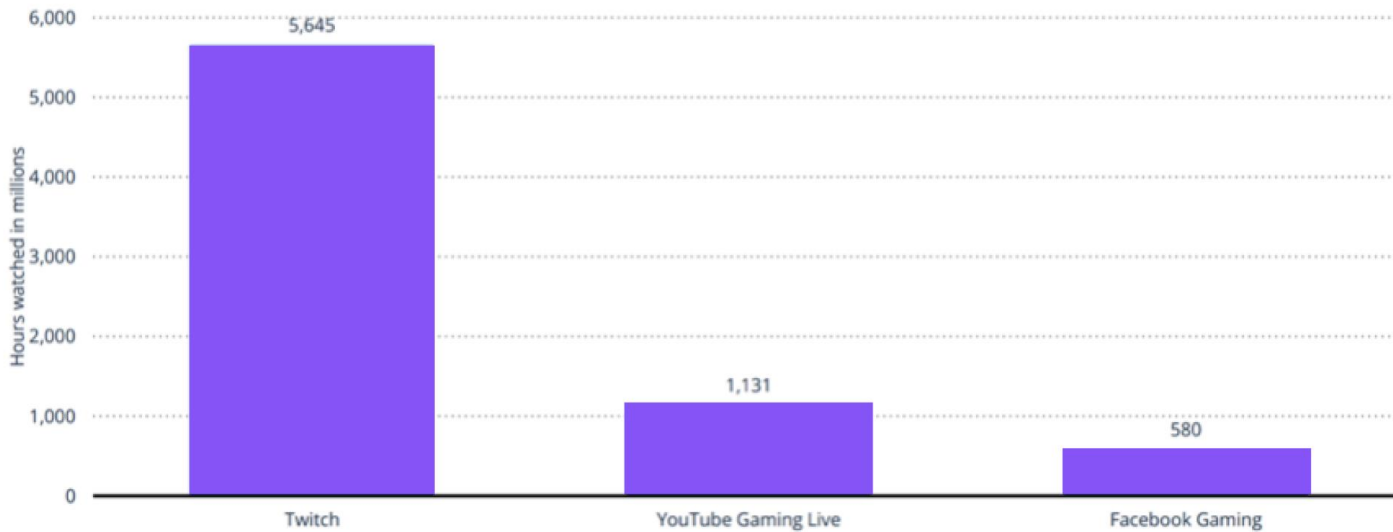
Number of Twitch Users Per Year



# Current Market Competitors

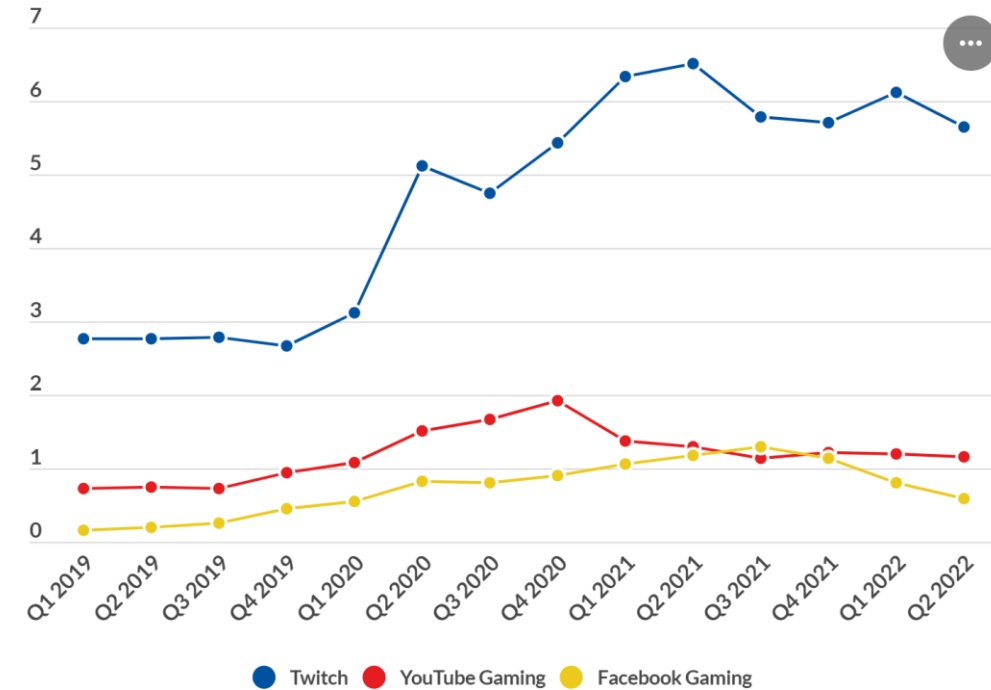
Number of hours watched on leading gaming live stream platforms worldwide in 2nd quarter 2022, by platform (in millions)

Hours watched on leading gaming live stream platforms Q2 2022



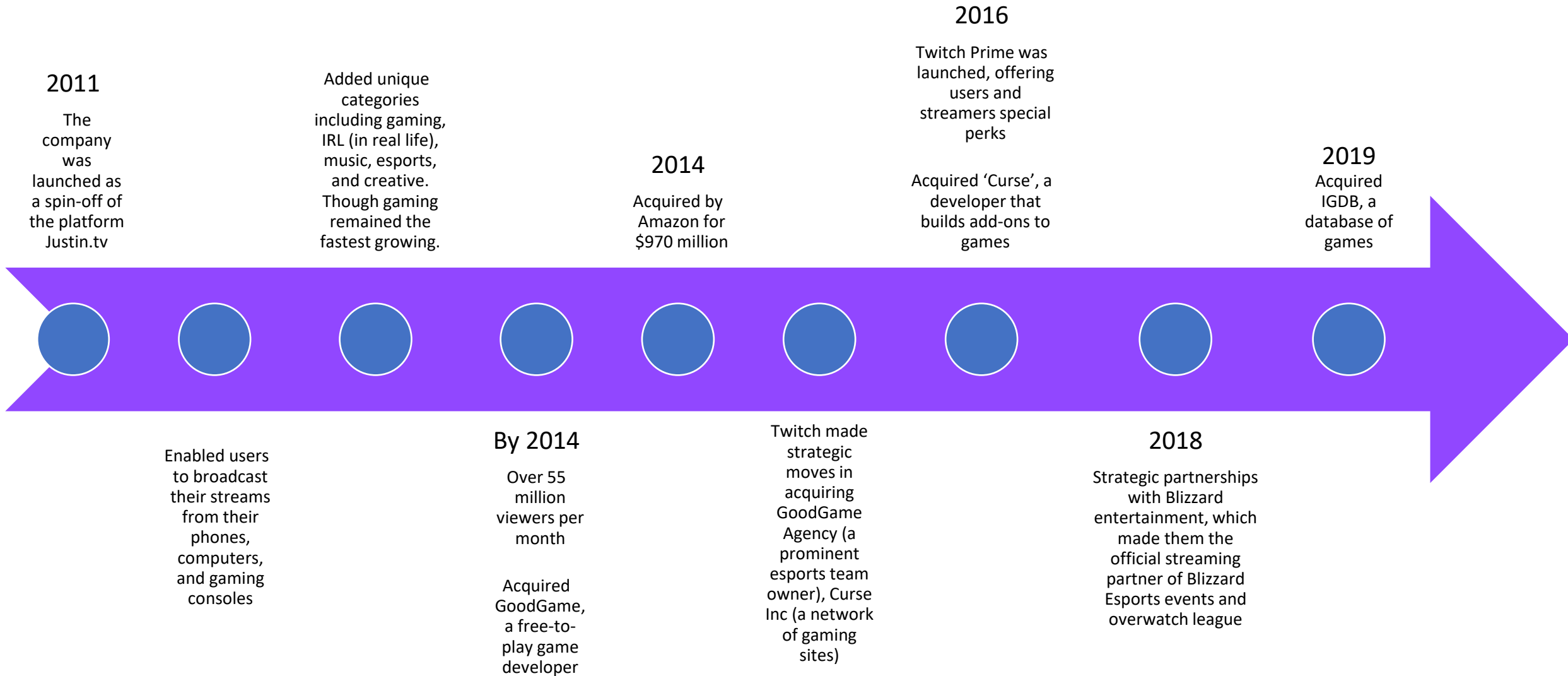
Q2 2022 Hours Streamed In Strategic Group

Video streaming quarterly hours watched 2019 to 2021 (bn)

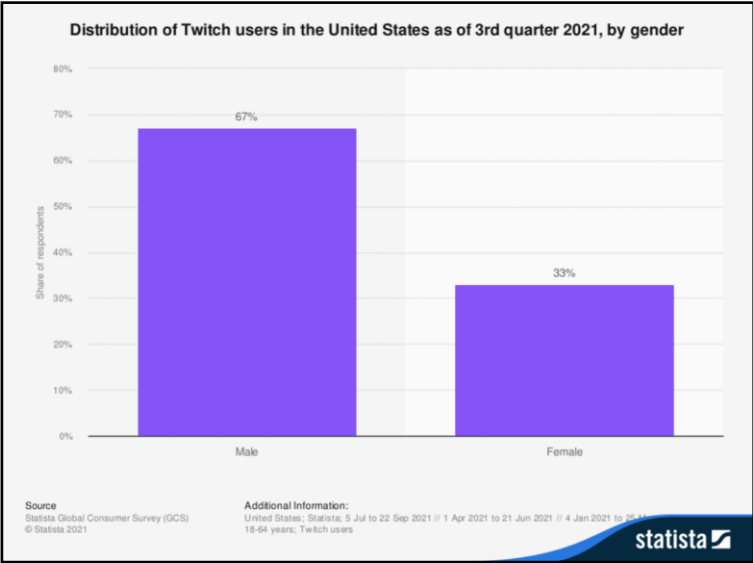


Video Streaming from 2019 - 2021

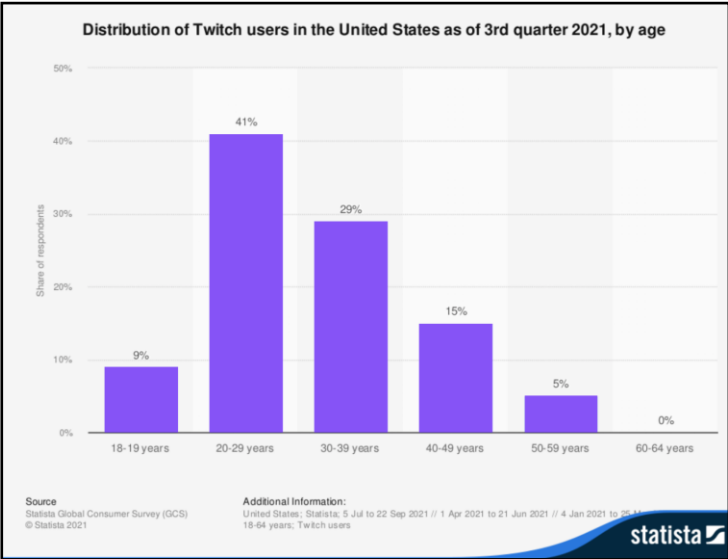
# Twitch's timeline



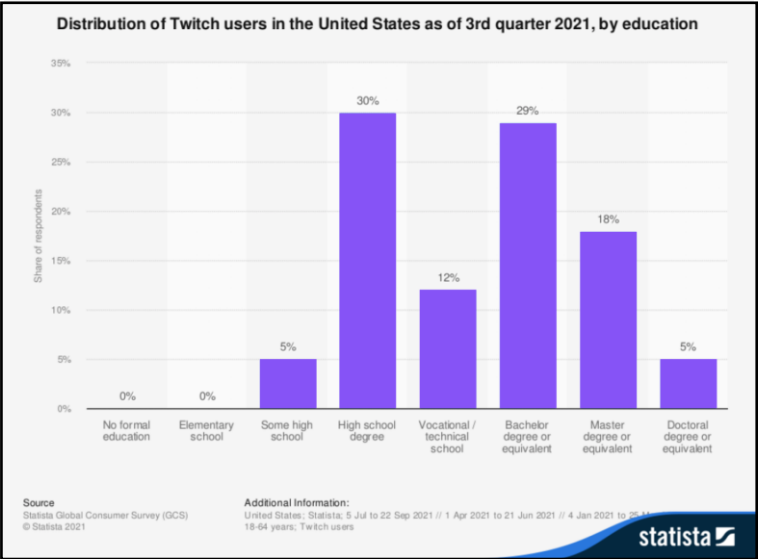
# Twitch Customer Demographics



Demographics by Gender: 67% Male, 33% Female

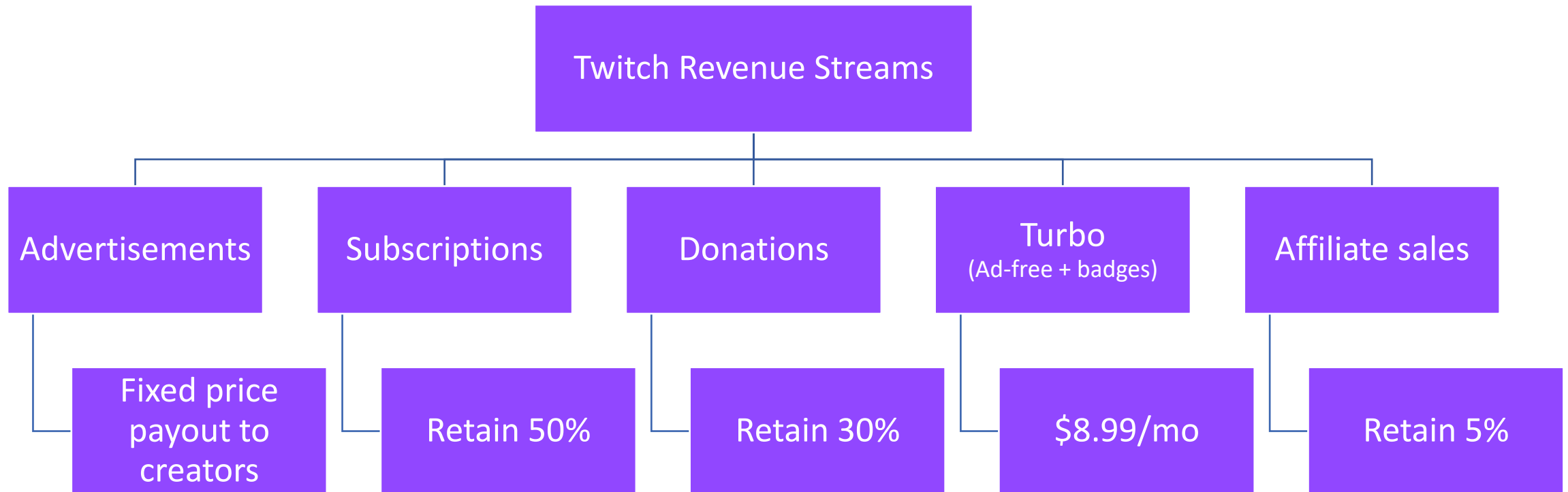


Demographics by Age

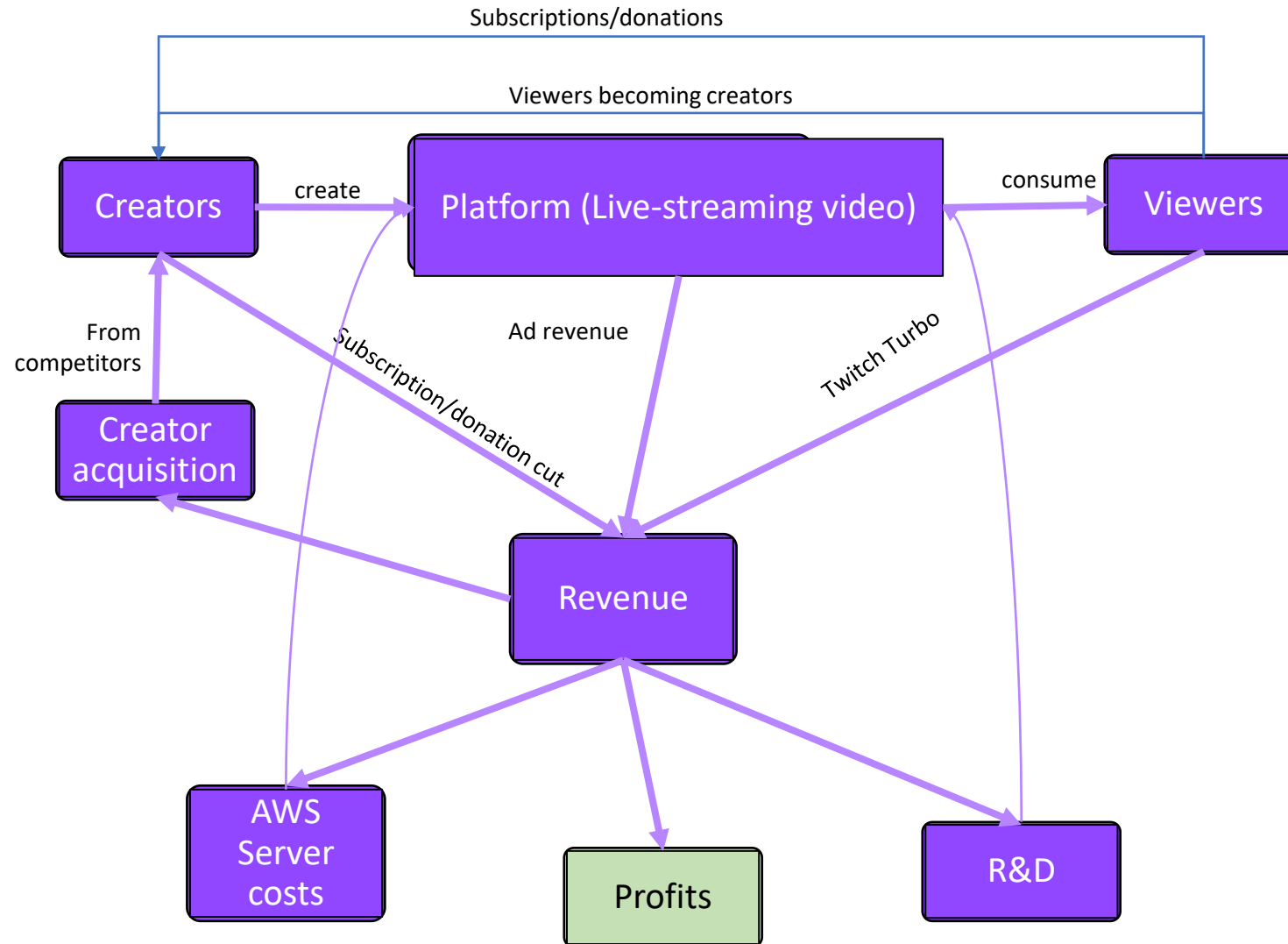


Demographics by Education Level

# Revenue streams



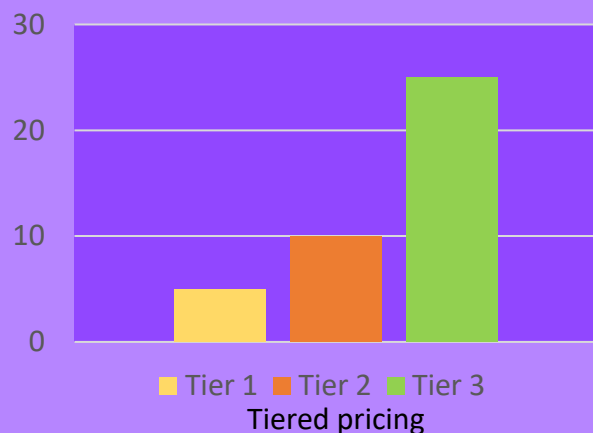
# Activity Map



# Product Comparison



Twitch



Facebook Gaming

Flat \$4.99



YouTube Gaming

Fluid, set by streamer



Subscription Pricing (per month)

Subscription retained by platform

Donations retained by platform

Business model

50%

30%

30%

30%

Freemium

# Product Comparison



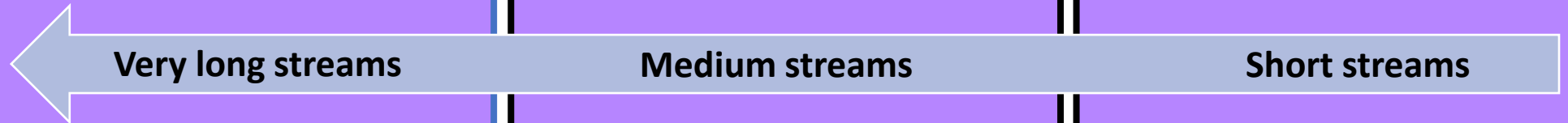
Twitch



Facebook  
Gaming



YouTube  
Gaming



Very long streams

Medium streams

Short streams

Streamers interact with viewers

Minimal interaction

Fans interact with each other

Shooter

Mobile

Metaverse

League of Legends

PUBG Mobile

Minecraft

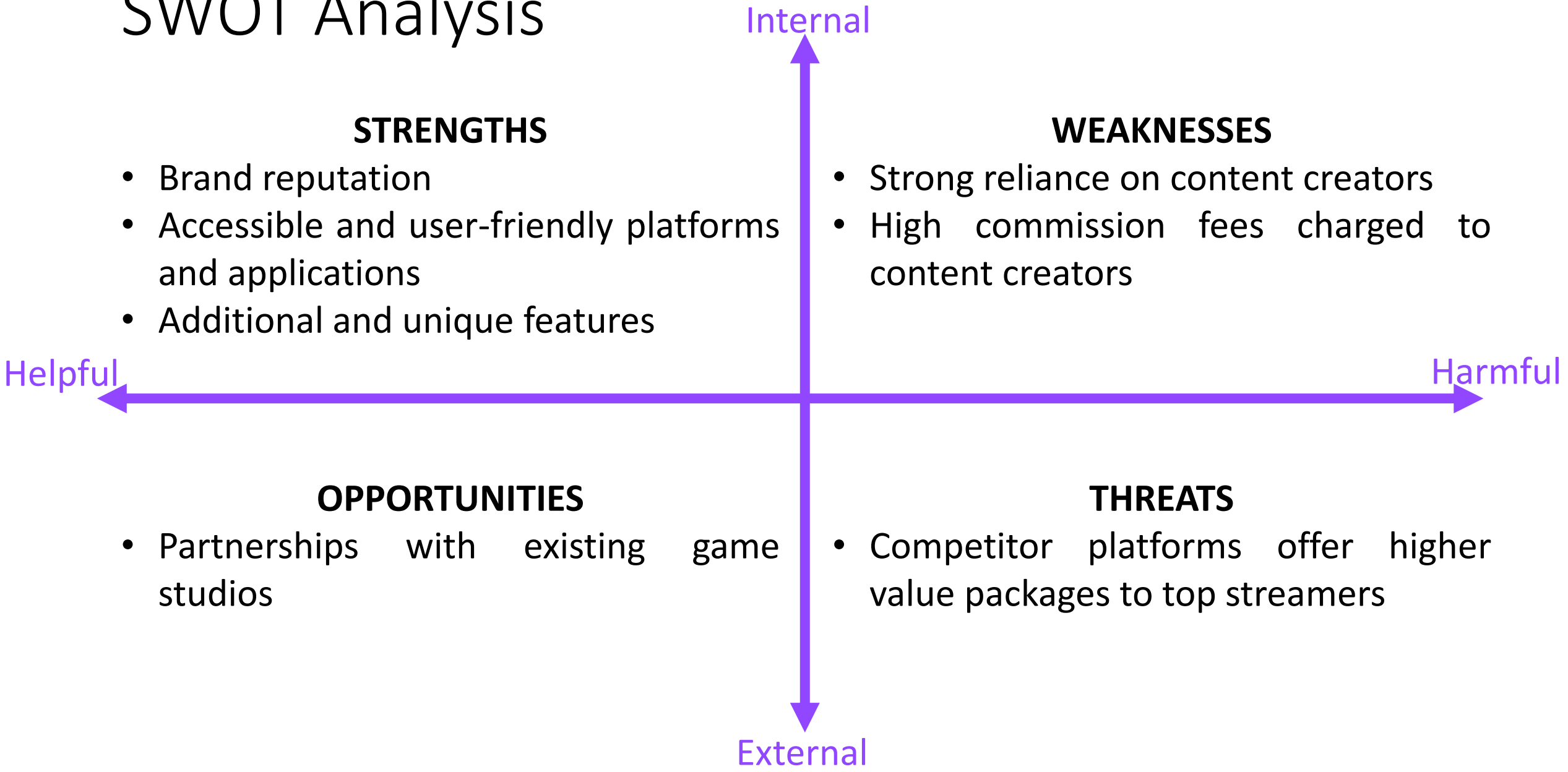
Stream lengths

Fan interaction

Popular games  
category

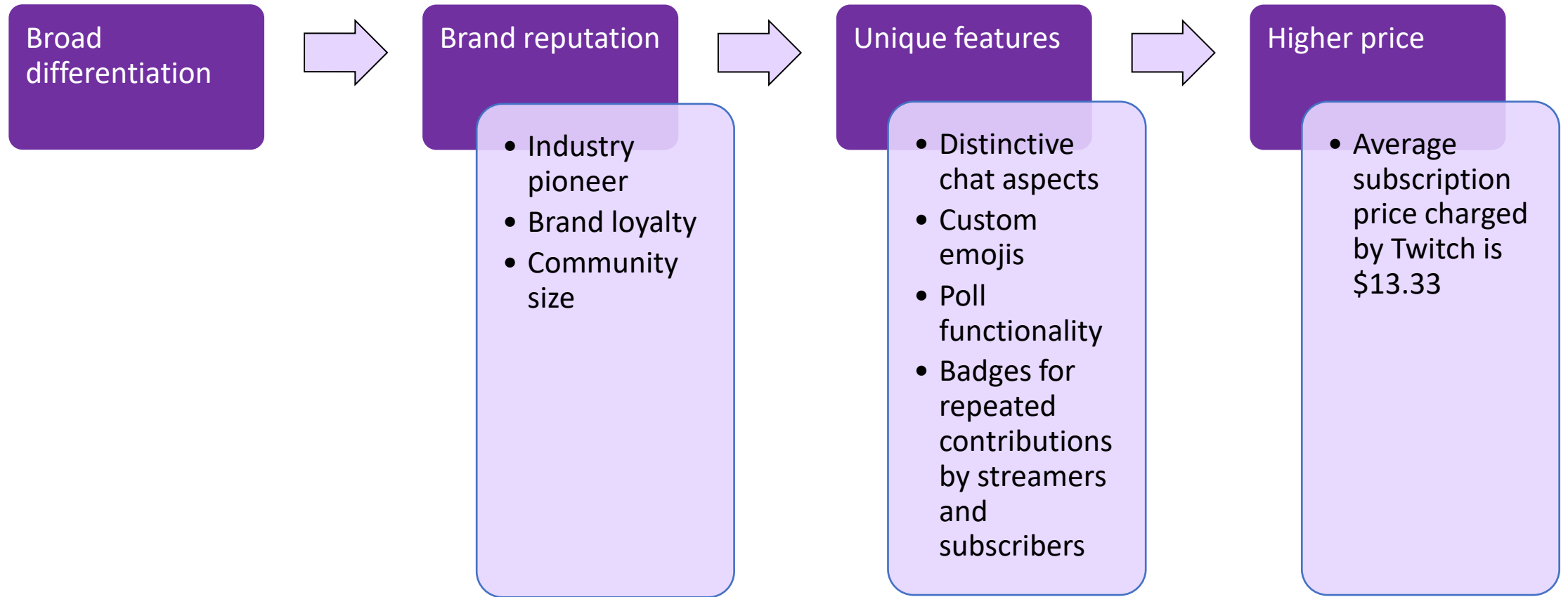
Most popular game

# SWOT Analysis





# Strategic Positioning



# Twitch Kids

We recommend that Twitch define a kids gaming segment to better integrate with COPPA and provide a platform through which to establish clearer regulations on what type of content children and young teens are able to consume.



- Accommodates new demographics while providing a safe platform to cater to their existing child demographic openly
- Segmentation would allow Twitch to retain lucrative but controversial sponsorships and content categories (ex. Slots is the third most popular game on the platform)
- Provides a starting point for defining regulatory standards for the industry, maintaining image as an industry pioneer
- Proves to users that company is listening to and taking action in response to their feedback

- Requires a high investment into improving human and machine-based content moderation to sustain regulatory practices**
- Existing streamers would have to make the choice to operate as kid-friendly or not kid-friendly.
- Segmenting the Twitch viewer base may detract from the "cool gamer" image of the company brand.

# Exclusive Partnerships

Twitch's biggest differentiator is its community. Building on this strength, we recommend that Twitch offer interaction channels between streamers and viewers that's exclusive to Twitch.

This could be either through exclusives with large game developers or Twitch 'Originals'.



- Twitch would be able to increase profits through exclusive deals with popular gaming studios
- Twitch would be able to self-promote their own self-made games through ads on their platform
- The success of these partnerships could lead to similar exclusivity in merchandising on the Prime loot store



- Costly/time-consuming negotiations with high-profile large gaming studios and developers
- Game production (1-3 year) as well as integrating with outside developers (1 year) take time.
- Twitch-made games with poor reviews may lower the overall brand reputability of twitch

# Tiered Subscription Retainage

**Description:** We are recommending that Twitch implement a tiered subscription retainage amount. We are proposing that Twitch still take 50% of subscription fees for small streamers, but that Twitch take only 30% of fees for the largest streamers, with a number of tiers in between.



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|--|---|
| <ul style="list-style-type: none"><li>- Reduces likelihood of large streamers leaving for competitors with lower subscription retainage percentages. Remain differentiated.</li><li>- Encourages small/medium streamers to grow their audience to reach lower retainage percentages</li><li>- Avoids dropping subscription retainage across the board to 30%, which may result in a price war</li><li>- Does not additionally cost Twitch anything</li></ul> | <ul style="list-style-type: none"><li>- May create a negative community feeling if larger streamers are treated differently than small/medium streamers</li><li>- Would result in loss of revenue from larger streamers</li><li>- Does not address other, non financial, reasons why larger streamers may be leaving Twitch</li></ul> |
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