STREAMING WARS: COMPETITIVE DYNAMICS IN THE ONLINE VIDEO STREAMING INDUSTRY

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ABSTRACT

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Abstract

Digitalization and advances in technologies have changed the world in the past few decades. This has affected consumer behaviour and developed new, more dynamic, industries as well. As a result, competition is fiercer than ever, and competitive advantages are only temporary. This thesis builds on the literature of strategic management and competitive dynamics by exploring the competitive interaction of companies in the Subscription Video-on-Demand industry. We seek answers to how competitive advantages are pursued within the industry and how the strategic decisions of the companies differ from more traditional industries.

To answer this, the press releases of several publicly listed U.S. based SVoD companies were collected and analysed through qualitative content analysis. After that, the connections between the competitive actions were linked through event structure analysis to understand how rivalry affects the companies within the industry.

The results show that in contrast to traditional industries, competition in the growing SVoD industry revolves around content, which is enforced through resource building, co-creation, and to some extent, market expansion. The nature of competition is a defensive race to outperform others in the long run as big established companies are also entering the market. Finally, our results help predict which actions are important for the companies to prepare for the accelerating competition and upcoming industry shake-out, and to ultimately retain the interest and subscription of consumers. The results open further research on repeatable competitive patterns in the SVoD industry as new competitors have entered the market after the period of our analysis.

Keywords

Competitive Dynamics, Competitive Advantage, Strategy, Industry Evolution, Digitalization

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Tiivistelmä Digitalisaation ja teknologinen kehitys on muuttanut maailmaa viime vuosikymmenien aikana. Muutokset ovat vaikuttaneet kuluttajakäyttäytymiseen sekä luonut uusia, dynaamisempia markkinoita. Lopputuloksena kilpailu on kovempaa kuin koskaan ja kilpailuetujen saavuttaminen on vain väliaikaista. Tämä tutkielma rakentaa strategisen johtamisen ja kilpailudynamiikan teoriaan tutkimalla jäsenmaksullisten videosuoratoistopalveluiden toimialan välistä kilpailuvuorovaikutusta. Pyrimme vastaamaan siihen, miten toimialalla tavoitellaan kilpailuetuja ja miten yritysten strategiset päätökset eroavat perinteisistä toimialoista. Vastaamme tähän keräämällä usean julkisesti noteeratun yhdysvaltalaisen videosuoratoistopalvelualalla toimivan yhtiön lehdistötiedotteita ja tutkimalla niitä kvalitatiivisen sisällönanalyysin avulla. Tämän jälkeen sidomme löydettyjen kilpailutoimenpiteiden yhteydet toisiinsa tapahtumarakenneanalyysin avulla ymmärtääksemme, kuinka kilpailu vaikuttaa toimialan yrityksiin. Tuloksemme näyttävät, että verrattuna perinteisiin toimialoihin, kilpailu videosuoratoistopalveluiden kasvavalla toimialalla keskittyy sisältöön, mitä vahvistetaan resurssien rakentamisella, yhteisluonnilla, sekä joissain määrin markkinalaajentumisella. Kilpailun luonne alalla on rakentaa puolustusta ja suoriutua muita paremmin pitkällä aikavälillä samalla, kun suuret vakavaraiset kilpailijat astuvat markkinoille. Lopuksi tuloksemme auttavat ennustamaan mitkä kilpailutoimenpiteet ovat yrityksille tärkeitä valmistautuakseen kiihtyvään kilpailuun ja tulevaan yritysten karsiutumiseen, sekä lopulta pitämään kuluttajat kiinnostuneina ja maksavina asiakkaina. Tulokset avaavat mahdollisuuden tutkia kilpailutoiminnan toistettavia kuvioita videosuoratoistopalvelualan tulevaisuudessa, sillä tutkimusaikamme jälkeen uudet kilpailijat ovat astuneet markkinoille.	
Avainsanat Kilpailudynamiikka, Kilpailuetu, Strategia, Toimialaevoluutio, Digitalisaatio	
Paikka Jyväskylän Yliopiston Kirjasto	

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1 INTRODUCTION

Competition has been studied since the 1980's and specifically competitive dynamics since the 1990's (Chen & Miller, 2012). Since then, during the past 30-40 years the world has changed massively. The rise of personal computers in the 1990's and the advanced technologies have created many new business opportunities and changed consumer behaviour. Overall digitalization and advances in technologies have changed the world for good (Grimm et al., 2006). In the digital age, firms are building competitive advantages through the combination of technologies and business models (Gnyawali et al., 2010).

The changes have affected the economy and the way businesses operate. As a result of globalization, the world is now more connected as people can reach other people from around the world but also companies can reach customers from around the world. Servitization has changed the focus from creating just products into producing services and turning old products into new services. Regarding the distribution of a product or a service it has also changed completely. Products and services do not need to be physical anymore. Data has become a major driving force and it has enabled that transactions and interactions can be done within seconds through the internet.

All of this has created new markets and market segments. This is happening for example because market barriers have changed dramatically. Unlike in the traditional industries where companies and competitive advantages can be protected by strong barriers, digital industries rely on value co-creation to attract, retain, and satisfy users (Gnyawali et al., 2010). Now there can be situations where there are no barriers at all and entering the market can be easier than before (Grimm et al., 2006). This means that even a small innovative company can operate with low costs through the internet, challenging existing established companies. But on the other hand, there are also situations where there are now stronger barriers that prevent the entry of small companies, creating monopolistic or oligopolistic markets and challenging the traditional competition laws (Grimm et al., 2006). Overall, as a general trend technology and globalization have increased the different possibilities and alternatives consumers must choose from.

Because of the increased number of possibilities consumers have available, competition has become more intense. This is also a result from the fact that even smaller companies have access to many customers around the world through the internet with relatively low costs. Companies are fighting for the customers, their time, and their attention. The world and the business environments are rapidly changing, and companies need to change with it. To stand out from the crowd, companies need to be unique and innovative, build their resources and technologies, build relationships with their customers and overall be able to provide value to them. All of this is happening by executing actions and moves. These moves are executed in a situation and environment where the companies are aiming to be agile and to achieve competitive advantages. Overall, the rapid changes occurred have created an environment in which there is more competition and thus it calls for more focus on researching competitive dynamics than ever before. As digitalization has affected the whole world, the consumption of entertainment, and more specifically in our context, television has also changed. More and more people have been "cutting the cords" from traditional television and switching to online platforms to watch movies, series, and even live broadcast television. This new form of viewing content through high-speed internet connection rather than a satellite or cable provider is called Over the Top (OTT) viewing (Halton, n.d.). Several companies have established platforms that provide unlimited access to their content libraries (movies, TV-series, documentaries, etc.) with a monthly subscription fee. This subscription business model of OTT is called Subscription Video-on-Demand (SVoD) and has created a new digital industry. The SVoD industry does not include ad-supported services, pay-per-view offerings or services that require a pay-tv subscription such as HBO Go. (Video Streaming (SVoD) - Worldwide | Statista Market Forecast, n.d.).

As mentioned, the way people are consuming products and services has changed. Digital technologies have had a huge impact on consumer behaviour (Vial, 2019) as large amounts of services are available instantly through the internet. Regarding the SVoD industry today, many people watch videos with multiple different devices such as mobile phones, smart TVs, and tablets ("The Future of Digital Video," 2018). The way people consume content can have an impact on which platforms will become the most popular in the future as platform applications and performance need to be effortless for multiple devices. However, it is also likely that the consuming behaviour will differ between the devices. Research by Verto analytics found that for example PC and mobile users are consuming mostly short videos while Smart TV's, Game consoles, and OTT devices are mostly used more for longer videos ("The Future of Digital Video," 2018). The study also found that instead of social media platforms, video content is mostly consumed through applications dedicated for video such as Netflix and YouTube ("The Future of Digital Video," 2018). As the SVoD companies also compete for the time of their customers, it is important to note that mobile phones are carried by people everywhere and are also becoming more common in emerging markets (than for example computers), so the applications and suitable content specialized and targeted to mobile phone use are in a crucial role to satisfy a large segment of consumers and their needs. Companies are also not only competing against each other. Netflix for example has realized that it needs to compete with the time and attention of customers. This is highlighted by the fact that they themselves stated that they are aiming to become as big as YouTube regarding the time that customers spend on the platform. Based on Netflix's statement, people spend seven times the amount of time on YouTube than they spent on Netflix. This could be explained by the previously mentioned trend of watching short videos on mobile phones and the fact that YouTube is a free platform to use (Alexander, 2019).

Strategic management research has gained popularity at least partly because of the changes in the world. Competition and strategy have been studied for decades but the competitive landscape is completely different than it was a few decades ago. In this thesis we are studying how the changes have affected competition and how competition occurs in a modern digital environment. We chose to study the competition in the Subscription Video-on-Demand industry. Our focus is on the strategic choices of the companies and how they aim to achieve competitive advantages to outperform their rivals.

In the strategic management research, competitive advantage is often divided into sustainable competitive advantage and temporary advantage. However, researchers have found and argued that sustainable competitive advantage is not realistic in the dynamic markets of today (Chen et al., 2010; D'aveni, 1994; D'Aveni et al., 2010; Grimm et al., 2006; Wiggins & Ruefli, 2005). Therefore, companies aim to achieve a set of temporary advantages instead. (D'aveni, 1994; D'Aveni et al., 2010; Pfarrer & Smith, 2005; Smith et al., 2001). Competitive dynamics in strategic management research focuses on companies aiming to gain temporary advantages by executing strategic actions but also on the exchange of actions and reactions between rivalling companies. We study this in the dynamic market context of the SVoD industry.

To study the SVoD industry it is important to know how the industry has evolved into the point it is currently. Naturally SVoD industry has roots in the television and movie industry. Krider & Weinberg (1998) found that the motion picture industry at the time was experiencing heavy new product investments and developments. Back then movies were mainly published in cinemas and this meant that there was an extreme focus on when to publish a movie and how to time it against other movies. This has changed when people are able to watch movies at home in high quality. Typical duration for movies to be in cinemas used to be only 3-4 months (Krider & Weinberg, 1998). Now digital platforms enable movies to gain viewers even decades after the initial release. However, some movies are still released in cinemas and in this occasion, timing still plays a role, but it is less about the revenue since the movie can have a longer "afterlife" in TV or/and on the On-Demand Services after its cinema premier. Only 3 years later Zhu (2001) correctly predicted that digital distribution of videos would change the whole industry. He predicted that digitization would result in significant cost reductions while at the same time would eliminate players in the middle of the value chain. Zhu stated that digitization would decrease the costs of movie production but also distribution. Movie producers would be able to cut the middleman and distribute the movies straight to the customers via the internet (VoD). In this case he argued the VoD to be a disruptive technology that changed the industry's life cycle. Previously only internet bandwidth and video compression technologies had prevented the disruption from happening. Zhu was correct since Netflix introduced its Video-on-Demand service in 2007. This changed the old video distribution methods completely. While these examples were only focusing on the movie industry as big changes and very similar changes have affected the TV industry. Vial (2019) almost two decades later studied the evolution of digital transformation since it had already been an ongoing phenomenon. Vial agreed with Zhu and concluded that digital technologies are resulting in disruption in the markets. Disruption happens because digital technologies can change old products and services into digital ones (Vial, 2019). This is exactly what happened to the video industry. While digital technologies can change products into services it can also lower the entry barriers and eliminate the chance of obtaining a sustainable advantage (Vial, 2019). Contrary to the past, the availability of data can enable companies to better their products and services while at the same time resulting in more efficient company performance more easily than before (Vial, 2019).

The Subscription Video-on-Demand industry itself started to emerge already in 1997 through online video delivery rental but the first actual SVoD platform was introduced in 2007 by Netflix. The Subscription Video-on-Demand industry took form from when the video rental companies started to move parts of their businesses' online. Within the industry, Netflix was one of the first companies to utilize the internet in their business strategy. Netflix started out by offering a subscription service in which they would deliver DVDs to customers. The idea was that customers could, for example, get one new DVD delivered to their door once a week. One of the main competitors in the DVD/video industry during that time was a big video rental company Blockbuster. The story of Blockbuster and Netflix is a common story that in strategic research and in a variety of business classes is being told as an example of industry change. At the beginning, Netflix was struggling to keep the business operating and Blockbuster was even offered a chance to acquire Netflix. Blockbuster, however, did not see any interest in acquiring Netflix or expanding their business online. Later, Netflix started to offer online video streaming which changed the whole industry. What we can learn from the history of Blockbuster is that industries can change rapidly through creative destruction, cause shakeouts in the industry life cycle or even create new industries. The advances in technology and the internet have only increased the speed of changes. Since the industry was born through one of these events where a company neglected the rapid changing of the world, the current companies in the industry are doing everything they can to keep up with the changes.

During the past years, the SVoD industry has been growing which can be seen from the industry statistics. Based on business data website Statista.com, in 2017 SVoD industry made 20,842 million US dollars in revenue while in 2019 the amount of revenue had grown into 24,248 million (Video Streaming (SVoD) - Worldwide | Statista Market Forecast, n.d.). At the same time the number of users has grown from 972.4 million in 2017 to 1,072.0 million in 2019. In 2024 there are expected to be 1,306.8 million users. The industry is also predicted to continue growing since Statista is expecting the revenue to be 30,410 million in 2024 which would mean a 4.6% annual growth rate. Statista is also predicting the revenue per user to continue a slow but steady growth for the upcoming years. Revenue per user in 2017 was 21.43 US dollars and in 2024 it would be 23.27%. While these numbers do not provide ultimate reliability or truth, they still provide an insight on the overall development of the industry.

While Statista estimates the number of users and revenue to continue growing, they are also estimating the revenue growth to be decreasing. Revenue growth based on their statistics in 2018 was 8.1% but they are predicting steady slowing down in growth. In 2024 the revenue growth would be 2.6%. This can be a result of intensified competition and the fact that the number of users cannot continue to grow forever.

Regarding the geographic outlook on the industry, most of the user revenue comes from the United States with China coming as a second largest source. However, it is noticeable that China's revenue is only around 10% of the revenue that the U.S. is generating. Regarding user penetration, subscription services are used globally around the world in most of the countries, but the level of user penetration is still small in some emerging areas such as in Africa and India. This raises a possibility of bigger growth in those areas in the future (Video Streaming (SVoD) - Worldwide | Statista Market Forecast, n.d.).

There are several reasons why studying competitive dynamics in the SVoD industry is interesting right now. First, the SVoD industry is a modern market which brings new insight that is relevant to the industry right now. It is also an industry that is experiencing big growth in terms of users, companies, and revenue. Within the industry, platforms such as Netflix, Amazon Prime Video, Hulu, YouTube, and HBO NOW have gained a lot of popularity in the U.S. and some of them are popular even worldwide. Lately, this has attracted the attention of bigger corporations such as Apple and Disney to enter the market with an online video streaming platform of their own. This big growth and the resulting increased competition together with high media visibility make it a very current and trending industry to do research on. In addition, since the industry is so new there is not that much previous research done on it. We also found that competitive dynamics have been previously studied mainly in a more traditional setting meaning that in the early stages' researches were focusing on traditional business fields such as airlines. Without few exceptions e.g. (Gnyawali et al., 2010) competitive dynamics has not been studied in modern, fast-changing, growing markets. The SVoD industry brings an excellent opportunity to see if competitive dynamics are different in the modern digital fields of competition. This combination makes it also more interesting. In addition, there are several mentioned in previous research that highlight a possibility and need for this type of research. For example, Lamberg (2009) stated that there is a need for "more studies on the evolution of the repertoire of competitive actions in different industry and country contexts". Gnyawali (2010) highlighted the need for future research in digital context while D'Aveni, Dagnino, and Smith (2010) address the need to further study the "new world" of temporary advantages. Peltoniemi (2011) noted that there is a need to further study high-tech and non-manufacturing industries without treating them as generally studied manufacturing industries. Ndofor, Sirmon and He (2011) also demonstrated the link between resources and actions, highlighting a future need to understand how certain types of resources influence the competitive actions but also the sequences of actions taken by firms.

This thesis is firstly providing an understanding on how competitive advantage has been traditionally viewed by looking into the theories of sustainable competitive advantage. This is then followed by theories of temporary competitive advantage which is the main aspect of the thesis. We are also using the industry evolution theories as a background of understanding the direction of the industry and its effects on the competition.

After that we are focusing on analysing more in detail the competitive dynamics of the selected companies. In the end the aim of the thesis is to provide information on the nature of the competition in this rapidly changing modern digital industry and how the competitive advantage in the industry is being chased.

We chose competitive dynamics as the main theory for our thesis since it focuses on the competitive actions and responses of specific firms and their rivals, bringing new insight on the forces that shape competition (Chen & Miller, 2012). Competitive dynamics research generally seeks answers to how firms interact competitively, how competitive behaviours influence performance and vice versa (Chen & Miller, 2012). To answer how competitive advantages are achieved in the SVoD industry, these questions serve as a valuable starting point for our research.

Since the industry is under heavy change during the writing of this research, our aim is to study the past five years, see what the nature of competition is within the industry, study what actions are used to gain competitive advantages, and predict which companies become dominant players in the future. According to Statista.com, as mentioned, the most revenue in the SVoD business is generated in the U.S. market (Video Streaming (SVoD) - Worldwide | Statista Market Forecast, n.d.). Selected companies are also all based in the U.S. and therefore the public information they provide through press releases also focus heavily in the U.S. markets. Because of this we chose to focus on the U.S. market since it provides the most equal ground for comparison between the companies.
This research is then focusing on analysing the actions of five selected SVoD companies: Netflix, Home Box Office (HBO NOW), Amazon.com (Amazon Prime Video), Hulu and YouTube (YouTube Premium). The selection of the companies is explained more in detail in the third chapter. The data is gathered from a five-year period starting from the 2015 till 2019. Competitive dynamics are often studied in a longitudinal period, but we argue that also this kind of more short-term research will also contribute to the field of research since we are studying an industry that is under rapid change.

The methods of the thesis are qualitative content analysis and event structure analysis. We are analysing the press releases of the companies in order to pinpoint different competitive actions that the selected companies have executed during the selected time period. This is followed by eliminating the minor actions and focusing on the most important actions that companies have executed strategy-wise. Lastly, we are identifying the linkages between different actions and different companies with the aim of providing an understanding of the competitive dynamics in the industry and how they can be linked to the competitive strategies of the companies.

The focus of our thesis is to seek answers on how competitive advantages are achieved in the SVoD industry. Based on the theories chosen for this research we study what types of actions are typical in the industry and what competitive strategies are used. Our assumption is that the increased competition and new bigger competitors entering the industry will in the long run eliminate some of the companies within the industry. The underlying sentiment of our thesis is to analyse which companies will achieve the dominant position within the industry in the future. To study this, our main research questions is:

1. How are competitive advantages and dominant positions gained in the SVoD industry?

The answer for our main research question is built by answering the following sub questions:

2. What is the nature of competition in the SVoD industry?

3. How are competitive actions used to outperform companies in the SVoD industry?

4. How is the SVoD industry evolving?

In the following chapter we are going through the previous research regarding strategic management on competitive advantages, industry evolution and competitive dynamics. This is followed by explaining the data gathering and analysing process. We then present our findings based on the gathered data, followed by discussion regarding the findings, theories, and previous research. Lastly, we conclude the thesis and provide information on how this thesis is contributing to the strategic management literature and what kind of implications it has regarding management as well as future research.

2 THEORETICAL FRAMEWORK

2.1 Competitive Strategy, Advantage and Dynamic Environment

It is widely acknowledged that strategies can have a huge impact on the performance of the company. Deciding which strategy to follow as a company can lead to many different outcomes. Strategy itself is defined as a set of coherent actions or decisions (Chen & Miller, 2012) that managers are implementing in order to increase the company's performance (Hill et al., 2014) or setting the direction for the company (Rumelt et al., 1991). Companies are almost always competing against each other to, for example, gain more customers or revenue, which means that managers are making the strategic decisions in a dynamic competitive environment (Hill et al., 2014; Rumelt et al., 1991). Managers are also responsible for their shareholders and this creates a situation in which the managers are aiming to create a strategy that enables the company to get high profitability but also increased profits (Hill et al., 2014). Hill and his colleagues also add that this kind of strategy often is created with an aim to outperform the competitors by creating a competitive advantage. Competitive advantage is achieved when a company has greater profitability and profit growth than its competitors that are fighting for the same customers (Hill et al., 2014). Based on this, the aim of strategic management research is to answer how firms are gaining competitive advantage and possibly sustaining it (Teece et al., 1997).

However, there is no simple model that would explain how to gain competitive advantage since industries are constantly evolving and industries can be very different from each other. Also, there are differences on how different streams of research and models see the concept of competition (J. B. Barney, 1986). Because of that and the fact that some of the models are interrelated (J. B. Barney, 1986) we are viewing traditional economic theories of sustainable competitive advantage as well as theories based on Austrian economics that are focusing on temporary competitive advantage in dynamic markets. In addition, we are viewing industry evolution and its usage in strategy formation.

Strategic Theories of Competition

The origins and understanding of competitive strategy can roughly be divided into two schools of thoughts: Austrian economics and Industrial Organization economics (IO).

One of the older economists whose theories have been often used as a basis for Austrian Economics school of thoughts is Joseph Schumpeter. Austrian Economics is an ideology that was created by economists such as Carl Menger in the late 19th century (Pfarrer & Smith, 2005). Although Schumpeter was born later, he is still often linked to Austrian Economics because he was a student of Austrian economists von Weiser and Bohm-Bawerk (Jacobson, 1992) and shared a similar ideology.

Most often Austrian Economics as an ideology is connected to market dynamics (Jacobson, 1992). Schumpeter and Austrian Economists both saw the role of an entrepreneur to be important in that market process (Pfarrer & Smith, 2005). The idea is that markets are a process of discovery that entrepreneurs are implementing based on the information that they have (Jacobson, 1992). One of the most important theories that is often used in strategy research is the Perennial Gale of Creative Destruction. Joseph Schumpeter (1983) references to his older book "Capitalism, socialism, and democracy" that was released in 1942 and concludes that the perennial gale of creative destruction in essence is a process "that revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one". The theory emerges from Schumpeter's books Theory of Economic Development (TED) and Capitalism, Socialism, and Democracy (CSD) (Pfarrer & Smith, 2005). As background for this Schumpeter viewed the market to be dynamic and under constant change (Pfarrer & Smith, 2005). Smith and his colleagues (2001) added another important aspect of Schumpeter's theories that is used as a basis for more modern strategic theories is the fact that the nature of the market leads to a situation where no company is safe from the competition.

Traditionally economists (IO) have believed that competitive advantages and sustainable profits can be achieved by creating barriers to entry for competitors and to focus on strategic positioning, often ignoring change, uncertainty, and disequilibrium (Pfarrer & Smith, 2005). Contrast, Austrian economists, and Schumpeter believe that the market is a dynamic process where sustaining advantages is not possible (Pfarrer & Smith, 2005). When an innovating firm takes an action to generate profits, competitors will respond, diminishing the original innovator's competitive advantage to sustain profits since they are divided by an increased number of competitors (Pfarrer & Smith, 2005). This is because of an idea that success will attract competition and imitation. Therefore, the idea of competitive dynamics relies on Schumpeter's theories and in Austrian Economics arguing that the market will never reach equilibrium because of entrepreneurial innovation. New innovations will arise when companies recognize a need for it. These new innovations can shake the market leader position and leaders need to react to gain the (temporary) competitive advantage back.

Schumpeter's findings also consolidate the theory of temporary competitive advantage as he argued that all advantages are temporary and uncertain because the perennial gale of creative destruction decays past accomplishments. (Derfus et al., 2008). Based on these facts, Schumpeter's theory of the "Perennial Gale of Creative Destruction" and Austrian Economics are often linked to competitive dynamics research (Grimm et al., 2006; Pfarrer & Smith, 2005; Smith et al., 2001). One example of the relationship is that it highlights the need to understand competition and profits. To do that "the interplay and consequences of action and reaction" should be examined (Smith et al., 2001). Pfarrer and Smith (2005) lists that in addition to competitive dynamics research, these theories have also influenced research on dynamic capabilities, evolutionary theory, resource-based view theory as well as entrepreneurship research.

There are some similarities between the traditional economic view and the Austrian Economics. Jacobson (1992) compared the Austrian Economics to traditional economic views and found that the closest similarity is the concept of strategic windows. This means that the companies only have a limited amount of time (window) to react to market changes. Since Austrian Economics sees the market as a dynamic process, it can also be seen that the business environment consists of these strategic windows where opportunities will constantly come and disappear (Jacobson, 1992).

Dynamic Industries and the Competitive Setting in Them

In this thesis, we are not focusing on multi-industry competition where companies compete in more than one industry with multiple different products and services. Therefore, the setting for competition is the individual industry in which the chosen companies for this thesis operate in.

Researchers (Grimm et al., 2006; Porter, 2004) commonly define industry as a group of companies that supply a market. In more detail, inside the industry companies are producing products or services that are close substitutes to each other. Industries create the setting in which the companies are competing.

In today's dynamic markets, many industries can be divided into either monopolistic or oligopolistic industries with only one or several giants competing against each other. In the internet services setting researchers have found that many successful internet-based companies such as Google are almost monopolists, which means that they are leaving little space for relatively small competitors to enter the market (Haucap & Heimeshoff, 2014). Introduced by Chamberlin in the year 1938, monopolistic competition is a variant of perfect competition where firms differentiate themselves through resources such as exclusive patents, trademarks, customer service or reputation. (Grimm et al., 2006). A monopolist is a player that rules the monopolistic competition: one firm in the market that knows the price which its customers are willing to pay and through this information, sets the price to maximize its profits. (Grimm et al., 2006). The internet provides easy access and transaction for consumers but the dominant companies behind the services also hold increasingly greater market power, challenging the pre-internet era competition laws in terms of what is considered monopolistic and what is not (Haucap & Heimeshoff, 2014). Dominant companies are protected by high entry barriers, superior technology, and innovation. (Grimm et al., 2006; Haucap & Heimeshoff, 2014).

In an oligopolistic industry, a small number of firms are highly dependent on, and aware of each other's actions. This creates a situation where companies feel the pressure from each other that will lead to the existence of rivalry between the competitors. This is a reason why companies often react to their competitor's moves. (Grimm et al., 2006; Porter, 2004). Another reason for rivalry can be that a company sees an opportunity to challenge the other competitors with an aim to improve their own market position (Porter, 2004). In an oligopoly, the outcome of a competitive move by one firm depends to some extent on the reactions of its rivals. (Porter, 2004). Only if the competitors choose to respond in a non-destructive manner the success of the move can be assured. Irrational or bad reactions can make even a good strategic move unsuccessful. Firms are constantly guessing how their rivals will react to their actions. (Grimm et al., 2006; Porter, 2004).

Elberfeld and Nti (2004) argue that industries where new technologies are introduced will also bring imperfect competition in the product market. They show that if new technology is adopted by many companies early on in an oligopolistic market environment, it will increase the number of innovating firms and decrease the product price in the markets. On the other hand, if new technology is implemented by the companies later with smaller investments, uncertainty decreases the number of innovating firms and increases the product price.

Based on the theory that dynamic industries can be divided into monopolies or oligopolies, we argue that the internet service industries such as the research setting of this thesis, are often oligopolistic where a small number of companies are dependent on each other. However, as we will explain later, the research setting of the thesis can also be defined as "Schumpeterian competition" which means that the industry has several competitors and the profits are low (D'aveni, 1994). In both cases, it is important to understand that the success of a strategy in an oligopolistic market or in a "Schumpeterian Competition" depends on how competitors interact with each other. (D'aveni, 1994).

2.2 Sustaining Competitive Advantages in Modern Markets

While industries can be divided into oligopolistic and monopolistic competition, there are also underlying competitive forces that will create a setting in which the companies are competing.

Traditionally the goal of competitive strategy for companies has been to find out the best position in the industry where they are able to defend themselves against the competitive forces, or in an ideal situation be able to influence the forces to be favourable for the company (Porter, 2004). Porter's ideology is based on the Industrial Organization economics (Grimm et al., 2006) and Porter as an author is often mentioned when talking about the traditional economical views of competition or competitive advantage. A correctly done positioning would mean that there are high entry barriers, weak supplier and buyer power, few threats from substitutes, and limited rivalry in the industry. (D'Aveni et al., 2010; Grimm et al., 2006).

Porter's theories of competition were created in the 80's but since then the world has changed significantly. Especially during the past few decades, changes have been rapid through globalization, capitalism, deregulation, and privatization, as well as technological innovation (Grimm et al., 2006). Globalization has brought the world more connected offering opportunities in decreased costs of transportation, production, and technology. Trading barriers have been reduced through agreements and many countries now operate on the same markets. Deregulation and privatization worldwide have led to people's disappointment toward state-owned and economically regulated companies, introducing new market forces that will create better competition and economic efficiency. Technological change has been the most rapid in the past decades, increasing ambiguity and decreasing the forecasting of industry events. Technology has increased the value of knowledge, leading to significant restructuring of labour. (Grimm et al., 2006). This has led to a situation where the "Austrian school of strategy" as called by Jacobson (1992) is a more suitable option than the traditional Industrial Organization view for strategy research. As a solution, a more dynamic approach to understanding competitive advantage in the new world of revolutionary technology, globalization, new business methods, new communication techniques, and low-cost labour was first introduced by D'Aveni (1994).

These changes have brought a new age of fast-paced competition or hypercompetition, increasing the amount of competitive actions and reactions between firms. The strategic focus has shifted from seeking a sustainable advantage to seeking a set of temporary advantages, since sustainable advantage seems nearly impossible. (Chen et al., 2010; D'aveni, 1994; D'Aveni et al., 2010; Grimm et al., 2006; Wiggins & Ruefli, 2005). Information flows faster than ever which leads to competitors seeing their rivals move quicker. These changes highlight the innovativeness and urgency of competition in today's markets. (Grimm et al., 2006).

Technological change has impacted many industries such as television and radio, multiplying the number of television stations and radio stations dramatically. Cable and satellite television companies started providing Video-on-Demand services offering a variety of channels with a fixed price. (Grimm et al., 2006). Advances in internet technology have now shifted the television industry online, creating the Subscription Video-on-Demand industry.

Although many researchers have stated that sustainable advantage seems nearly impossible there are some theories that are supporting it or a possibility of a longer lasting temporary advantage. First one of the theories is based on the competitive advantage from technological innovation. The idea is that technological innovation brings a challenge of not only creating the innovation but also capturing the value of it within the industry (Pisano & Teece, 2007). Teece already in the eighties linked the question of who can gain value from an innovation to the surrounding environment (Jacobides et al., 2006). Jacobides used that as a background and explains that this environment can be understood as the industry architecture. Jacobides (2006) defines industry architecture as "a sector-wide construct that defines the terms of the division of labour". The idea of the architectures is that they will provide a framework in which the actors will then act (Jacobides et al., 2006). At the same time, the architectures will determine and define the value creation and division labour and how surplus or revenue is divided (Jacobides et al., 2006). Practically this means that architecture defines who can do what and who gets what. Recently, researchers have also noted that industry architectures characterize organizational boundaries and that Industry architecture describes the nature and degree of specialization of its players, and the structural relationship between them. (Pisano & Teece, 2007).

Returns from innovation can be reduced for example by imitators, customers, and suppliers so organizations should focus on building protective barriers such as patents, copyrights, or investments in complementary assets (distribution, brand, technologies, etc.) around their innovations. Every innovation requires complementary products, technologies, and services to provide value to the users. (Pisano & Teece, 2007). When capturing the value of an innovation, strategic decisions by managers should focus on the intellectual property environment as well as the architecture of the industry. (Pisano & Teece, 2007). These two aspects can influence who wins and who loses from a technological innovation. (Pisano & Teece, 2007). Researchers have found that firms can influence these changes in the appropriability regime or in the industry architecture to their advantage (Jacobides et al., 2006; Pisano & Teece, 2007).

Generally, with technological innovations, software enjoys strong protection barriers at least in the U.S. and the European Union. Specific lines of code are hard to imitate but no technology is completely immune from imitation. Stronger protection barriers, however, are not always the best path to capturing value. (Pisano & Teece, 2007). Researchers have found that in some situations innovators may benefit more from encouraging imitation (pushing the technology into public domain) rather than being the first one in the market or keeping it just for themselves (Jacobides et al., 2006; Pisano & Teece, 2007). In other words, innovators may benefit by weakening the intellectual property environment and opening the architecture of the industry to be developed by other players as well. This leaves room for the innovator to focus on other value capturing methods such as complementary assets (Pisano & Teece, 2007). Suarez (2004) highlighted licensing as an important part of companies' strategic manoeuvring. The most extreme way of licensing is declaring the technology as open source (Suarez, 2004), where the source code is made publicly available for other developers to build upon and ultimately creating a commonly shared base of technology (Pisano & Teece, 2007). The other option is to be more selective with the licensing. This can be a good solution since liberal licensing can increase the competition from the actual licensees (Suarez, 2004). Strong IP regimes favour component innovators such as computer part manufacturers, but the whole architecture may favour others such as the software providers. For example, what is great for movie stars is not always good for movie studios. (Pisano & Teece, 2007).

Industry architecture can be divided into "vertical" and "horizontal architectures". Pisano and Teece (2007) show an example of a "vertical" architecture of the computer industry and its transition into a "horizontal" architecture. At first, all the hardware and software for computers were manufactured by the same firm but as the industry grew and evolved, several companies started to specialize in different computer parts or operating systems. (Pisano & Teece, 2007). They also discuss the modular industry structure of motion picture studios that consist of resources such as actors, directors, other specialists, finance, technology, and distribution. Movies often make money, but movie studios do not because, for example, star performers command exceptional earnings based on the demand of their personal brand. A star performer is hard to replicate. (Pisano & Teece, 2007).

Vertical integration is also related to the architecture of industries and the vertical architecture since it is very similar but more often used term. An industry can consist of several separate companies that operate in different stages of production. If these separate companies would be combined through vertical integration, the new combination of firms would benefit from all the production stages. (Machlup & Taber, 1960). A vertically integrated firm can have competitive advantages through raising the mobility barriers. This means that the integrated firm can have higher prices as well as lower costs and risks than the unintegrated firms. An unintegrated firm must face these disadvantages or integrate themselves to enter or stay in the market. (Porter, 2004). Machlup and Taber (1960) also noted that some authors argue vertical integration does not affect costs directly but can significantly alter the market position through extending a monopolistic position. When a company controls more stages of the production, it can strengthen its position regarding the industry competition.

Richardson (1996) adds that full vertical integration may not always be a superior form of organizing. Rapidly changing markets can be a setting where companies should focus on their core competencies to limit risks because vertical integration can limit their flexibility and insulate information flows from markets. Bresnahan and Greenstein (1999) also found that vertical disintegration and focus on specialization may be more beneficial in some industries as it has been in high technology industries such as PC components.

However, supporting vertical integration, Richardson (1996) adds that depending on the firm and the industry conditions, some companies can benefit from vertical integration also in volatile markets. For example, a vertically integrated firm can find mistakes faster in their production line and take corrective actions since the response time to market demand is shortened. (Richardson, 1996).

Understanding the whole architecture provides possibilities for organizations. Jacobides et al. (2006) explain that companies can benefit from innovation by aiming to manipulate the architecture. If a company aims to manipulate the industry architecture it will face resistance (Pisano & Teece, 2007). Because of the resistance companies might not be able to do that and therefore opportunities for shaping often only are available in new industries or after there has been a shift in for example in the technology or in the demand (Pisano & Teece, 2007). Such re-engineering (manipulation) of the architecture can be achieved by investing in platform technologies or through technology architecture decisions. (Pisano & Teece, 2007). The theory relies on previous research by Teece with the main idea that if a company is able to create a set of "convenient rules of the game" or standards that ensure the company will end up with the most benefits, they have created an "architectural advantage". For example, companies may want to manipulate the architecture by creating standards with an aim of encouraging competition in complementarity assets while at the same time limiting competition on its own segments (Jacobides et al., 2006). A company becomes an architectural controller when it controls one or more of these standards by which the entire industry is assembled (Morris & Ferguson, 1993).

Jacobides et al, (2006) state that firms can benefit from innovation by carefully shaping the architecture to their advantage, becoming the bottlenecks of their industry. Thus, bottlenecks are related to architectural advantage. Bottlenecks are segments, where mobility is limited, and competition softened. They are used to research value dynamics and value distribution in certain sectors or in other words, they determine how an innovation creates and distributes value (Jacobides et al., 2006; Jacobides & Tae, 2015). The idea of the theory is to study how value can shift from one part to another inside the industry. Pisano & Teese (2007) stated that the nature of the bottlenecks may also change because of an innovation or other market dynamics.

As a background, Jacobides and Tae (2015) define a kingpin to be the company that holds the most weight in terms of value. Basically, a kingpin is the most important company of the segment. If there is a presence of kingpins in the segment, (meaning companies that have a possession of superior capabilities, market capitalization and vis-à-vis more important in terms of R&D) the segment is more likely to become a "bottleneck"(Jacobides & Tae, 2015). However, they also found that sectors owned by kingpins become more and more unequal as value distribution and R&D concentrate to a small part of the industry. Since the world and business have changed and become more dynamic, rapid sustainable competitive advantages can be hard to reach. If a company manages to manipulate the industry architecture and reach an architectural advantage, it will benefit the company as a more sustainable source of competitive advantage and serve as an ideal situation for the company.

Resource Building for Sustaining Competitive Advantages

Another, a more direct approach to sustainable competitive advantage, is the Resource-Based View (RBV) of the firm, which has become one of the dominant strategy perspectives. It explains the competitive advantage and performance using resources such as human capital, financial capital, physical capital, and social capital. (Grimm et al., 2006). The resource-based view describes firms as collections of resources and explains how firm's resources can be used as a source of sustainable competitive advantage. The theory suggests that firms within an industry have access to the same resources but are not divided evenly across firms. The sustainable competitive advantage, according to the theory, comes from developing resources that are valuable, unique, inimitable, or non-tradable. (J. Barney, 1991; D'Aveni et al., 2010; Eisenhardt & Martin, 2000; Grimm et al., 2006). Distinctive or superior organizational competencies in relation to rivals are the basis for competitive advantage when used correctly through environmental opportunities (Peteraf, 1993). The resource-based model focuses on the internal analysis of competitive advantage. (J. Barney, 1991; Mahoney & Pandian, 1992).

The resource-based view initiates conversation and complements several streams of literature: strategic management, neoclassical microeconomics, organizational and evolutionary economics as well as industrial organization analysis (J. Barney, 1991; Mahoney & Pandian, 1992). Contributions to strategy literature discuss for example the limits to growth through the use or lack of resources. Contributions to organizational economics build on Schumpeterian competition of creative destruction, seeking sustainable advantage through "new combinations of resources". (Mahoney & Pandian, 1992). The industrial organization contributions of the resource-based view support Porter's views on how resources can be utilized in R&D, innovation, and the creation of entry barriers. (Mahoney & Pandian, 1992; Porter, 2004).

Eisenhardt and Schoonhoven (1996) studied the resource-based view of strategic alliances. Alliances can improve the position of all firms involved by sharing resources, costs, and risks. Eisenhardt and Martin (2000) add that in dynamic markets, long-term competitive advantage is achieved by resource building and reconfigurations. In high velocity markets the duration of competitive advantage is unpredictable, and time is an essential part of strategy formation. When leverage was used to build competitive advantage before, change has now become the most important strategic imperative in dynamic markets.

Several authors (J. Barney, 1991; Mahoney & Pandian, 1992) have linked the resource-based view with evolutionary theory. According to the evolutionary theory, performance differences among firms are a function of a competitive race to discover profit opportunities. High performance and competitive advantage of a firm is achieved by higher speed and innovation than their rivals. (Derfus et al., 2008). The important contribution by Nelson and Winter (1982) discusses evolutionary economics, examining strategy through Darwin's natural selection theory. Firms may pursue other objectives than profit maximization in the short term, such as satisfying their customers. A new strategy should only be switched if performance falls below a set threshold. If the company steers too far from its course and does not adapt to the market, it will be left out eventually. (Grimm et al., 2006). In the face of competition, Nelson and Winter's process of variation, selection, and retention reveals the most efficient routines for gaining competitive advantages. These routines can be interpreted as resources and capabilities. (J. B. Barney, 2001).

2.3 Competitive Strategy Planning in Evolving Industries

2.3.1 Evolution and Development of Industries

Another point of view for understanding strategy better is researching the evolution of industries. Understanding industry evolution can help when making strategic decisions or when creating a competitive strategy for the future. Industry evolution theory seeks to answer what affects the birth, growth, and death of firms within an industry (Audretsch et al., 2004). As time goes on and the world changes, the industries within it change and evolve as well. Industry evolution has been previously studied in multiple different ways of which one is the theory of Organizational Ecology. The goal for organizational ecology is to understand the forces that affect and shape the organizational structures (Hannan & Freeman, 1989) and the focus of it is on studying organizational diversity (Singh & Lumsden, 1990). One of the basic ideas of organizational ecology is the fact that organizations are seen in environmental context (Carroll, 1984). Carroll found that these environmental conditions constrain the organization and shape its structure. In addition, he highlighted that internal factors also affect the structure. The basic elements of ecology (environment) consists of organizations, populations, and communities (Clegg et al., 1999). Similar organizations form the population and the populations are linked to other populations which then form a community. Clegg and his colleagues define an organizational community to be a functional integrated system of integrated populations. Clegg and his colleagues also highlight that companies often have trouble with devising and executing changes fast enough when the surrounding environment is changing rapidly.

Organizational diversity is explained by ecologists through linking the evolution of organizational populations to dynamic models of competition. The higher the number of organizations there are in a population, the more legitimate it is, boosting the number of new companies founded as well as enhancing the ability of its members to attract new resources. This, however, also raises the competition between the firms within a population, creating an opposing force to firm population growth. (Agarwal et al., 2002).

Industries typically only have a few large companies that survive while smaller companies end up failing. Barnett (1997) found in his study that larger organizations have a smaller need of competing since they can enhance the viability of their weak units through institutional mechanisms that are not directly linked to market competition. He argues that industries become populated by a few viable but competitively weak companies, which also raises the organizational founding rates within the industry. This contests previous studies about the opposing force of competition towards firm founding rate.

Another theory that is similarly aiming to study evolution is the industry life cycle theory (ILC). ILC studies are focusing on the changes in technological developments and in the industry structure from birth to maturity and decline (Klepper, 1996; Peltoniemi, 2011). The aim of ILC research is predicting how the industry will change and evolve in the future by finding regularities in the aging patterns (Peltoniemi, 2011). At the same time Peltoniemi adds that ILC seeks explanations to the different stages of the life cycle. Understanding technological change is important for the companies since it will involve recurring challenges (Anderson & Tushman, 1990). Porter (2008) adds that there can be differences on where the initiation for the change comes from. It can come from within or outside the industry and it could result in a less or more profitable industry in the end. Grimm et al. (2006) add that industry performance can change dramatically in a relatively short period of time and firm performance is significantly impacted by its industry. Industry structure itself and the competition in it can be overruled by the emergence of a new technological discontinuity, creating new market leaders and losers. This process is also known as creative destruction, described earlier by Schumpeter, which he argued to be the key driver of progress in a capitalist society. (Schilling, 2012).

Industry life cycle is a concept that can be used in the creation of competitive strategy plans. The idea is that competition changes in the different stages of the industry life cycle (Porter, 2004). Stages of the life cycle are often being divided into four stages (or five, when shakeout is counted as its own stage): Introduction, Growth, Maturity, (Shakeout) and Decline. (Peltoniemi, 2011; Porter, 2004). Technology also follows similar evolution (Sood & Tellis, 2005). Schilling (2012) specifies that the stages of the technology evolution and the s-curve that it follows are "an initial period of turbulence, followed by rapid improvement, then diminishing returns, and ultimately is displaced by a new technological discontinuity". Therefore, the nature of technological change is often a cyclical pattern (Schilling, 2012).

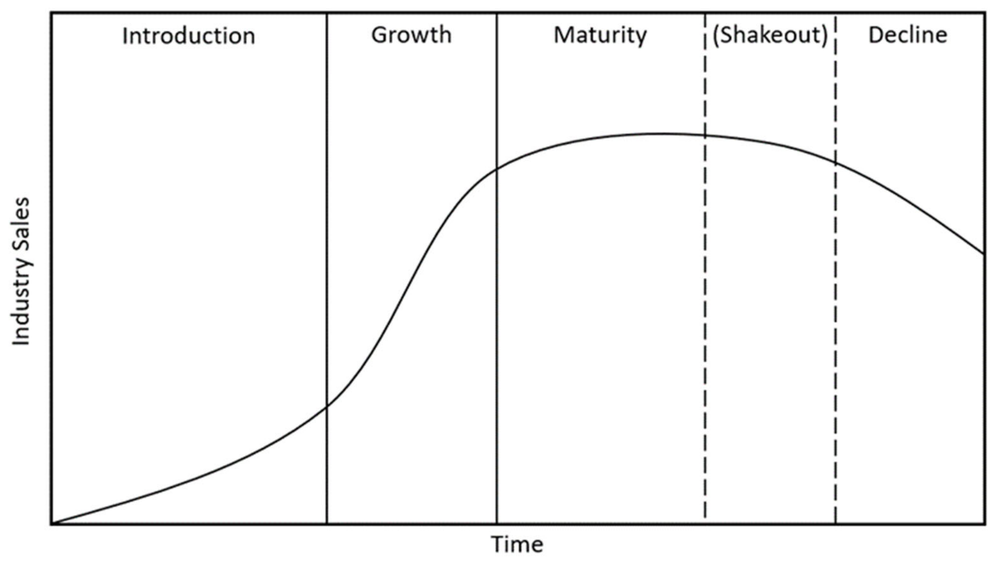

Figure 1. Industry Life Cycle. (Peltoniemi, 2011; Porter, 2004).

ILC sees the emergence of an industry being caused by the emergence of technological opportunities (Peltoniemi, 2011). The opportunities then attract companies into the industry. Opportunities on the other hand can arise when there is for example a change in the competence that is needed to produce the product or there is an increase in the profitability (performance price ratio) (Peltoniemi, 2011). Porter (2004) adds that typically in the introduction stage, there are few competitors but at the same time the risks are high for the companies who decide to enter the market early. This is supported by Schilling (2012) as she stated that there can be higher rates of failure for the first movers because of the uncertainty and the fact that the market is still in the developing stage. On a positive side, Suarez (2004) and Schilling (2012) state that firms that are entering the market early can achieve some early entrant benefits. For example, being an early entrant can help the company build a customer base and reputation and increase credibility (Schilling, 2012; Suarez, 2004). It also gives time to create R&D activities and overall to experiment with the technologies (Suarez, 2004).

Porter (2004) found that in the introduction stage generally prices and margins are high but profits on the other hand are low. Researchers typically agree that the early stages of industry life cycles involve high levels of producer uncertainty and cost, driven by technology or production techniques, but as the market evolves, uncertainty and cost decrease (Anderson & Tushman, 1990; Cusumano et al., 2015; Klepper, 1996). Cusumano and colleagues (2015) add that when a technology is new, the performance of the product or service is unclear to customers in terms of technological functions and possible difficulties, making the markets uncertain and fast-changing. Schilling (2012) adds that performance improvements are also slow in the growth stage since the technologies are poorly understood by everyone. Potter and Watts (2011) on the other hand found that in the early stages before dominant designs have emerged, the role of tacit knowledge in innovation creation is the greatest, thus giving value to key human resources early on. Sood and Tellis (2005) state that in the introduction stage regarding the technology, platforms make slow progress. This first stage is started by technological discontinuity that starts a period of uncertainty (Schilling, 2012). Progress and growth are slow because the technology is not well known by customers (Schilling, 2012) and there are bottlenecks that are preventing the growth (Sood & Tellis, 2005). Consumers and producers are also still exploring the different possibilities (Schilling, 2012).

After the initial stage of industry emergence industries are thought to evolve into the growth stage. It is typical for industries that during these early stages of the industry, the exit and entrance rates are high (Peltoniemi, 2011). Peltonimi adds that although there are many kinds of industries, the entry rates are not industry-specific but instead are more related to the stage of the industry life cycle. The increased number of new entrants will also increase the competition (Peltoniemi, 2011; Porter, 2004). This will also affect companies' strategic planning. In the growth stage, companies are shifting their primary focus from R&D to marketing (Porter, 2004). Marketing in this case can be used as a strategic manoeuvring technique to later gain dominance in technology battle. In short, companies use marketing and public relations resources to manage expectations.

As an example, Suarez (2004) uses gaming console manufacturers who started announcing product releases even a year before the actual release. Since then that trend has also spread to other industries and can be used as a competitive tactic. (Suarez, 2004). Why marketing and public relations are important in the process of aiming to gain a dominant position is that customers are weighing a combination of subjective and objective information when they are deciding which technology to go for (Schilling, 2012).

Porter (2004) adds that in the growth stage risks will get lower while the profits will also rise. As a result, the quality of the products will go up and the price will go down. This will eventually lead to the increase in sales (Peltoniemi, 2011). Competition in the early stages of the life cycle is often co-operative and the companies are collectively learning (Peltoniemi, 2011). Peltoniemi explains that collective learning means that companies are forming collective identity and focusing on the benefits of the whole industry. Only later the competition will shift from collective to vicarious learning (observing others and not working collectively) (Peltoniemi, 2011). Growth, described by Cusumano (2015), is the transition from an emerging industry into a mature one. It involves the emergence of a dominant design, growing market demand, and increased return from investment. Regarding technology, the growth stage starts often after a certain threshold. The threshold can be for example the emergence of a dominant standard (Sood & Tellis, 2005). Schilling (2012) states that the reason why the technology diffusion might take time is that customers are waiting for complementary resources to be developed. These complementary assets and resources are important also in another way. Suarez (2004) adds that overall a better set of complementary assets can give an advantage and higher chance for dominance in a context where other factors are similar. After the resources are developed the technology becomes more attractive to a larger audience. This has been the case for example in the electric cars business. Electric cars started to become more popular when the network of charging stations and the battery technologies evolved to a certain level. Schilling (2012) also states that growth naturally happens because the technology evolves into a level where it is more useful to customers and there is no more uncertainty. At the same time this often means that the price of the product will decrease, and it makes the product/service even more attractive (Schilling, 2012).

The next stage of the industry life cycle is maturity. When an industry reaches maturity, the industry growth starts to slow down (Porter, 2004). Porter adds that traditionally during the maturity stage the competitors in the industry become more alike and the differences between companies get smaller. This leads to a situation in which the industry profits decrease, and margins get lower (Porter, 2004). An industry has evolved to this stage when the focus of R&D among the companies in the industry has shifted from product to process (Peltoniemi, 2011; Sood & Tellis, 2005). Cusumano (2015) describes this phase as heavy cost-based competition between stabilized competitors. Similarly, Porter (2004) highlights that competition in the maturity stage is done through pricing. Therefore, pricing is a strategic manoeuvring technique that companies can use to get a dominant position (Suarez, 2004). This can happen by aggressive pricing that can then lead to a larger customer base and eventually into a dominant position when there is a presence of network effects (Katz & Shapiro, 1985, as cited in Suarez, 2004). Porter (2004) stated that the network effect enables large companies with a good reputation to price their products higher and customers will still buy them. The network effect often in a simple way is thought to be the value that additional users are bringing to other users. Basically, this means that the more users there are the more value it brings for the owner (Cennamo & Santalo, 2013; Gawer & Cusumano, 2014). Network effect can also bring indirect value by attracting complementary innovations (Cennamo & Santalo, 2013; Gawer & Cusumano, 2014). Network effect then is related to switching costs. The basic idea of a switching cost is that customers are not interested in changing the platforms/services since they are already invested in one (Porter, 2004; Suarez, 2004).

Porter (2008) concludes that the transition into industry maturity means for example that firms are increasingly selling to experienced repeated buyers. He also adds that slowing industry growth generates more competition between the companies within the industry and new products are harder to come by because product innovations are becoming more difficult. Companies are then often aiming to compete with increased competition by focusing their innovative planning into expanding their business into other industries (Peltoniemi, 2011). Therefore, after the original industry has reached maturity, it can be a starting point for a new industry (Peltoniemi, 2011). For mature technology reaching its limits the improvements are often costly, small, and not long lasting (Schilling, 2012; Sood & Tellis, 2005). After the growth stage, the technologies will also eventually reach maturity. Sood and Tellis (2005) propose several reasons for the maturity and the decrease in growth. It can be, for example, because innovation shifts or because of the limit of scale. Limit of scale means that the operations are becoming too large or small and therefore limit the growth. They argue that the only solution for the companies and technologies to continue growing would be to move to a new technological platform (Sood & Tellis, 2005). Another reason could be the fact that a technology is only possible to improve to a certain point (Sood & Tellis, 2005).

During the maturity stage also, the dominant designs will start to arise. The idea of the dominant designs is that they are affecting the whole industry by "changing the game" (Peltoniemi, 2011). Schilling (2012) defines a dominant design as "A single product or process architecture that dominates a product category—usually 50 percent or more of the market." While it may not be officially enforced or acknowledged, a dominant design is an industry standard. There is always a reason why dominant designs emerge. A dominant design might arise because of innovation, but they might also not be a result of a radical innovation but more of an alternative solution that can reach a large audience (Peltoniemi, 2011). Also, timing, collateral assets and other factors can influence why dominant design emerges (Utterback & Suárez, 1993). Schilling (2012) sees it so that dominant designs will emerge as consumers and producers start to understand what is the technology that they will be selecting. Schilling (2012) explains that companies are looking to be the dominant design since many technologies increase the returns the more, they are used. This happens because of the learning that is happening and the network externality effect that is gained. Learning can make the process more efficient and additional knowledge will increase the returns. Network externality on the other hand is the increase in value to the customers when there is a larger installed base (group of using the product) (Schilling, 2012). Later dominant design will eventually become a benchmark that companies are using to guide their efforts into (Schilling, 2012). After that as mentioned before the cycle then begins again when there is a next technological discontinuity.

After the maturity and the formation of dominant designs, the next stage often consists of a shake-out in the number of firms resulting in a declining stage (Peltoniemi, 2011; Porter, 2004). This changes the competitive dynamics in the industry. Shake-out happens when companies are increasing their capacities but are not able to increase their sales with the same speed (Peltoniemi, 2011). The dominant designs or the most capable companies are then increasing their market share and the companies that are not able to compete will exit the industry (Peltoniemi, 2011; Porter, 2008). Peltoniemi highlights that reasons for the shake-out can be because of either excessive entry or because of technological developments.

Authors (Mueller, 1972; Sood & Tellis, 2005) have suggested that there are also ways to avoid the stage of shakeout and decline by innovating during the growth stage. This basically creates a new S-Curve where another life cycle starts from the previous growth and/or maturity stage. Peltoniemi (2011) also states that maturity in one industry may lead to the emergence of another one. In these situations, the new industry is often technologically related to the previous.

As an exception, there can also be situations when there is no shake-out at all. Peltoniemi (2011) found that the reason for this are so-called spinoffs, and the fact that some companies are by their strategy more “generalists” and some are more “specialists” and therefore serving a different need. This can mean that some companies are focusing on serving a niche while others are focusing on serving a larger market.

2.3.2 Benefiting from Evolutionary Theories in Strategic Planning

Researchers (Porter, 2004; Sood & Tellis, 2005; Suarez, 2004) have found limitations regarding Evolutionary Theories as tools for strategic planning. We analyse these limitations and seek a solution to utilize the theories better as a basis for strategic planning.

Sood and Tellis (2005) found only limited support for the S-curve theories. In contrast, they propose that technology evolution would be more like jumps in the performance. Based on their findings, after a longer period of stable static state the technology would then have an irregular jump in the performance. Each of these increases would be somewhat like an S-curve (Sood & Tellis, 2005). In addition, they found that the jump would be larger the longer the static stage before that had been.

Based on their findings, Sood and Tellis (2005) state that technological evolution seems only partially predictable. However, they found proof that there are some aspects that seem to follow a trend. These include a fact that the rate of technological change and the amount of new technologies seem to increase over time. In addition, they found that new technologies emerge equally from both new entrants and from large companies that are already in the industry.

Suarez (2004) also acknowledges some limitations regarding his technological dominance framework. The described phases of the framework are not expected to occur precisely to the pattern as some firm- and environmental-factors may influence every phase of the framework. Therefore, the framework serves as a base of understanding the elements behind the battles for dominance.

Schilling (2012) also highlights the problems of using the s-curves as tools for aiming to predict the future. He lists few reasons for that; firstly, there often is no knowledge regarding the actual limits of the technology. Secondly, he also mentions that there can be scenarios in which the technology is not following the shape of an s-curve. And thirdly if an S-curve is used to create a strategy it can lead to a situation in which companies are switching to a new technology too soon or too late.

While the previous authors proposed some limitations regarding the theories, Anderson and Tushman (1990) propose a more general look and a solution on the usage of evolutionary theories and how to use the theory of cyclical technological change in company setting. Their idea was that for companies to cope with the cyclical change they need to have a certain set of skills, competences, and knowledge. This means that companies need diverse competences and a capacity that enables quick reactions and need to focus on innovation. Moreover, regarding dominant designs, they state that it is important for companies to understand that there is a need to "combine technological capabilities with the ability to shape interorganizational networks and coalitions to influence the development of industry standards" and that technology as a phenomenon is also socially driven.

Sood and Tellis (2005) also studied the dimensions of technological competition. These dimensions provide a more practical outlook on technological evolution. Sood and Tellis (2005) state that during the technological cycle technologies are competing e.g. with functionality, reliability, convenience, and cost. Technologies are turning the focus of competition into higher reliability after a certain level of consistent performance has been achieved (Sood & Tellis, 2005). After a consistent level of performance and reliability has been achieved companies then often change their focus into customization towards customers' needs to make the product, for example, more convenient. Lastly, they state that when performance, reliability and convenience have all been achieved the focus changes to price. Understanding this generic evolution of dimensions in technological competition then can be used to set the direction for the company's future competitive attack (Sood & Tellis, 2005).

Porter (2004) argues against the industry life cycle/product life cycle theory and states that there are multiple problems for using it to predict the industry evolution. D'Aveni (1994) also stated that advantages that have worked in the past within an industry, only continue to work if the environment is not dynamic. Porter (2004) also states that there is not a single model that could be reliable enough for predicting industry evolution.

Porter (2004) states that problems in the life cycle theories are, for example, the fact that the duration of the stages can vary a lot and it can be difficult to distinguish on which stage the industry is at a certain point. Additionally, he notes that sometimes industries are not following the s-curve. For example, industries can skip the maturity stage and in other scenarios industries can revitalize after a period of decline. In addition, Porter mentions that companies can affect the life cycle by for example innovating and repositioning. He also highlights that the stages of the life cycle, regarding the competition, vary for different industries. As an example, he mentions that some industries start out highly concentrated but also stay that way so there is no shakeout. Based on Porter's (2004) findings, he argues that there is no way of distinguishing when the theory will hold and when it will not. As a solution he proposes that the focus on strategic planning should be on understanding the underlying evolutionary processes that drive evolution in every industry. Industry evolution starts from the current initial structure of the industry and aims to evolve into its potential structure (Porter, 2004). The underlying idea behind the evolution is that the competitive forces are in motion. This motion creates incentives or pressures for change (Audretsch et al., 2004; Porter, 2004).

2.4 Seeking Competitive Advantages in Dynamic Markets

As we stated earlier there is no single model that would explain how to gain a competitive advantage and achieving that competitive advantage in today's modern dynamic markets can arguably be even harder than before. As a solution for this, in the previous chapter researchers (Audretsch et al., 2004; Klepper, 1996; Peltoniemi, 2011; Porter, 2004, 2008; Sood & Tellis, 2005) had studied Industry Evolution as a way of predicting the future with an aim of gaining insight that would help with strategic planning. However, at the same time researchers such as (Porter, 2004; Schilling, 2012; Sood & Tellis, 2005) had also found weaknesses in the Industry Evolution and Industry life cycle theories. We argue that therefore the Industry Evolution theory by itself does not provide sufficient answers regarding gaining competitive advantages and can sometimes be an untrustworthy theory because of the unique aspects within each industry.

Authors such as Porter on the other hand had focused more on the traditional views of competitive strategy. For example, in industrial organization economics research, the solution for competitive advantage is seen to come from e.g. positioning, creating barriers of entry and from differentiation (J. B. Barney, 1986; Porter, 2004). Other authors following "Chamberlain logic" had seen the source for competitive advantage to embark from unique skills, resources, and competences (J. B. Barney, 1986). However, as we have explained the world has changed a lot and the usage of the "Schumpeterian" view of competitive strategy has become more popular and arguably more usable. It does not matter how unique skills a company might have or how greatly it may have positioned itself if an innovation revolutionizes the whole industry and therefore makes the old strategy unusable (J. B. Barney, 1986).

Therefore, we propose that by studying the competitive dynamics literature, we can gain a more detailed and specific understanding about what can make a company more profitable in the future. For example, Shapiro (1989) stated that there is a need for a closer look at an industry and the competition in it to make any reliable predictions of industry behaviour, performance, or changes in structure. Later, researchers (Chen et al., 1992, 2010; Chen & Macmillan, 1992; Chen & Miller, 1994; Ferrier, 2001; Grimm et al., 2006; Rumelt et al., 1991) have also highlighted the possibility and a trend of researching sequences of actions and reactions. In addition, Teece et al. (1997) found that especially in situations where none of the competitors have a strong competitive advantage, studying the moves and countermoves can be beneficial. More specifically, Teece and colleagues (1997) highlight the connection of competitive moves and company performance. He states that by executing the competitive moves, companies can manipulate their environment thus gaining increased profits.

Industry evolution is still an important concept serving as a background for the study since industry evolution and the change inside the industries is constant. Shapiro (1989) emphasized that it is good to have a variety of models and theories to understand business strategies to address the richness of different business behaviours. While industries are evolving, the competition in them also changes. This means that companies must constantly adapt and find new ways of achieving competitive advantages. Porter (2004) also highlighted this importance: "Understanding the process of industry evolution and being able to predict change are important because the cost of reacting strategically usually increases as the need for change becomes more obvious and the benefit from the best strategy is the highest for the first firm to select it."

As mentioned, globalization and technological developments have created new, more dynamic, industries where competitive advantages are harder to sustain. Many industries operate in an oligopoly setting where companies are mutually dependent on each other regarding their actions. This leads to a situation in which strategic actions executed by one company will affect the other companies but also the industry itself. It has been proven that industries evolve during time and therefore also the strategic actions in them will change. By studying industry evolution together with competitive dynamics and the trend of competitive actions companies have executed in the past, we can predict how the competition in an industry could evolve in the future. This information can also be used to predict the evolution of competition and competitive actions in similar dynamic industries. Most importantly, we predict how companies are aiming to gain competitive advantages in their industry in the future.

Next in this chapter of our theoretical framework we focus on competition and temporary competitive advantage in fast-paced, dynamic markets as well as the competitive relationship between actions and reactions. We present the research on hypercompetitive environments, and the models of competitive dynamics, originating from the Schumpeterian view of competition as well as the Red Queen effect and Game Theory as forces that are shaping competition. Different perspectives of competitive dynamics are studied to understand the broad background behind the creation of competitive actions and moves, focusing especially on the action and firm-level studies that build on our findings.

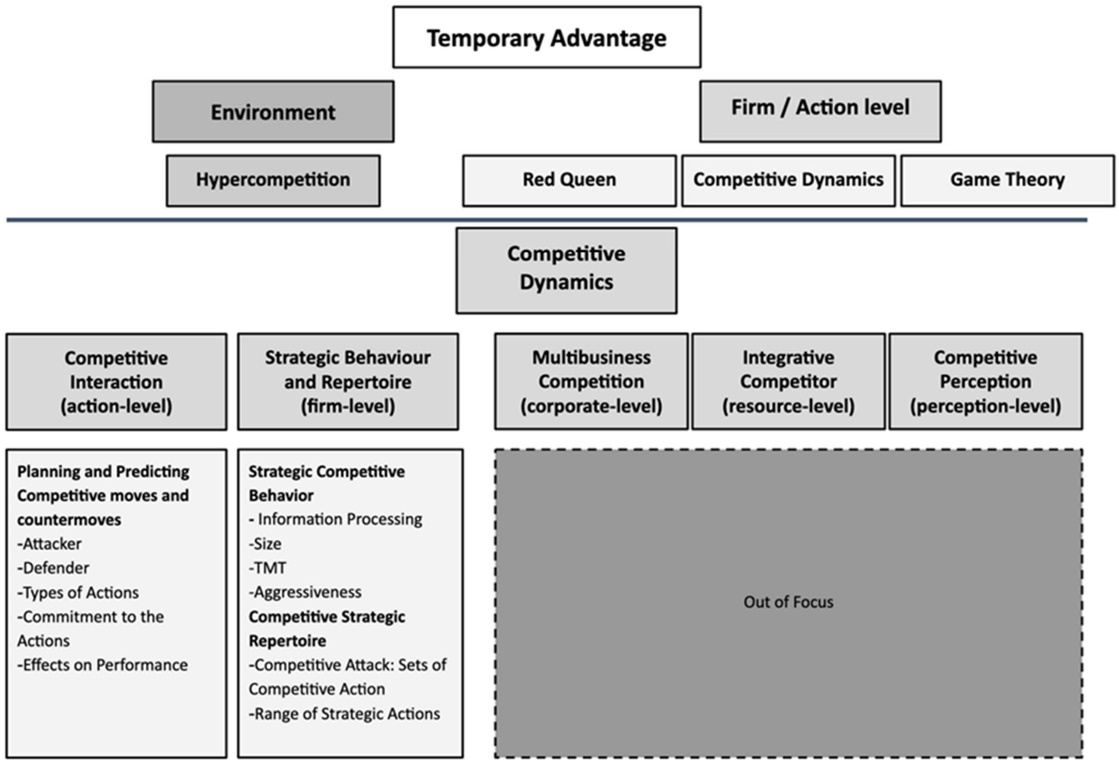

Figure 2. Research Streams for Gaining a Temporary Competitive Advantage. (Chen & Miller, 2012).

2.4.1 Temporary Advantage in Dynamic Environments

As mentioned in the previous chapters, companies are often in a situation where they are not able to sustain competitive advantages. Also achieving an architectural advantage can be difficult. Therefore, many researchers have focused on researching how companies can gain sets of temporary competitive advantages. This is because more intensified and dynamic competition has created a situation where sustainable advantages are not possible (Chen et al., 2010). D'aveni, Dagnino & Smith (2010) also highlighted that sustainable competitive advantage is rare and declining in duration, and that continuous strategy innovation is necessary in disruptive environments such as nascent, emerging, high-tech or other high velocity environments. In their article, they study how organizations can compete, evolve, and survive when firm-specific advantages are temporary. Wiggins and Ruefli (2005) also found support for that sustaining competitive advantage has become significantly harder for a broad range of industries, not only high-technology or manufacturing industries.

D'Aveni (1994) is basing this dynamic view of strategy into three major background principles: all actions are interactions (long-term evolution of firms acting to gain temporary advantages and competitors responding by neutralizing the advantages or building new ones), all actions are relative (the position of companies and sustainability of competitive advantages are related to the moves of competitors), and competitive interactions must be projected through long-term trends and multiple interactions to understand their evolution and where the actions lead. As he describes, a company can win a single battle during a short period of time but lose the war over a long period of time.

There are several research streams that are aiming to answer the question on how to deal with the intense and dynamic competition and how to gain a temporary competitive advantage. The streams include the theory of Competitive Dynamics, Hypercompetition, the Red Queen theory, and Game Theory. Chen et al. (2010) stated that the primary streams that are aiming to answer the questions are Competitive Dynamics and Hypercompetition. The basic difference is that competitive dynamics research deepens the understanding of earlier theory of hypercompetition in an individual firm level by focusing on the exchange of strategic moves among rivals. Since our data consists of actions and moves that we have identified at the individual firm level our focus on this thesis is the competitive dynamics research.

Based on Schumpeter's Perennial Gale and Austrian Economics, disruptive environments never reach maturity because firms in them constantly self-reproduce, cannibalize, innovate, and self-perpetuate the initial stages of an industry or a product life cycle (Chen et al., 2010; D'Aveni et al., 2010; Wiggins & Ruefli, 2005). Hypercompetition, defined first by D'aveni (1994), is an environment of intense change, in which aggressive and innovative competitors move into markets easily and rapidly, eroding the advantages of large established players. Hypercompetition forces firms to use quicker, bolder, and more experimental strategic moves to achieve competitive advantages (Volberda, 1996). Today's strengths become tomorrow's weaknesses so quickly for businesses that sustaining advantages is nearly impossible. (D'aveni, 1994). The goal is to have a set of temporary advantages and move to the next advantages even before the current ones start to erode. (D'aveni, 1994). D'aveni shows how aggressive firms are beating down entry barriers of the markets and traditional firms who have sought after monopolies and oligopolies are now trying to escape hypercompetition by establishing cooperative arrangements such as alliances. However, D'Aveni also shows that cooperation in hypercompetitive markets ultimately leads to even more intense competition. D'Aveni's theory is interesting as it was already written in 1994, forecasting that the world was moving to a more rapid and intense environment. Since 1994 the world has changed a whole lot and arguably it is commonly acknowledged that today's world is even more fast paced.

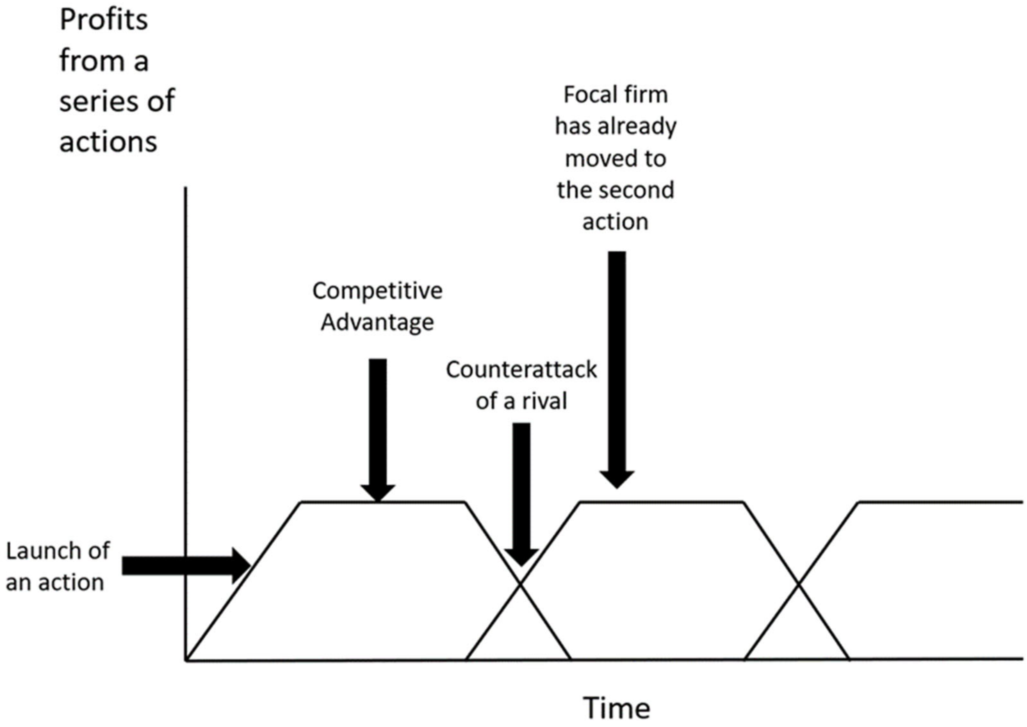

Figure 3. A Set of Temporary Competitive Advantages. (D'aveni, 1994).

D'Aveni (1994) stresses that in hypercompetitive environments a firm should not look at the traditional models of creating and sustaining a competitive advantage but rather view strategy as a creative destruction of the rival's advantages, where speed and aggressiveness play the main role. Chen et. al. (2010) also highlight that the action aggressiveness of a firm is what shapes the performance outcomes in a hypercompetitive environment where temporary advantages are a norm, rather than its fortified or sustainable positions. Strategic moves lead to countermoves and competition escalates, moving forward with competitive interaction. The competition develops from low or moderate competition to hypercompetition to almost perfect competition. (D'aveni, 1994). The barriers to entry in industries with low or moderate levels of competition are quickly penetrated by players seeking the potential profits they can achieve in that industry. When the competition gets high, players start to erode each other's advantages, leading into the hypercompetitive nature of temporary moves and advantages. The constant competition aims to push the industry into perfect competition where no one has an advantage. Perfect competition, however, is not a desired state by companies since it results in a state of no profits. (D'aveni, 1994).

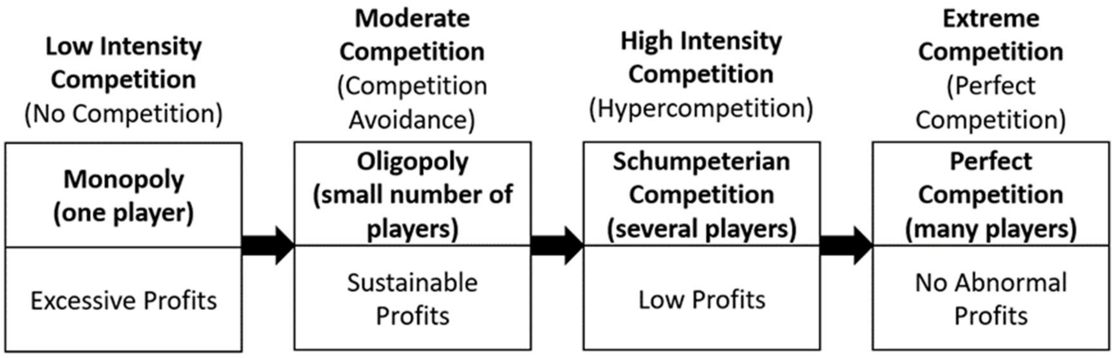

Figure 4. Levels of Competition Within Industries. (D'Aveni, 1994).

As D'Aveni (1994) described in the theory of hypercompetition, companies need to constantly escalate in the competitive landscape. Chen et. al. (2010) also note that the increasing pace of technological change and strategic discontinuities have resulted in an escalating series of competitive actions to only maintain the pace of the competition. This relates to the theory of the Red Queen Effect. Derfus, Maggitti, Grimm & Smith (2008) as well as Barnett and Hansen (2007) researched the "Red Queen Effect" and framed it as a race-like contest in which companies are executing competitive moves or actions towards rivals to outperform one another. Barnett and Hansen (2007) describe the Red Queen as a "driving force behind the evolution of competitive success and failure."

The Red Queen effect name comes from the story by Lewis Carroll called "Through the Looking Glass". It involves a girl named Alice, who is running as fast as she can but not able to move forward or to get anywhere. A character in the story called Red Queen then responds to Alice and tells her that she must run at least twice as fast to get somewhere. (Derfus et al., 2008).

In business context, the Red Queen effect is linked to companies' continuous activities that they are executing to keep ahead of the competition or executing to maintain their position in a market. (Derfus et al., 2008). The background for this theory is that the market is dynamic. Barnett and Hansen (2007) add that the idea is that the interactions between firms result in a search, action, and learning process that increase the firm's performance. At the same time, the innovative actions will lead to a decrease in other firms' performance. (Derfus et al., 2008). For rivals to maintain their performance or market position they must take actions of their own. The search and learning process that results from discovering alternative actions and reactions is however costly, especially regarding new technologies. (Barnett & Hansen, 2007). In the end this results in a situation in which each firm within an industry is forced to participate in a continuous, escalating set of actions and the players are "running" (competing) as fast as they can just to "stand still" (to maintain their position) relative to their competitors. (Derfus et al., 2008). Barnett and McKendrick (2004) contributed to the Red Queen theory by finding out that if competition is viewed as a contest, companies who are able to constantly develop their products will be more likely to remain in the top performers. On the other hand if competition is viewed as a constraint, especially small companies who are exposed to competition are less likely to fail as they generate stronger competition as a counter while large companies can cope with their existing advantages (Barnett & McKendrick, 2004). While having no competition can be a good thing in the short term, in the long term it can mean that the company will be left behind from the future competition.

Derfus and her colleagues (2008) found that the Red Queen Effect is heavily related to Creative Destruction since in both theories the idea is that new innovation will lead to a competitive advantage and spur responses from competitors that erode the advantages. They continue that The Red Queen effect differs from the competitive dynamics and Schumpeterian perspectives by explaining the motivation that companies have behind their actions and reactions to improve performance. (Derfus et al., 2008). Since the actions can be costly and financials can play a role behind the motivation of actions, Barnett & Hansen (2007) add that firms tend to adopt actions where the results of an action outweigh the costs. Derfus and her colleagues (2008) found support that the competitive nature of actions and reactions is intense in a highly concentrated industry, but less intense in high-growth industries. This means that companies are more dependent on each other in highly concentrated industries, and less dependent in industries that are in a state of high growth. (Derfus et al., 2008). In their results Barnett & Hansen (2007) found that firms were less likely to fail when they had more competitive experience which also resulted in stronger competition. The theory shows that firm actions in an industry can play out as a "Red Queen race" among rivals. Actions, the speed of actions, and rival actions are related to each other and can impact the performance as well as the learning of the firms. (Barnett & Hansen, 2007; Derfus et al., 2008).

Hypercompetition and the Red Queen describe the setting for competitive advantages in dynamic markets. They relate to competitive dynamics and the Game Theory which are focusing on the action-reaction relationship of firms. Game theory is studying the actions, reactions, and outcomes between opponents, assuming all the players are perfectly rational, clear-thinking, and potentially deceitful. (Grimm et al., 2006). Chen & Miller (2012) described Game Theory as a tool to model the relationship among competitive interaction and the consequences they result in. It can be argued to be a theory of preventing the opponent's strategy by acting first with limited information (Grimm et al., 2006). Its origins lie in the 1949 nuclear arms race between the United States and the Soviet Union. The accumulation of nuclear weapons raised a worry of the planet being destroyed if there ever was a need to use the weapons. The Prisoner's Dilemma was introduced by William Poundstone: there is no room for two nuclear powers, so a preventive war was created. World order should be established through nuclear blackmail or even by a surprise attack to prevent the Soviet Union from expanding their nuclear forces. Neither want to be attacked first and if either side would decide to attack the other, there would be minimal retaliation because of the damage done. (Grimm et al., 2006). Porter had a different example of the Prisoner's Dilemma model. His example was a situation in which there are two prisoners in a jail cell. They both get a chance of squealing on each other or to decide not to squeal. If they both keep quiet, both get freedom. If both squeal, both get hanged. If one of them squeals but the other one does not, the prisoner who squealed will get a bounty. (Porter, 2004). Brandenburger and Nalebuff (1996) add that Game Theory is a systematic approach where strategists can see a broader picture of the competitive landscape. It can suggest options that would have otherwise been neglected.

Weigelt and MacMillan (1988) reflected on previous studies that regarded Game Theory. They argued that traditionally, especially in the 1950s, the Game Theory was often regarded as a theory of undelivered promises where the theory was not able to meet all the presumptions of what the authors had for it. The authors also stated that previously the focus on Game Theory studies were often limited to one branch. However, since the theory has advanced, Weigelt and MacMillan (1988) built a "new" Game Theory around the older model. The background for their model was the situation of incomplete information. The idea of the model was that there is interaction among the players and all of them will have to deal with the limited amount of information that they have. In a business context this means that managers need to acknowledge the fact that there are situations where payoffs are mutually dependent and interactive. In addition, managers need to form beliefs since they do not have all the information. The model therefore will not help managers to avoid all the mistakes or to predict the future. However, the model allows managers to create alternative strategies that makes them and the company more agile. In the end Weigelt and MacMillan (1988) highlighted that in the future the information will be in an important role and that advantages can be gained by moving and reacting quickly.

A business environment example of Game Theory is about two firms competing for the same market. Firm A has heard rumours that firm B is introducing a new technology to the markets that will raise their profits. Firm A might now develop a technology of their own and introduce it before firm B has a chance to introduce theirs. The first to introduce the technology to the markets, wins. If both are introducing the technology at the same time, competition would escalate, hurting both firms. (Grimm et al., 2006).

2.4.2 Utilizing the Competitive Dynamics Perspective in Gaining a Competitive Advantage

While hypercompetition emphasized the environmental context, competitive dynamics research focuses more on complementing the limitations of hypercompetition. The focus of competitive dynamics research therefore is in the firm level analysis (Chen et al., 2010). The focus is on the exchange of competitive moves and how they are connected to the behaviour of companies, how they act, make decisions or be successful in the dynamic environment (Chen et al., 2010). In other words, competitive dynamics research is a study of actions and reactions. But at the same time, it includes the contexts of where those actions and reactions are made and the drivers and consequences of the actions (Chen & Miller, 2012).

Competitive dynamics consists of different components. Smith and his colleagues (2001) created a model of competitive dynamics where the components were divided into Actor (the firm that takes action), Action (the type or magnitude), Reactor (firm that reacts), Response (type or magnitude), Industry Competitive Environment (where actions are performed in a hypercompetitive nature) and The outcomes of competitive interaction (who gains the temporary competitive advantage). Authors have also linked resources into competitive dynamics through the resource-based view theory. Without the needed resources, the actions of companies are limited in range (Ndofor et al., 2011) and in variety (Lamberg et al., 2009; Ndofor et al., 2011). The components listed above are a key part of every competitive dynamics research and the competitive interaction and outcomes are further explained in the following sub-chapter.

As a research, competitive dynamics itself can be divided into several themes. Chen and Miller (2012) made the division into five distinct research themes: competitive interaction, strategic competitive behaviour and repertoire, multimarket and multi-business competition, integrative competitor analysis and competitive perception. Earlier, Ketchen, Snow, & Hoover (2004) created a slightly different division and divided them into six relevant research streams: competitive action and response, first-mover advantage, co-opetition, multipoint competition, strategic groups, and regional clusters. There are similarities between the divisions of different authors, but we will focus especially on the first two themes (competitive interaction, strategic competitive behaviour, and repertoire) divided by Chen and Miller in 2012 and further discuss how these build on our data.

The first research theme in both divisions is competitive interaction (action and response). This research stream was the most common stream in the early days of competitive dynamics research. The focus on the stream is on the moves and countermoves of companies and it seeks to understand how a firm's actions affect their customers but also how rivals may react to them (Ketchen et al., 2004). Smith et. al. (2001) as well as Chen & Miller (2012) describe the formation of competitive dynamics as the actions and reactions that companies are executing. There are different ways of how companies can act or react. For example, it can be through the introduction of a new product or changing the price of a product or service. Chen, Smith, and Grimm (1992) has established that different kinds of actions result in faster or slower responses depending on the characteristics of the action. A competitive response of a firm aims to defend or improve its share or profit position in the industry. As a result, the competitive dynamics research is focusing on how actions affect competitors, how companies can achieve competitive advantage and how it will affect performance. (Chen & Miller, 2012).

Since the focus of this first research stream is on how actions affect competitors, researchers have created different methods to plan competitive actions and to predict a competitive response. As a background, the level of stability in the industry and the industry structure overall can influence how wide consequences the competitive moves can have (Porter, 2004). They are important to understand when planning competitive moves, since both affect the likelihood of competitive warfare. In an industry where there are more competitors, the companies are also more equal power-wise. This is then often resulting in slower industry growth and greater interest in companies pursuing their self-interest. As an overall rule, if the conditions (structure and the stage of stability) favour intense rivalry the riskier all both defensive and offensive moves are. (Porter, 2004).

Porter states that there are few aspects that can also decrease the likeliness of intense rivalry. Firstly, continuity of interaction can build trust among the companies and by that also make them less likely to pursue intense rivalry. He also adds that another thing that can decrease the likeliness of rivalry and increase the stability is the existence of multiple bargaining areas. Porter has an example in which there are two firms competing both in the U.S. and the European markets. Since there are multiple bargaining areas, one firm's gain in the U.S. market might be then responded by another firm's gains in European market. Porter concluded that when companies have multiple bargaining areas, they can "reward" competitors by not attacking them and by that to create a more stable outcome in industry. In addition, joint ventures and cooperation between the companies also increases the stability inside the industry (Porter, 2004). Based on this Porter states that "industry structure sets the basic parameters within competitive moves are made".

After understanding how industry stability and instability can affect the competition, it is also important when creating a strategy that companies should acknowledge the possible retaliation that it can get as a response to its actions (Chen & Miller, 1994, 2012) since as mentioned retaliation can make an action unsuccessful. Based on this Chen and Miller (1994) conclude that it is best for companies to avoid retaliation to succeed. Chen and Miller (2012) also highlight the importance of understanding the rivals' internal behaviour that is going to happen after a competitive move. Porter (2004) stated that to predict how a competitor or competitors are likely to respond or what kind of effect it will have, it is useful to study all existing competitors and potential competitors. This also helps understand the setting surrounding the competition itself. The study of competitors should include analysing competitors' future goals, assumptions, current strategies, and capabilities and then creating a profile of how the competitor(s) is/are likely to respond (Porter, 2004). In addition, before executing competitive moves it is important to pick the best battleground and to gather as much data as possible (Porter, 2004). The data can be used to create a competitor intelligence system for better strategic planning. Chen and Miller (2012) add that there are three aspects that will shape how competitors will act or respond. Based on Chen's model, the first driver is that the competitor will not respond if it is not aware of the action. Secondly, the company will not respond if it does not have a motivation for it and lastly it will not respond if it is not capable of doing so. While retaliation has been heavily focused on planning competitive moves it is in some cases also important to plan how the move will reflect to other involved parties. Rindova et. al. (2010) how their actions can affect their valuation for example in the eyes of investors.

Researchers have also studied the competitive response itself to gain information on which kind of interactions provide the best results. For this purpose they (Chen & Miller, 2012) have conceptualized and measured the key attributes of competitive responses being used: "the likelihood of response, the number and the speed of responses, and the extent to which a response matches the initial action in breadth and severity" (Chen & Miller, 2012). Researchers have been able to demonstrate and test that these attributes of competitive responses were results of three characteristics (Chen & Miller, 2012): attributes of the attack (difficulty, effort, visibility), characteristics of the attacker (degree of organizational commitment to the attack) and characteristics of defender (for example how dependent the defender is of the market) (Chen & Miller, 2012). In addition to the attributes of responses, researchers have studied the link between different kinds of interactions and their consequences to performance (Chen & Miller, 2012). They have found that, for example, competitors are more likely to respond if the attack is targeted on their key market. (Chen & Miller, 2012). Ketchen et. al. (2004) focused more on the interaction between industry leaders and their challengers. Their findings show that leaders are more likely to lose market share when initiating fewer actions, less great actions, or react to actions slower than their challengers. Their findings support the fact that industry leaders should also be aggressive with their actions.

Ketchen et. al. (2004) also included two subsets of action-response behaviour/competitive interaction in the same stream. In the first-mover advantage stream the main idea behind is that one action that can reap benefits for a company is to be the first in the markets whether it relates to a launch of a new product, market entry, or an implementation of a new process (Ketchen et al., 2004). First moves may be risky, however, since costs might be lower when making a move later as the competitors have already experimented with the process and past mistakes can be avoided. Because of imitation and ease of market entry, it can be argued that first-mover advantages, or competitive dynamics overall, are not sustainable. (Ketchen et al., 2004).

Many firms form alliances with their competitors but even after that they continue to compete in many areas. This is considered co-opetition. (Gnyawali & Madhavan, 2001). This is the other subset in Ketchen's stream division. Companies who have a co-opetition relationship seek efficiency in areas that are less visible to customers, such as the recycling of bottles when still competing in selling new bottles. (Ketchen et al., 2004). Gnyawali & Madhavan (2001) studied how co-operative network characteristics influence firm action and response. They found out that if the companies within a network are structurally equal, a focal firm is less likely to attack its co-operative competitor, but if an attack is performed the competitor is also more likely to respond. To conclude, network characteristics can influence the nature of co-opetition among its members. Ketchen et al. (2004) add that it is important for top management teams to understand that cooperation and competition can both exist simultaneously, increasing the performance of both companies. Grimm et. al (2006) highlight that coopetitive actions are designed to limit or reduce rivalry if the firms recognize they both have low levels of profit or are slowly killing each other off.

The second research stream within competitive dynamics divided by Chen & Miller (2012) is the strategic competitive behaviour and repertoire. It is focusing on business or firm level research and seeks to understand strategic behaviour by analysing sets of competitive actions and responses (Chen & Miller, 2012). It analyses e.g. the companies' "propensity to act, responsiveness, execution speed, and action (or response) visibility" (Chen & Miller, 2012). The competitive behaviour of an organization is reflected through the actions and responses they make. To understand competitive behaviour and its relation to performance, researchers have focused on the information processing capacity of the firm, the size of the firm, and the top management team characteristics of the firm. (Chen & Miller, 2012). One of their findings shows that small companies attack more and are more agile to perform competitive moves, but slow and reluctant to respond if attacked by a larger company. Chen et. al. (2010) argued that top management team dynamics shape the actions and responses, and that the more cohesive the team is, the easier it is to launch competitive actions. Ferrier (2001) studied the top management team characteristics and found that the more diverse the team is, the more aware they are of their competitive environment and will more likely implement complex and unpredictable actions. Hambrick et al. (1996) found that the heterogeneity in top management teams affected competitive performance by for example increasing the likeliness to respond and the likeliness for bolder responses. However, at the same time heterogeneity in TMT made the response time slower. Therefore, top management team heterogeneity can be beneficial but also have negative effects on the performance. Competitive repertoire on the other hand in a simple way is the range of competitive moves that a company has (Chen & Miller, 2012). Thus, the broader the repertoire is the more moves there are to choose from (Hambrick et al., 1996).

2.4.3 Competitive Interaction and Outcomes from an Action- and Business-level Perspective

We have discussed the different models of achieving a competitive advantage as well as the different themes of competitive dynamics. Based on the division of competitive dynamics research by Chen and Miller (2012), to support our data in the best possible way we chose to focus primarily on the first research stream of competitive interaction. We will also discuss the second research stream (strategic competitive behaviour and repertoire) focusing on the variety of competitive attacks but not so much on the behavioural aspects behind the actions and responses.

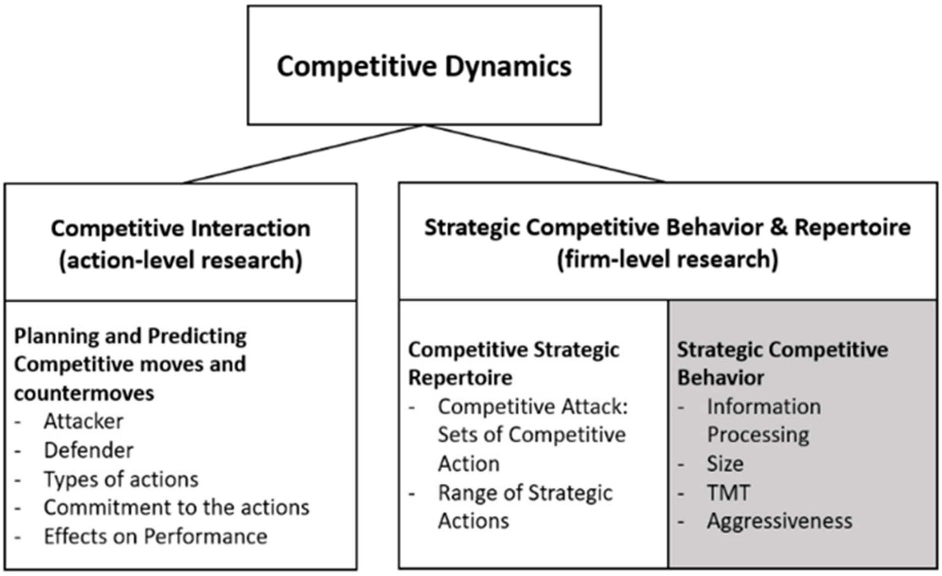

Figure 5. The Chosen Themes of Competitive Dynamics for our Research.

The fast-paced markets of today require an action-based dynamic model of competitive advantage: how companies can develop, improve, and defend their position. Actions such as product introduction, marketing moves, price cuts or alliances are used to achieve a temporary competitive advantage which is then usually followed by the reaction of rivals. (Grimm et al., 2006). Organizations are capable of learning and adjusting. By acting, they learn how well the competitive moves work, how rivals react to them, and based on that information, adjust the actions to work even better. Learning occurs, when actions and responses meet, forming a competitive event. This could be, for example, that a company cuts the price of its product or launches a new product and a rival responds by matching the price reduction or by developing an imitating product. If no actions are taken within an industry, a company cannot learn how to create or exploit an advantage. (Grimm et al., 2006). It can be argued that companies are executing strategic actions often out of necessity – to adapt, to learn, and to gain a competitive advantage.

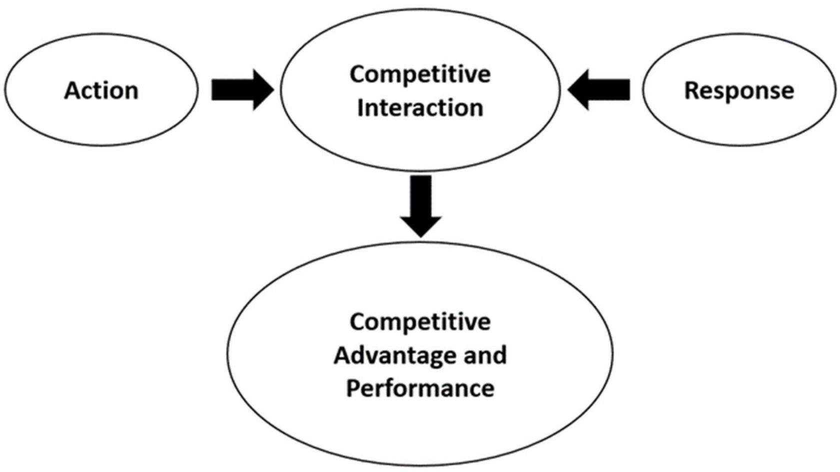

Figure 6. Competitive Advantage Through Competitive Interaction. (Grimm et. al., 2006).

Companies are constantly aiming to gain a competitive advantage by performing offensive and defensive actions (Chen et al., 1992; Chen & Macmillan, 1992; Ferrier, 2001; Porter, 2004). Both offensive and defensive actions can also be used as a signalling action to communicate a message to the industry or directly to a competitor.

Rivalry forms when competitive actions are exchanged between firms. However, it is important to note that not all actions provoke a reaction from the competitors. (Chen et al., 1992). Ferrier (2001) defines strategy as a sequence of competitive actions carried out over time by companies.

Action can be defined as a specific and detectable, externally directed move such as an introduction of a new product that is executed with the aim to improve or defend the competitive position of the firm. (Chen et al., 1992; Ferrier, 2001; Ferrier et al., 1999; Smith et al., 2001). Nokelainen (2008) combined definitions from previous competitive dynamics literature and defined competitive action as " an intentional action which is performed by a company, because it desires to achieve or maintain competitive advantage and believes that the action will contribute to the fulfilment of this desire".

As stated earlier, since companies are often mutually dependent, it is logical that the aim of competitive interaction is to avoid destabilizing and costly warfare since it can result in an unbeneficial result for the industry and all companies in it. Because of this, cooperative, non-threatening or signalling actions are preferred. At the same time, the aim of competitive actions should be to outperform others. (Porter, 2004). Some companies use competitive moves as brute force to shape the desired outcome, meaning that they will rely on their superior resources and capabilities to attack a rival. However, superior resources are not available to all and even those who have it do not always end up with the best results. (Porter, 2004). Competitive actions can also enable companies to "shape the industry, signal their dominance, and enhance legitimacy." (Gnyawali et al., 2010).

Porter (2004) states three example situations of cooperative or non-threatening action that result in increased profits for the initiator but do not reduce the performance of competitors or affect their goals. These situations are: "moves that improve the firm's position and improve competitor's position even if they do not match them, moves that improve the firm's position and improve competitors position if a significant number match them, and moves that improve the firm's position because competitors will not match them." Porter (2004) also goes more into detail and defines situations when the moves will be perceived as non-threatening. The first is a situation in which the moves are heavily internal and therefore the competitor might not even notice them. The second is a situation in which the competitor is not concerned about the moves of its rivals because they believe there are more relevant moves to compete within the industry. The last situation described by Porter is in which the moves do not affect the competitor's performance at all (or affects very little).

Offensive Moves to Improve Market Position and Defensive Moves to Deter Competitors From Acting

The first step of planning an offensive move is to predict the strategic changes the competitor may respond with (Porter, 2004). This can be done by analysing competitors' satisfaction with their current position, the probable moves competitors might execute and the strength and seriousness of their possible moves (Porter, 2004). The fear of retaliation makes the situation riskier and there are few important questions that need to be answered when planning the moves. Porter (2004) states that the key questions are:

1. "How likely is retaliation?"
2. "How soon will retaliation come?"
3. "How effective will retaliation potentially be?"
4. "How tough will retaliation be, where toughness refers to the willingness of the competitors to retaliate strongly even at its own expense?"
5. "Can retaliation be influenced?"

When the offensive moves have been analysed, the next step is to think about the defensive capabilities that competitors have (Porter, 2004). This includes analysing the state of vulnerability, the level of provocation the move might have and how effective the possible retaliation might be. Porter (2004) states that an ideal situation would be that a company planning an offensive move would back off after realizing that the move would be unsuccessful. Therefore, the most effective defensive move would be to prevent the battle in the first place. Porter states that there are a few ways of defending against an offensive move if preventing the move is not possible. (Porter, 2004).

Firstly, discipline can be used as a form of defence. The idea is that if a company makes a move that is instantly retaliated by a competitor, the company will learn that retaliation always occurs after an action. The more targeted and consistent the defensive move (retaliation) is, the more the initiator of the first move will understand that its moves are being reacted to. This will lessen the likeness of making an initial move. Also, the more targeted the defensive move is, the less likely it is to cause an industry wide chain reaction.

Denying a base is a second method of a defensive move described by Porter (2004). The goal is to, for example, block a new entrant from reaching their goals. If the defensive move is successful and the entrant is not able to reach the goals it can lead to the fact that they feel that the goals are not possible to reach. If the company feels that the goals are not reachable even in the long run it can cause them to back off.

Action and Response Types

Competitive actions can be traditionally categorized into several categories: new products, pricing, marketing, capacity, service, signalling actions (Ferrier, 2001), market entry, relocation or redesign of facilities (Chen & Miller, 2012), acquisition, divestiture, alliances and joint ventures, and managerial change (Schimmer, 2012). Recently, the increase in competitive speed and response have resulted in actions relating pricing and initiated price wars in many industries. (Grimm et al., 2006). Nokelainen (2008) analysed previous studies in the Competitive dynamics field of research and how they had created their action categorizations. Based on his findings there were 64 different action types in total including the U.S. airline industry and in other industries. Some authors such as Ferrier as mentioned before had used 6 general categories that are usable in multiple different industries. However, in quite many cases authors were not linking and justifying their categorization in previous literature or another theoretical framework (Nokelainen, 2008).

A response happens when a competitive action is observed by a rival and countered by an offensive or defensive action of their own. An action that results in high returns for a company is more likely to receive responses from challengers. (Chen et al., 1992). To gain a competitive advantage, actions are initiated in hopes of minimizing the number of competitive responses and to delay the response time (Chen et al., 1992). Since it has been proven that minimizing competitive responses can make actions more successful and result in more benefits, researchers have also focused on how a company can end up in a situation where competitors are not responding to their actions at all. In this case Chen and MacMillan (1992) found that the more dependent the defender (responder) is on the market, the more likely it is to respond and to also match the initial action. In addition, if the offensive action is heavily irreversible and shows the attackers' commitment, the defenders are less likely to respond (Chen & Macmillan, 1992).

Lamberg (2009) proposed that there is a need for a certain level of strategic consistency among the competitive actions for companies to survive. Responses are launched to counter these possible competitive advantages of competitors. Responses can also come from several different competitors and the amount of responses affect decreasingly on the competitive advantages of the action initiating firm. If the amount of responses remains small, the initiating firm reaps greater profits and may enjoy its competitive advantage. (Chen et al., 1992). The response time, also called "response lag", is the amount of time in between the initiated action and response. The longer the response time is, the more beneficial the initiating action is for the initiating firm. (Chen et al., 1992; Porter, 2004). To conclude, actions should be aimed to maximize the response lag. (Chen et al., 1992).

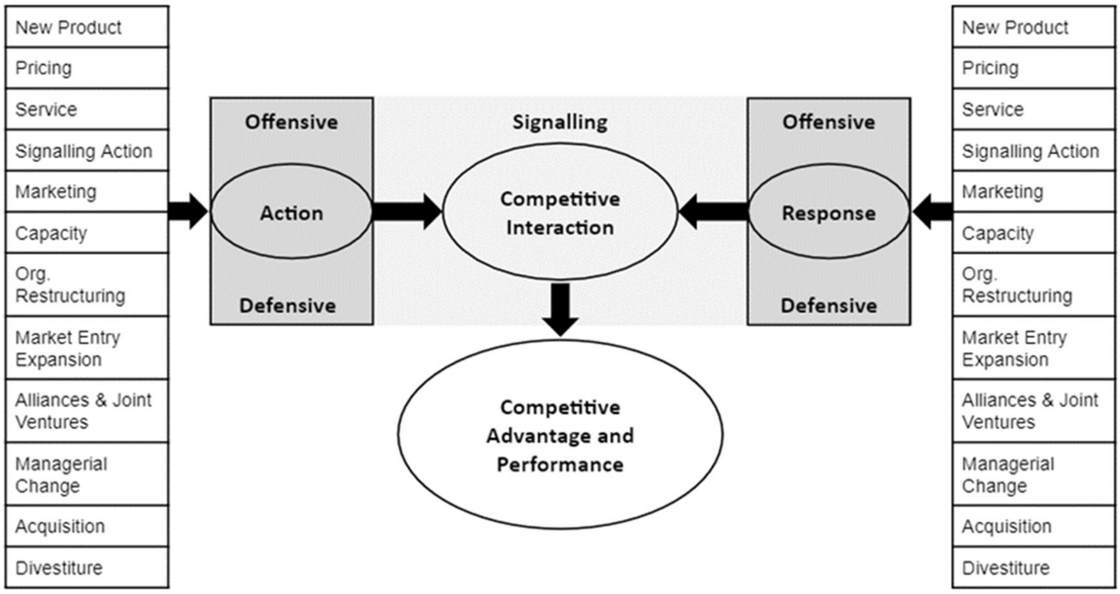

Figure 7. Detailed Competitive Interaction. (Chen et al., 1992; Chen & Miller, 2012; Ferrier, 2001; Grimm et al., 2006; Nokelainen, 2008; Porter, 2004; Schimmer, 2012; Shapiro, 1989).

Actions are the initiation of a strategic competitive attack. Ferrier (2001) describes a competitive attack as a set of competitive actions that can be divided into four dimensions: attack volume (the amount of actions per attack), attack duration (time elapsed from the beginning to the end of a sequence of actions), attack complexity (the variety of types of actions), and attack unpredictability (dissimilarities between attack periods). He continues that these four dimensions are influenced by internal forces of a firm such as top management team heterogeneity, past performance of the firm and organizational slack. They are also influenced by external forces of the industry such as intensity of competition in the industry, high levels of industry growth, high levels of barriers to entry, and industry concentration. (Ferrier, 2001). Similarly, Chen et. al. (1992) divided competitive attacks into several characteristics: competitive impact (the extent of the action's effect on competitors), attack intensity (the scale of the action), implementation requirements (resources needed for the actions), and type of action (strategic vs. tactical). They continue, that the greater the competitive impact and attack intensity are, the bigger their effects are to the potential profits of competitors. Implementation requirements and the type of action serve as indicators of commitment to the strategic actions. (Chen et al., 1992).

These different dimensions have found to have different impacts. Ferrier and his colleagues studied how firms aim to gain a bigger market share or improve their performance and found that by aggressively challenging their competitors through initiating more actions (volume), having quicker responses (response time), as well as complex and differentiated action repertoires they are able to do so. (Ferrier, 2001; Ferrier et al., 1999). Gnyawali (2010) found support for Ferrier's findings by confirming that a complex repertoire of actions improves firm performance also in the digital context. Instead of this dyads level of action-reaction analysis, Ferrier, and Lee (2002) have also deepened the research by studying a set of actions over a certain period and how they affect firm performance. Ferrier and Lee (2002) found that in dependent competitive environments firms that can keep their competitors on their toes by creating sequences of competitive actions that are aggressive, complex, and unpredictable.

Regarding the complexity and repertoire, researchers have also found that in some cases companies will perform better if they stick to their core interests and have a narrow set of action types (Chen & Miller, 2012). However, at some point having a too narrow repertoire will affect negatively on the company's performance (Chen & Miller, 2012).

As mentioned Gnyawali (2010) found that complex repertoire enhances companies' performance but in addition relating to action type he found that firms who emphasize co-development and collaboration (in digital context) also improves firms' performance. However, Gnyawali did not find support for action volume affecting companies' performance positively but he explained that by referring to older studies that stated that action volume becomes only more important when the industry has passed the nascent phase and became more mature.

Porter (2004) as well as Shapiro (1989) highlight the importance of commitment in the dynamics of strategic actions. Porter (2004) argues that it is the most important concept when planning competitive actions. Commitment is seen as indirect communication, information transmission and reception, to the competitors about the company's resources and intentions (Porter, 2004; Shapiro, 1989). Ghemawat (1991) defined commitment as the "tendency of strategies to persist over time". Communication of commitment can be done either to pursue an offensive move even more or to retaliate with a defensive move (Porter, 2004). The original idea of competition is that companies are making their competitive moves under uncertainty. However, commitment decreases the uncertainty and therefore can "guarantee the likelihood, speed, and vigour of retaliation to offensive moves and can be the cornerstone of the defensive strategy" (Porter, 2004). In addition, commitment affects the way competitors see the positions of firms and on the other hand how they see the competition. Porter describes three types of commitment: commitment of sticking with a move, commitment to retaliate if a competitor makes a certain move, and commitment to not act or withdraw an action.

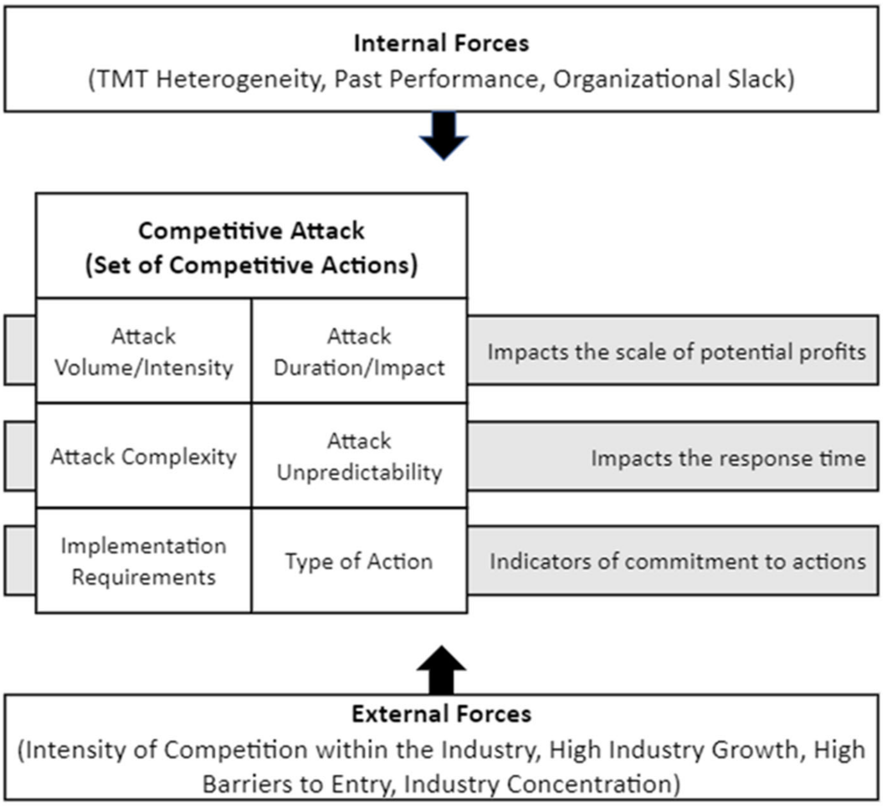

Figure 8. Competitive Attack and Influencing Forces. (Chen et al., 1992; Chen & Miller, 2012; Ferrier, 2001; Porter, 2004; Schimmer, 2012; Shapiro, 1989).

Influencing Market Communication Through Signalling Actions

Before executing any competitive moves, a useful tactic to plan a competitive strategy is to identify market signals. By Porter's (2004) definition, a market signal is "any action by a competitor that provides a direct or indirect indication of its intentions, motives, goals, or internal situation." They are designed to influence the behaviour of competitors through communication (Teece et al., 1997). Smith et. al (2001) defined signalling actions as "non-behavioural actions defined as publicly made announcements, threats, bluffs, etc.". Porter (2004) specifies that signals can have different functions: bluffing signals to misdirect the competitors into taking or not taking an action, warning signals to display dominance, and signals that show commitment to a certain course of action. (Porter, 2004). Overall, Porter defines market signals to be an indirect means of communicating in the marketplace with the competitors. The goal for companies is to read the signals to their best ability and to create a strategy based on the information those signals give. (Porter, 2004).

We argue that any type of action described earlier (new product, pricing, service, etc.) can be a signalling action if it is publicly communicated. A market signal can be either offensive or defensive. However, as Porter described, a signalling action can also be a bluff, a threat or a sign of commitment that may or may not lead into an actual type of action. Smith et. al. (2001) highlighted that in more recent studies, signalling actions have emphasized the role of commitment and reputation, as well as the benefits of coopetitive actions (pursuing both competition and cooperation). Gnyawali (2010) stated that there are three mechanisms that companies use to claim the market when the industry is in the nascent phase (early phase before growing phase): "adoption of templates from other domains; signalling leadership to convey superior expertise and power; and disseminating stories by spreading symbolic narratives about the company". This claiming the market is heavily related to signalling actions and competitive dynamics. As an example, Gnyawali (2010) described how Facebook used signalling actions emphasizing their dominant position and leadership in the industry to increase the benefits of network effects (by creating the biggest social media platform).

3 DATA AND RESEARCH METHOD

3.1 Data

We are analysing how companies in the SVoD industry are aiming to gain competitive advantages and how their actions reflect on the other companies within the same industry. The data is collected from press releases of the chosen companies because of their public availability as well as their informative and chronological nature. The press releases are gathered from a five-year period of analysis from the years 2015 to 2019. The chronological order of press releases and the action types formed from them help us understand how companies compete within the industry and how the competitive dynamics affect it.

Chosen Companies for Data Analysis

From the many companies in the world operating in the Subscription Video-on-Demand industry, we constructed a framework through which we chose the companies that will be analysed in this research. The framework consists of requirements that the companies must have fulfilled to be included in our research. The following requirements must be met:

1. has an over-the-top (OTT) media service delivering film and TV content via the Internet without the need to subscribe to a traditional cable or satellite pay TV service,
2. has a Subscription Video-On-Demand (SVoD) service that grants access to content with no limits through a monthly subscription plan,
3. has original content that is exclusive to their own platform,
4. has operated at least during the years 2015 to 2019 and has publicly available press releases from each year,
5. operates at least in the North American markets.

Through examination and elimination of different video streaming services detailed in the table below, the following companies and their services were chosen for analysing Netflix, Home Box Office (HBO Now), Amazon (Prime Video), Hulu and YouTube (Premium).

	OTT	SVoD	Original Content	Has operated during the years 2015-2019	Operates at least in the North American markets
Netflix	✓	✓	✓	✓	✓
HBO (Now)	✓	✓	✓	✓	✓
Amazon (Prime Video)	✓	✓	✓	✓	✓
Hulu	✓	✓	✓	✓	✓
YouTube (Premium)	✓	✓	✓	✓	✓
Crunchyroll	✓	✓		✓	✓
Sling TV	✓	✓		✓	✓
PlayStation VUE	✓	✓		✓	✓
Apple TV+	✓	✓	✓		✓
Disney+	✓	✓	✓		✓
DC Universe	✓	✓	✓		✓
Google Play Movies & TV	✓			✓	✓
Peacock	✓	✓	✓		✓
Hotstar	✓			✓	
Sony Liv	✓			✓	
Starz On Demand		✓	✓		✓
Philo		✓			✓

Table 1. Subscription Video-on-Demand industry framework.

Gathering and Coding the Data

We proceeded by gathering all the available press releases from the chosen five companies' websites from the year 2015 to the end of 2019. Altogether, we gathered 1837 press releases and constructed a chronological Excel-file of them. We coded each press release with keywords of competitive actions that reflect the data and the SVoD industry. In our case the starting point was to use the typical general categorization by several authors (Chen & Miller, 2012; Ferrier, 2001; Schimmer, 2012) as a base that includes actions such as pricing, new products, services, and other actions. As Nokelainen (2008) found, some authors have used previous research and literature as a basis for the categorization and some have created their own categories. Own categories are made because the traditional action types and categorizations might not fit into every industry. For that reason, we adjusted the traditional categories and added more categories to fit our data and the nature of the SVoD industry more precisely.

Since the SVoD industry is quite different and modern in comparison to more traditional industries, the action categories also differ from the traditional views. While gathering the data, we found that most press releases were focusing on the content that their platform offers. For this reason, we used several content related action categories such as content acquisitions, new content production and signalling about the casting of the content. Some of the traditional action categories were also found, such as managerial changes or market expansions.

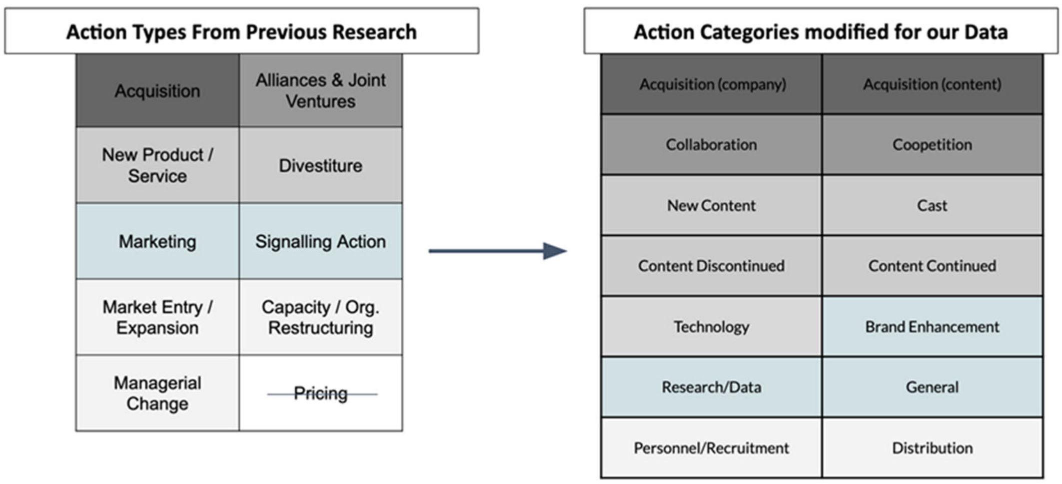

Figure 9. Traditional Action Types Adjusted to the Data of our Thesis.

The following keywords of action types were chosen for coding: Acquisition (company), Acquisition (content), Collaboration, Coopetition, Brand Enhancement, Technology, Research/Data, Distribution, General, New Content, Content Continued, Cast, Content Discontinued, Personnel/Recruitment. Since some releases contained information about multiple action types, each press release was coded with 1-3 action types regarding what type of action(s) the press releases communicated to their competition and public. The following table describes the different keywords and examples of their uses.

Keyword	Description	Example
Acquisition (company)	The company acquired a new business.	"Netflix Acquires Millarworld"
Acquisition (content)	The company acquired content or rights to content produced by others.	"Netflix Acquiring Legendary Filmmaker Orson Welles Last Film the Other Side of The Wind"
Partnership / Collaboration	Collaboration with another company or party outside the SVoD industry.	"Netflix Commissions Giri/Haji with BBC One"
Coopetition	Collaboration with a competitor in the SVoD industry.	"HBO® and Cinemax Coming Soon to PlayStation™Vue; HBO NOW to Launch on Playstation®4 and Playstation®3 Systems"
Brand Enhancement	Market signals of Accomplishments, Charity, or other brand enhancing actions.	"HBO Receives 108 Primetime Emmy® Nominations"
Technology	Platforms, Applications, Updates, or anything relating to Technological improvement.	"HBO to Launch Standalone Premium Streaming Service in April"
Research / Data	Market signals of consumer data, research, or other key metrics.	"Do You Know When You Were Hooked? Netflix Does"
Distribution	Expanding the market reach or entering new markets.	"Salut, Netflix is now truly Romanian!"
General	General Market Signalling/Communicating/Advertising (releases that do not match other signalling categories).	"Netflix's epic new series the Witcher debuts teaser art and first look photos"

New Content	Information about new content/a debut or plans for new content that has not yet been released.	"Netflix confirms new original series based on current Brazilian corruption investigation"
Cast	Releases focusing only on introducing new actors/directors/producers (but not recruiting them on an exclusive deal).	"Mary J. Blige Joins Netflix's The Umbrella Academy. Nine-time Grammy winner and two-time Academy Award nominee Mary J. Blige (Mudbound) is set to join the cast of the Netflix original series The Umbrella Academy."
Content Continued	Information regarding the extension/addition/follow-up to previous content.	"Crashing and High Maintenance Return for Third Seasons Sunday"
Content Discontinued	The production of content has been cancelled or discontinued.	"Sense8 Will Not Return for Another Season"
Personnel / Recruitment	Hiring of a company manager or an exclusive deal with an actor, a director, or a producer.	"Scott Stuber Joins Netflix in Expanded Role to Lead Growing Original Film Initiative" "Jenji Kohan Inks Multiyear Deal with Netflix"

Table 2. Action types in the SVoD Industry.

Because most of the press releases of the chosen companies mostly address the content of their platform, we decided to code the data further by adding the information on what content is discussed in the press release (title), what category does the content belong to (Action, Adventure, Animation, Biography, Comedy, Crime, Documentary, Drama, Family, Fantasy, Game-Show, History, Horror, Music, Mystery, Reality-TV, Romance, Sci-Fi, Sport, Talk-Show, Thriller, Western, News), how the content has been ranked in the Internet Movie Database (IMDb rankings on a 0/10 scale) as well as distinguishing if the content is a film, a series, an original film or an original series. These are done to find out what content is most signalled to each company, what categories are each company investing in, are the companies investing in original content or not, as well as how well the content performs in the IMDb. IMDb is used as the basis for examining ratings because it consists of ratings that are mostly submitted by viewers. The data of IMDb goes through consistency checks to ensure that the ratings are as accurate and reliable as possible. (IMDb | Help, n.d.).

After understanding how competition in the SVoD industry revolves around content and how each of the chosen companies build their content during the research period, we were then able to form an opinion about the most significant competitive actions during the research period. Through qualitative content analysis we prepared the data for the Ethno event structure analysis program to see the competitive dynamics between the companies. To create a general view about the competitive dynamics and factual connections of the events we needed to filter most of the press releases out of our data. During the first round of filtering we were able to identify 165 press releases out of the total 1837 that we found important. We went through the 165 press releases again and highlighted 52 key press releases that we argue to be the most impactful in terms of competition or in other words, key actions of the industry. These are, for example, a major deal with a large company regarding content licensing or production, a new platform release or an acquisition of a manager. We focused on how these key actions are connected to each other and how the competitive dynamics in the industry are formed. We developed four competitive themes around these key actions and decided to code each of them into one or two of the competitive themes since a key action can be for example both resource building and a content trend. Majority of the actions were coded into two competitive themes. The primary theme was either resource building or co-creation and the second theme was content trends or market expansion. If the press release was directly related to content, content trends was added as a second theme and if it was related to market expansion, that was added as a second theme. After the competitive themes were coded, each of the key action press releases were given a short name to be utilized in the Event Structure Analysis. The competitive themes are Resource Building, Co-creation, Content Trends, and Market Expansion. The following table describes what each theme involves in more detail.

Resource building - Technology (platform, video quality, technological features). - Managerial Changes. - Physical additions (business acquisitions, physical investments).	**Co-creation** - Creating new value through collaboration with other businesses. - Creating new value through coopetition with rivals.
Content trends - Significant content additions (kids, documentary, animation, drama, etc.). - Live TV & Live Streaming.	**Market Expansion** - Entering new markets by creating new production hubs. - Entering new markets with a new application.

- Technology and recruitments regarding content (e.g. application for kids, acquisition of a manager of kids' content).	

Table 3. Competitive themes in the SVoD industry.

Resource Building as a theme was chosen because many of the key events focus on adding key resources such as technology or experienced managers to form a competitive advantage against their rivals. Co-creating was chosen since the companies are mostly creating content for their platform libraries in collaboration with other production companies, want to promote the SVoD industry through collaboration with companies from other industries or even create new value through collaboration with their rivals. We also found some content trends that seemed to evoke responses from competitors, such as content for kids and Live TV. Live TV in this context means that in addition to their on-demand content streaming, companies such as Hulu, Amazon and YouTube are adding certain network channels on their platforms for an extra monthly fee. This is in many ways like old cable subscriptions but the platform for broadcasting is an application. The reasoning for this is that companies want to provide customers an experience where they do not need to leave the app. Network channels are still popular in the U.S. and therefore many companies are adapting some of them under their platform. The companies are also adding traditional television channels into their platform as add-ons. The difference between Live TV and add-ons is that add-on is an additional on demand content library that is accessible with a monthly cost, but it is not a channel, while live TV (network) channels are streamed live the same way they are broadcasted in traditional television. Although we are focusing on the North American markets, Market Expansion was chosen as the fourth theme since the industry is still growing and the companies show signs of entering new markets to acquire a bigger worldwide market share.

3.2 Method

The method of our research is qualitative and discursive. It consists of two parts: Qualitative Content Analysis of press release documents as well as Event Structure Analysis (ESA), utilizing a theoretically guided application to find connections between the press release communications.

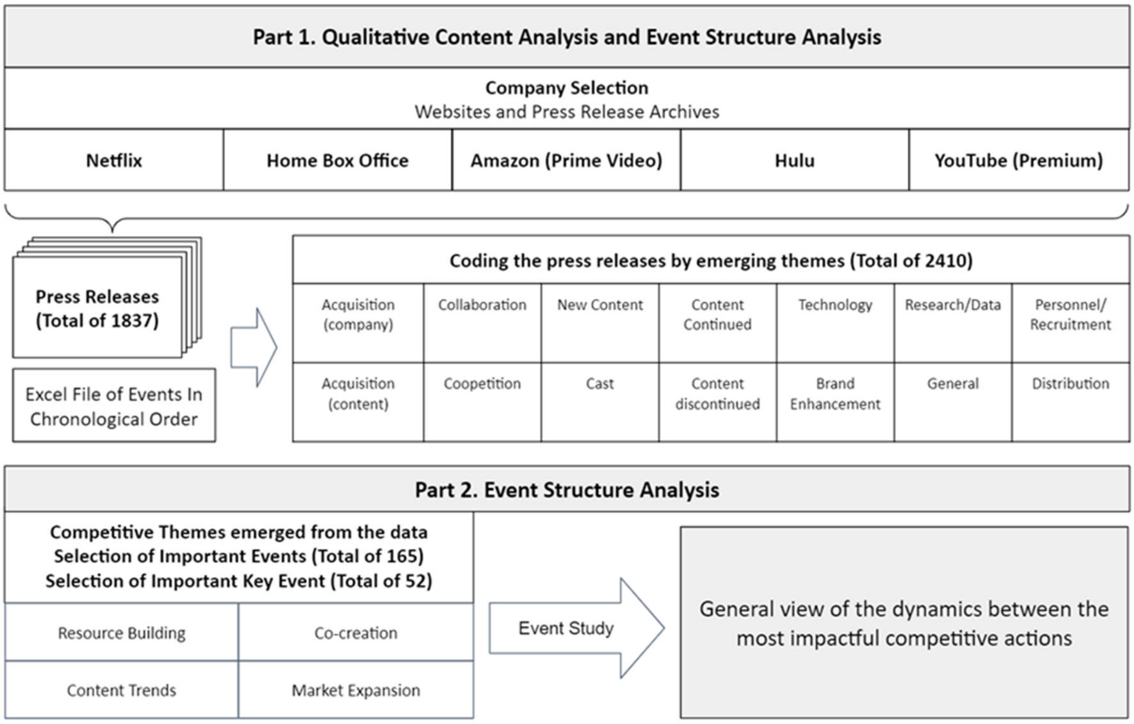

Figure 10. The Process for Data Gathering and Research Methodology.

Qualitative Data Analysis is used to make sense of the collected data. It involves sorting and categorizing data in a systematic way with the goal of transforming raw data into findings and results. (Williamson & Johanson, 2017). For Qualitative Data Analysis, the research usually starts from gathering the data and finding patterns and research themes as they emerge from the data to support it. (Williamson & Johanson, 2017). Qualitative Content Analysis is a method of Data Analysis, focusing on the meaning of communications, mostly written but also verbal and visual (Elo & Kyngäs, 2008; Hsieh & Shannon, 2005; Williamson & Johanson, 2017). The content is systematically organized into categories such as the theme and context of the communication that are apparent for the research objective. (Williamson & Johanson, 2017). The categorization through content analysis allows the researcher to filter large amounts of data into fewer content-related categories and organize content to them that share the same meaning (Elo & Kyngäs, 2008).

The aim of Content Analysis is to provide knowledge, new insights, and a wide understanding of a phenomenon through the content categories (Elo & Kyngäs, 2008; Hsieh & Shannon, 2005; Williamson & Johanson, 2017). Content Analysis can be used with either qualitative or quantitative data and in an inductive or deductive way. When there is little former knowledge about the study objective, the inductive approach is recommended, meaning that the categories are derived from the data (Elo & Kyngäs, 2008). Hsieh & Shannon (2005) describe this inductive approach as conventional content analysis, where researchers avoid using preconceived categories. A deductive approach on the other hand utilizes the basis of former knowledge and is used to re-test it. (Elo & Kyngäs, 2008). Hsieh & Shannon (2005) use the term directed content analysis for the deductive approach. Qualitative Content Analysis differs from Quantitative by emphasizing the role of the researcher in the process. The Qualitative approach is more inductive and interpretative as the goal is to both understand what the content represents but also what are the intentions behind the content (Williamson & Johanson, 2017). Thus, our research uses the Qualitative and inductive approach of Content Analysis.

Although there are no systematic rules for analysing data (Elo & Kyngäs, 2008; Williamson & Johanson, 2017), some steps can be identified for Qualitative Content Analysis. Elo & Kyngäs (2008) describes the process of all content analysis through preparation, organizing, and reporting of the data. Williamson & Johanson (2017) lists the following six steps for Qualitative Content Analysis:

1. Focusing research objectives on communications - The research objective should be something that can be answered through the contents of communications. When the research question is defined clearly, the researcher can find suitable sources of communication to answer it. (Williamson & Johanson, 2017).
2. Establishing the frame for the research - The research frame consists of themes that are used to view the data in a certain way. For example, several themes can be chosen to build a unique view to analyse data that has been analysed through a different set of themes by previous researchers. (Williamson & Johanson, 2017).
3. Selecting the unit of analysis, sampling, and coding - The chosen level of communication such as individual documents picked from a large amount of data or a collection of documents chosen by for example keywords or a specified time span. (Williamson & Johanson, 2017). Hsieh & Shannon (2005) define that the unit of analysis can be for example a word or a theme but should be large enough as an individual context and at the same time small enough to not lose focus from the research.
4. Developing content categories - Through the collection of data, the researcher should identify and document key concepts and keywords that the content consists of. By documenting these as they emerge from the data, the researcher develops their own set of categories that can grow as the researcher proceeds with the data. (Williamson & Johanson, 2017). Keyword allocation allows to limit the search results to documents that are related to the analysts' interests, which can be done manually or through computation (Hillard et al., 2008). Hsieh & Shannon (2005) add that one challenge of qualitative content analysis is failing to develop the right key categories, leading to not understanding the context of the study.
5. Protocols for analysis - As content can be analysed in multiple ways, reliability should be established through emphasizing the process of category definitions, how they are formed, and how codes are assigned.

(Elo & Kyngäs, 2008; Williamson & Johanson, 2017). Reliability of categorization and coding are fortified if more than one researcher is involved in the process resulting in a mutual agreement of what is used. (Hsieh & Shannon, 2005; Williamson & Johanson, 2017).

6. Performing data analysis and preparing the findings - The method for gathering the data can range from a pen and paper (Williamson & Johanson, 2017) to software that assists or automates the process (Hillard et al., 2008; Williamson & Johanson, 2017). It is important to go through the data multiple times and verify the data simultaneously looking for differences to build the findings. (Williamson & Johanson, 2017). The aim of the data analysis is to immerse in it and learn "what is going on" (Hsieh & Shannon, 2005).

After gathering, coding, and analysing the data through Qualitative Content Analysis, we continue by studying the relationship between the communications of the chosen companies through Event Structure Analysis (ESA). The theoretically guided application of ESA is used to break down a narrative into its actions (Bloom, 2015; Griffin, 1993). Each action and their causal effect are then analysed to answer the question if the subsequent action would have occurred without the preceding action (Bloom, 2015). The ETHNO computer program, associated with ESA, was first developed to study cultural routines and subjective representations of reality, which suits well with developing causal interpretations of historical events (Bloom, 2015; Griffin, 1993).

Through Qualitative Content Analysis, we prepared a chronological series of events and actions of the chosen companies and listed them identically one company at a time. This allowed us to transform the qualitative data (events) collected from the websites of companies (press releases) into a format that can be analysed statistically. This will be used to compare the competitive dynamics between the chosen companies.

After the data is analysed through Qualitative Content Analysis, events that were assumed to be most impactful and significant by us, are entered into ETHNO, where it is reformulated as a series of questions about the causal connections of the actions (Griffin, 1993). The program asks all the required questions such as which prior events are prerequisites for the last event entered, avoiding needless questions in complex systems with multiple events. (Ermakoff, 2015; Griffin, 1993). Causality is not discovered through Ethno, so the analysts need to structure and interpret the events created by the software (Griffin, 1993). The resulting diagram is a representation of the event structure and causal connections by the analysts' interpretation. (Corsaro & Heise, 1990; Ermakoff, 2015; Griffin, 1993).

First, as Corsaro & Heise (1990) describe, the program highlights the key events which have no specified prerequisites. These key events can initiate a series of other events. The program works through the recorded events chronologically and shows which set of events are possible next. They continue that ETHNO presents problems for the researcher and then offers solutions to them through the implementation of the analysts' choices. ETHNO returns to the beginning of the series of events and works through the previous events again, making sure the solutions fit all data before continuing to the next events. (Corsaro & Heise, 1990).

The methods of Qualitative Content Analysis and Event Structure Analysis were chosen because the companies chosen for this research are large international companies and corporations. This obstructs the ease of interviewing key individuals from the companies because of time zone differences and difficulties in finding the right contact details of possible interviewees. Publicly traded companies offer a lot of public information to be analysed through annual reports and press releases. The large quantities of public data available for analysis as well as the causal relationship of their strategic actions justifies the chosen research methods.

4 RESEARCH FINDINGS

4.1 Individual Company Findings

By introducing five of the major companies in the SVoD industry and analysing their activities first individually, we can create a generalized picture of how each of the companies compete and how they develop their strategy in the industry. We focus on the action types coded during the data gathering that each company signals through their press releases and show how the actions differ between the companies.

After the individual findings, we will present the overall findings to see the competitive nature of the SVoD industry by determining which actions are typically used by the companies. The interaction, or the competitive dynamics between the five chosen companies are analysed through the four competitive themes developed by us. We show what key actions by initiating firms have led to competitive responses by rivals and what these responses are.

Netflix

Netflix is the world's leading internet entertainment service providing TV series, documentaries and feature films of multiple genres and languages. Netflix reaches over 190 countries and has over 158 million paid memberships. (SOMETHING PHISHY, n.d.). Netflix launched its service in 2007 as a pioneer in the SVoD industry. The core strategy of Netflix is to grow globally by improving the service experience. This includes a focus on expanding the streaming content to delight new and existing members (content) as well as enhancing their user interface and technology. (Netflix Annual Report 2018, n.d.).

In the rapidly changing market for entertainment video, Netflix competes against other entertainment video providers such as multichannel video programming distributors, internet-based content providers (including subscription, transactional, ad-supported, and piracy-based models), video gaming providers and DVD retailers. More broadly, Netflix competes against any source of entertainment that their members could choose to enjoy in their free time instead of Netflix. There is also competition against entertainment video providers and content producers in obtaining licensed as well as original streaming content. (Netflix Annual Report 2018, n.d.).

Netflix recognizes risks in their business regarding for example customer acquisition and retention, internet piracy, long-term fixed costs of content commitments, refusal of licensing deals with studios or content providers as well as economic, political, and regulatory risks of international operations. Netflix also relies on Amazon Web Services to operate certain aspects of their service. (Netflix Annual Report 2018, n.d.).

Out of the five chosen companies, Netflix had published by far the most press releases during our chosen period of research. From the year 2015 to 2019 Netflix published a total of 1022 press releases. Through the 1022 press releases, 1183 action types were coded. We found that most Netflix's press releases focus on content: new content, the acquisition of content from other studios and producers, announcements about content cast members, as well as the discontinuation of content. Approximately 72,4% of the 1183 action types focused on content with the majority being about new content. As Netflix is the largest press release publisher in the industry, it tells us that the industry overall is heavily affected by content.

Out of the five companies Netflix invests the most in distribution and reaching new markets. Although Netflix is already global and can be reached from over 190 countries, Netflix is improving its services by translating the platform into multiple languages as well as creating new original content in collaboration with local studios and content producers. It seeks to expand its reach by offering local quality content which differentiates them from the competing platforms in markets outside of the U.S. Netflix also invests in services to promote its platform in countries that have slower internet connection. New production hubs and offices are opened all over the world to expand their personnel globally. Since Netflix does not have its own production studio, Netflix relies on partnerships and collaborations with other studios to produce its original content. Netflix also acquires content from other producers, which can be seen from the data as a steadily growing strategy. Acquired content may be acclaimed content from other SVoD providers or an acquisition of an incomplete project from e.g. a film festival. Overall, Netflix has increased its communication heavily in the past few years which could be a sign from the accelerating competition and new players entering the SVoD industry.

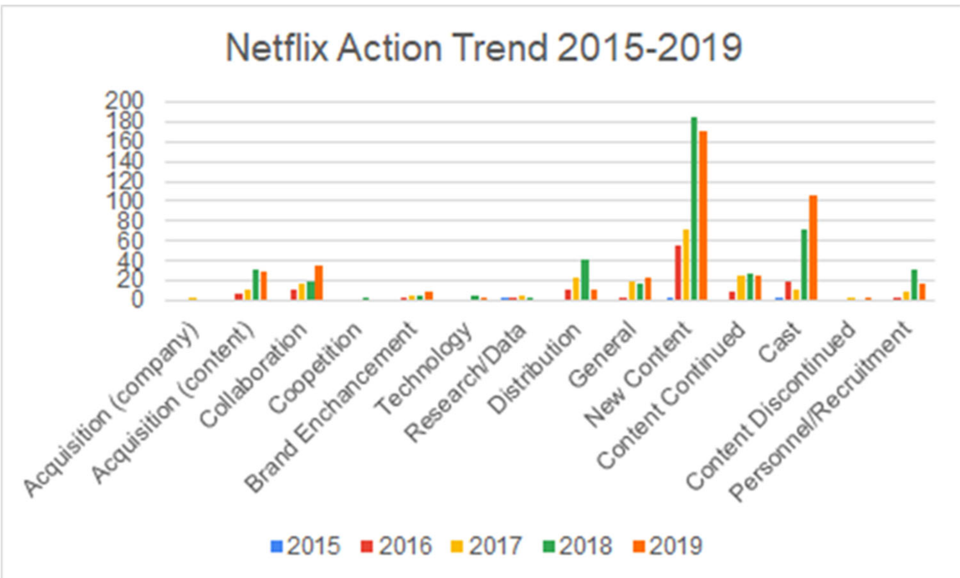

Figure 11. Netflix Action Trend 2015-2019.

Out of the 1022 individual press releases, 877 could be directly linked to movies and series. The trend of our research period shows that Netflix is increasingly investing in original content. 761 press releases focused on Netflix Originals. The strategic focus of content development could also be seen from key recruitments as during the research period Netflix has acquired experienced managers and directors to increase its international reach, communications, content as well as original content. As the competition escalates, the role of original content and IP protection becomes more and more important.

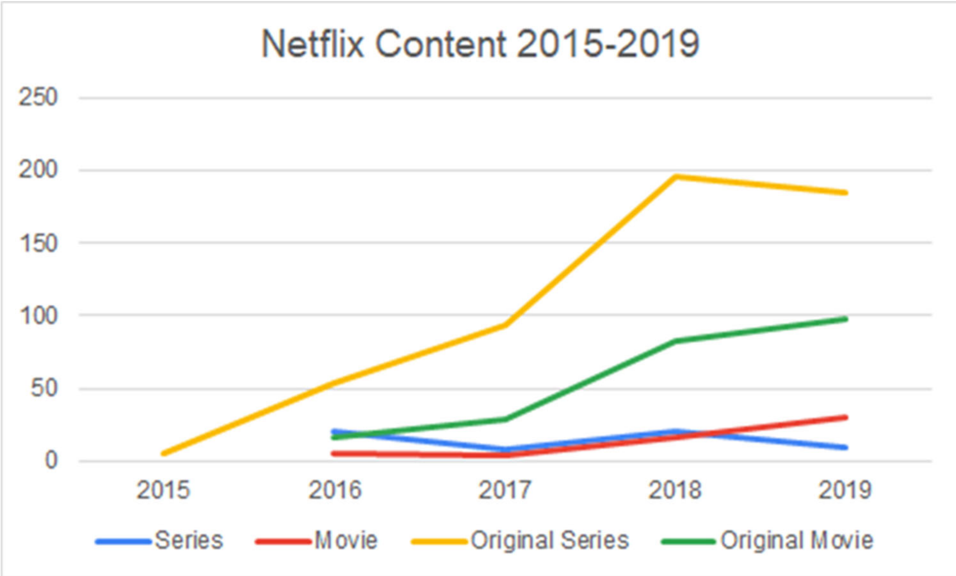

Figure 12. Netflix Content 2015-2019.

Since Netflix sees content as an important competitive advantage in the future, we also studied how the content has been performed according to the viewers. After 2017 the average ratings of original series have dropped below other series average ratings. Original movies and non-original movies are rated similarly to each other. As an important note the amount of original content signalled is far greater than the other content so the average rating for original content is calculated from a larger quantity of content. Taking this into account, the original content signalled by Netflix is performing well in comparison to non-originals.

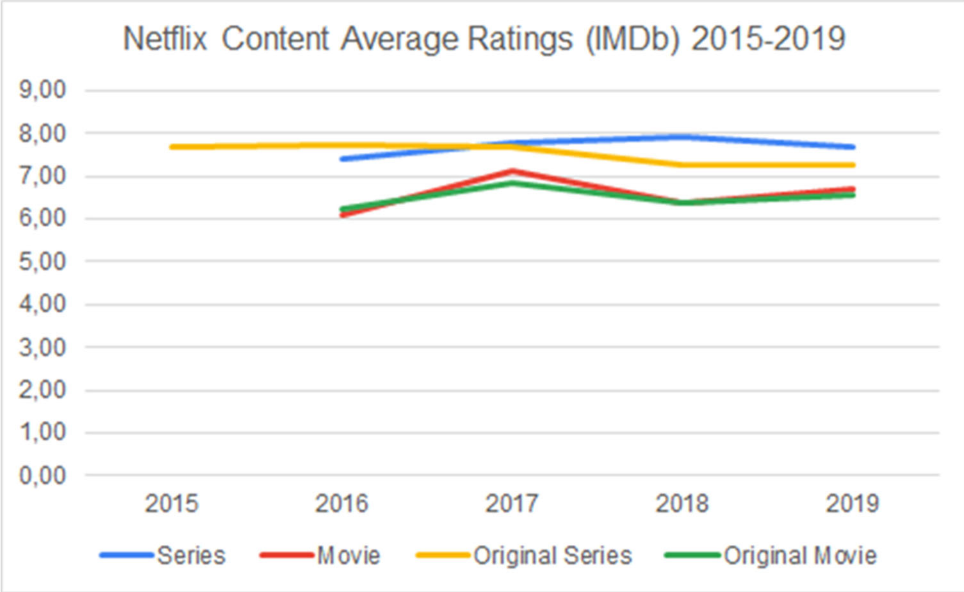

Figure 13. Netflix Content Average Ratings (IMDb) 2015-2019.

In terms of content categorization, we studied what genre is most communicated and if there is an increase or decrease in any content genre. As more press releases are published, there is a dramatic increase in many genres after the year 2017 with the greatest increase seen in drama, comedy, crime, and action. Relating to comedy, the data showed many exclusive stand-up specials being promoted multiple times. After 2018, however, there is a significant decrease in drama and a slight decrease in crime. A low but steady increase can be seen in animation, comedy, horror, romance, sci-fi, and thriller.

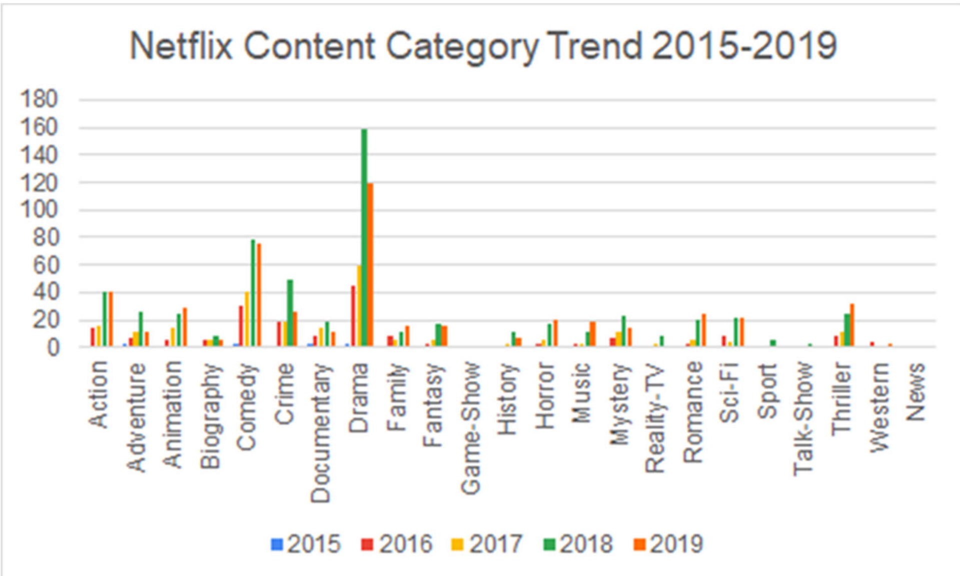

Figure 14. Netflix Content Category Trend 2015-2019.

During the research period, a few series or movies were communicated several times starting from the new content announcement to casting, general signalling, as well as continuation of content. These were Alias Grace (Original Series - Biography, Crime, Drama - rating of 7,8) with six individual press releases discussing the series, and the following other with five press releases: Alexa & Katie (Original Series - Comedy, Drama - rating of 7,3), Anne (Original Series - Drama - rating 8,6), Eurovision (Original Film - Comedy - Unreleased), House of Cards (Original Series - Drama - rating 8,8), High Seas (Original Series - Crime, Drama, Mystery - rating 6,8), and Stranger Things (Original Series - Drama, Fantasy, Horror - rating 8,8). There are mentions of these and other series or movies in other press releases as well, but these press releases are committed to a single series or movie, signalling that these specific series and movies are important investments by Netflix.

Home Box Office

Acquired in 2018 by the leading provider of telecommunications AT&T, Time Warner is a leader in media and entertainment that operates the Turner, Home Box Office (HBO) and Warner Bros. business units. The WarnerMedia segment develops, produces, and distributes feature films, television, gaming, and other content over various physical and digital formats. Home Box Office operates in video entertainment, primarily focusing in the multichannel premium pay television services but also in the SVoD industry with its several over-the-top (OTT) streaming services such as HBO NOW and HBO GO. (AT&T Annual Report 2018, n.d.).

HBO NOW was launched in 2015 by Time Warner to compete in the SVoD industry and targeting cord-cutters. It is a stand-alone premium streaming service available to consumers in the U.S., offering original and other series and films for their subscribers. (Time Warner Annual Report 2015, n.d.)

Home Box Office unit owns and operates leading multichannel premium pay television services, HBO, and Cinemax. In the U.S., HBO and Cinemax offer live and on demand services for their approximately 50 million subscribers, including HBO NOW. Internationally in over 70 countries, HBO had approximately 90 million premium pay, basic tier television service and OTT service subscribers in 2018. HBO also licenses its original programming to television networks and OTT services in over 150 countries. (AT&T Annual Report 2018, n.d.).

WarnerMedia and HBO face the increased competition from OTT services and compete with other studios and television production groups as well as independent producers (directors, writers, actors) to produce and sell programming. They also compete with other television networks and premium pay television services. (AT&T Annual Report 2018, n.d.).

As HBO is part of AT&T as well as Warner Media, there were less press releases from HBO available for the years 2015 to 2017 as only 28 press releases were published during the three years. From 2018 afterwards HBO has significantly increased its communicative efforts and published 220 press releases during the last two years of the research period. Overall, HBO released a total of 248 press releases during the research period and 340 action types were recorded.

Like Netflix, HBO mainly communicates about its content as it covers approximately 51,2% of the total press releases. An interesting observation is that HBO focuses on enhancing their brand by releasing multiple press releases discussing their successful content such as Game of Thrones. In fact, Game of Thrones (Original Series - Action, Adventure, Drama - rating 9,3) is the most discussed series of HBO with 8 individual press releases about upcoming seasons, award shows or other general information. As Game of Thrones is one of the most acclaimed series in the world during the writing of this thesis, it is expected from HBO to use the series as a competitive tool in their communications. Following the success of Game of Thrones, another discussed series in HBO's press releases that fits the same genre is a newer original series, His Dark Materials (Original Series - Adventure, Drama, Family - rating 8,0) with 5 individual press releases.

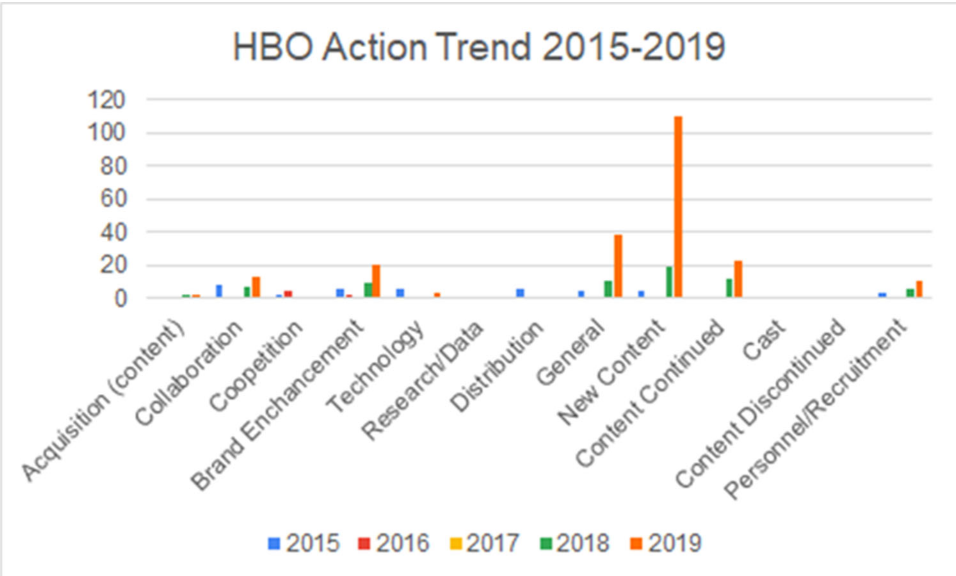

Figure 15. HBO Action Trend 2015-2019.

Regarding content, as it was with Netflix, drama and comedy are popular categories. However, HBO is also investing heavily in documentaries as it is a close second from drama in the categories. It can be argued that HBO is taking a more informative approach in terms of its content and offers their subscribers a large portion of educational content.

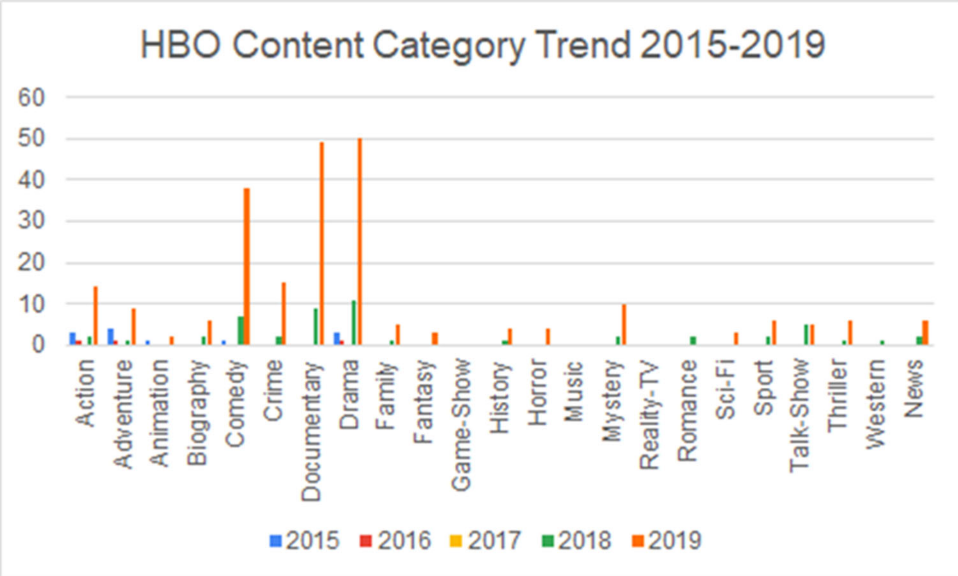

Figure 16. HBO Content Category Trend 2015-2019.

As HBO started communicating more after the year 2017, it did not have many press releases about content in the early years of our research period. Original content, however, has seen a large increase from 2018 to 2019. Overall, HBO has great ratings for all their content with the average of original series, boosted with award winning shows such as Game of Thrones.

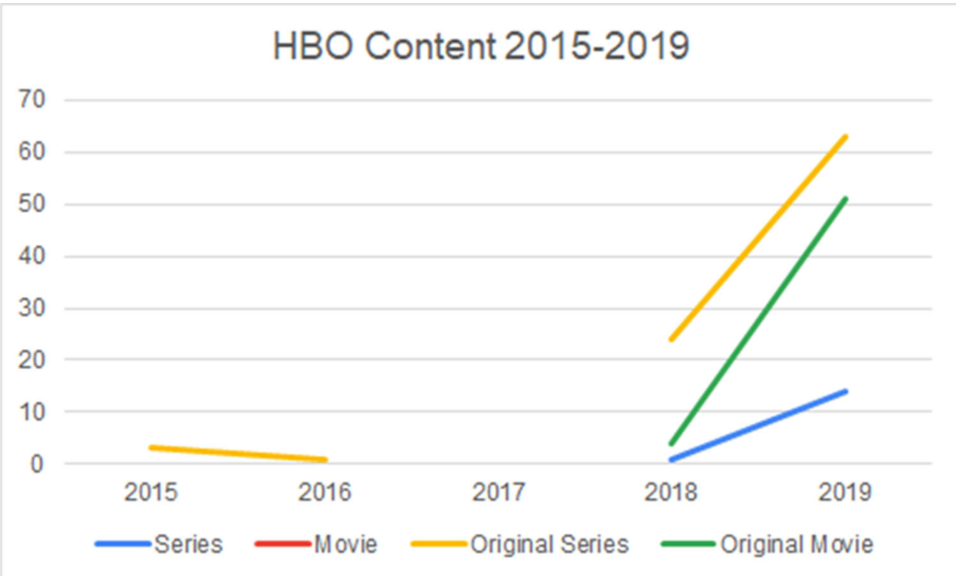

Figure 17. HBO Content 2015-2019.

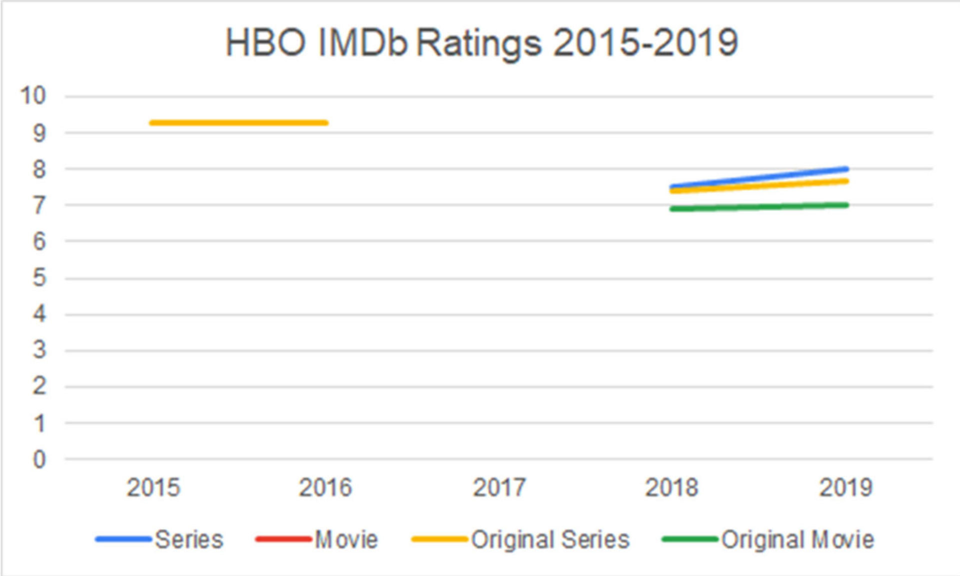

Figure 18. HBO Content Average Ratings (IMDb) 2015-2019.

Amazon Prime Video

Amazon.com, Inc. operates in many industries serving consumers, sellers, developers, enterprises, and content creators. It is mostly known for its retail website Amazon.com. As part of their subscription services, Amazon Prime membership offers access to audiobooks, digital video, e-books, and digital music. (Amazon.Com, Inc. Annual Report 2018, n.d.). In this thesis we will be focusing on Amazon Prime Video as a service that offers thousands of movies and TV shows, including popular licensed and self-published content as well as award-winning Prime Originals. Amazon Prime Video is a streaming service included in the Amazon Prime membership but can also be ordered as a stand-alone video streaming service and is available in more than 200 countries. (Amazon Studios, n.d.). We are also focusing on Amazon Studios that produces and acquires original content to be released exclusively on for Amazon Prime members. (Amazon Studios, n.d.).

In the SVoD industry, Amazon competes with publishers, producers, and distributors of physical, digital, and interactive media of all types and all distribution channels. The business is subject to rapid change and entry of well-funded competitors. Other companies may also enter business combinations or alliances that strengthen their competitive positions. (Amazon.Com, Inc. Annual Report 2018, n.d.).

Amazon Prime Video is not a company of its own as it is a part of Amazon.com Inc. For this thesis we are only including press releases that are discussing Amazon Prime Video or Amazon Studios to exclude other parts of the multi-industry business that Amazon operates in. As the amount of press releases increased during the research period for Netflix and HBO, on the contrary Amazon

Prime Video started with more press releases but the last two years had significantly less press releases. It could be argued that as Amazon operates in many industries that in the last two years of our research period it has decreased its communication efforts for Amazon Prime Video and focused on other areas of business such as online retail, hardware and technology.

Altogether, Amazon Prime Video had 178 press releases from the research period and 215 coded action types with the majority focusing on new content. For Amazon, 61,9% of the press releases were discussing content. A noticeable difference from the other companies in the SVoD industry for Amazon Prime Video is that it produces a lot of its original content through their own studio, Amazon Studios. Amazon utilizes their large corporation and its vertical integration by producing their own content for their own platform supported by their Amazon Web Services as well as providing their own branded hardware to watch the content with. However, Amazon also invests in content acquisitions and licensing of acclaimed content that has not been produced by themselves. Technological improvement is also important for Amazon Prime Video as they introduce new features for their platform or new applications for multiple devices.

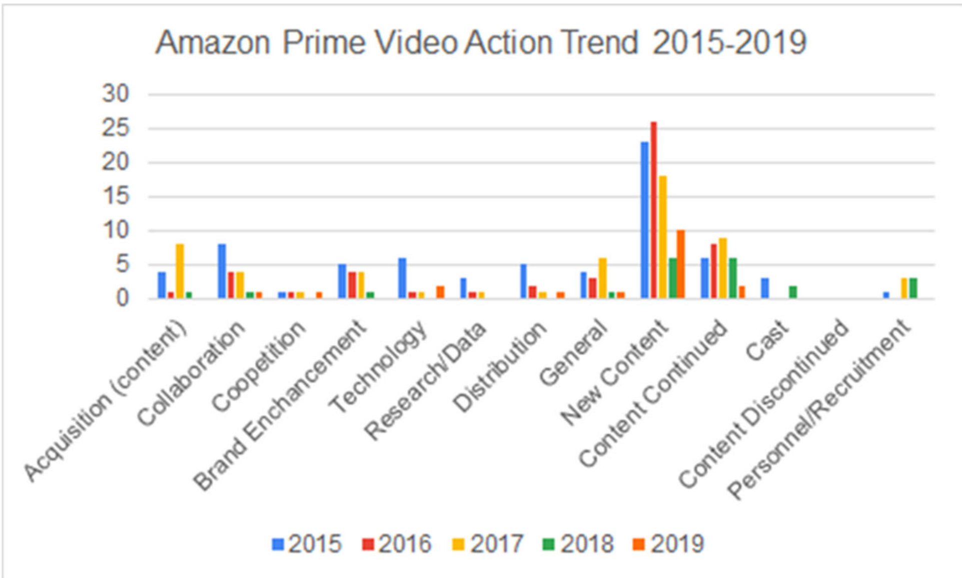

Figure 19. Amazon Prime Video Action Trend 2015-2019.

Drama is the most popular content category for Amazon Prime Video as well, but in 2016 comedy was more communicated than drama. The most important finding from Amazon Prime Video, however, is the large investment in family and kids' shows. We argue that since Amazon offers Prime Video as an additional service for their Prime transporting, they focus on offering the retail Prime transportation for parents and Prime Video service as an addition for kids. This allows the whole family to enjoy services from several industries with one subscription. The amount of talk-shows is also a noticeable difference from other platforms.

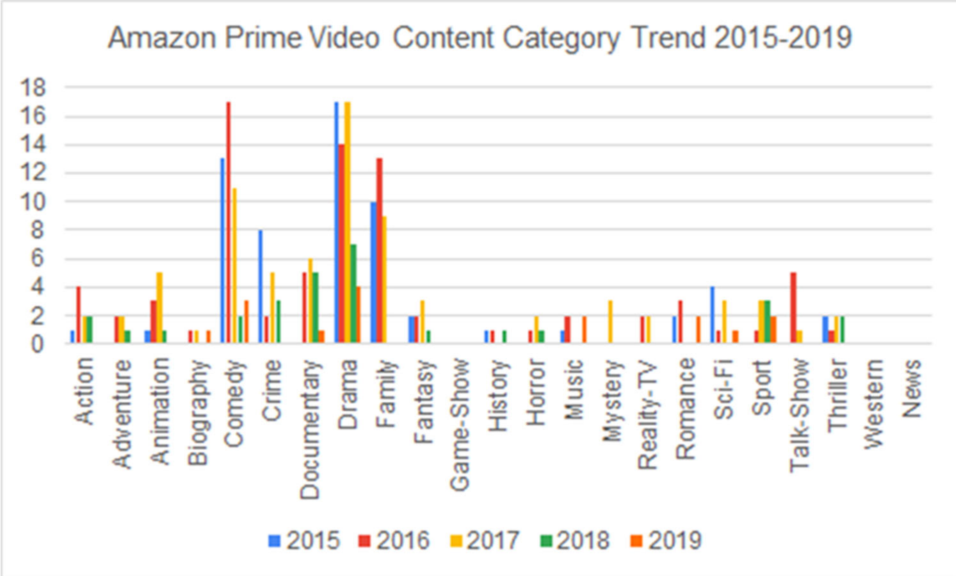

Figure 20. Amazon Prime Video Content Category Trend 2015-2019.

Amazon Prime Video also had several series that received more communicative efforts than the others. The two most signalled content of Amazon Prime Video with six individual press releases were The Grand Tour (Original Series - Comedy, Talk-Show - Rating of 8,7) and Transparent (Original Series - Comedy, Drama - Rating of 7,8). Bosch (Original Series - Crime, Drama - Rating of 8,4) was the third most signalled content with five individual press releases. Amazon Prime Video also focuses on its original series' although the trend is decreasing during the research period. It is important to note that the amount of press releases available for 2018 and 2019 were significantly lower than the early years. It can also be seen that the communicated content of all sorts has received good ratings.

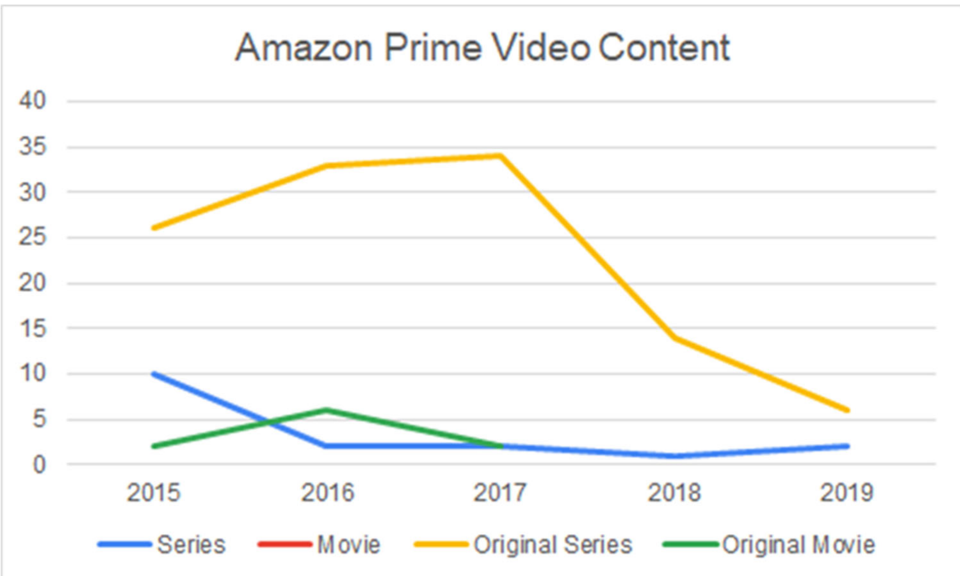

Figure 21. Amazon Prime Video Content 2015-2019.

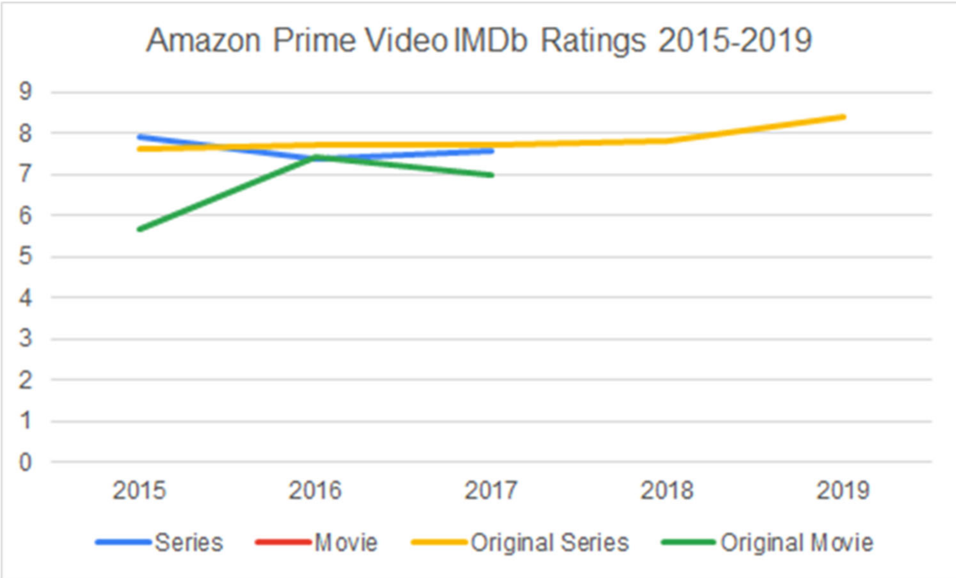

Figure 22. Amazon Prime Video Content Average Ratings (IMDb) 2015-2019.

Hulu

Founded in 2007 and launched as a platform in 2008, Hulu is the leading premium streaming service offering live and on-demand TV and movies. Hulu was originally founded as a joint venture between News Corporation and NBC Universal (Corporate – Hulu Press, n.d.) and joined soon by Providence Equity Partners. Out of the selected companies Hulu is the only one that is a joint venture between multiple companies. The Walt Disney joined the venture in 2009 (Disney To Join NBC Universal, News Corporation And Providence Equity Partners As An Equity Owner Of Hulu, 2009). It has a subscription-based service with limited commercial announcements and a subscription-based service with no commercial announcements. It gives access to major U.S. broadcast network shows, hit TV series and films as well as acclaimed Hulu Originals. Hulu has 30.7 million paid subscribers in the U.S. and provides more than 65 live television channels in addition to their OTT streaming. (Corporate – Hulu Press, n.d.).

During the research period, Hulu published 142 press releases from which 200 action types were coded. Hulu differs from the other platforms chosen for this thesis by the fact that its focus for communication and actions are in content acquisition rather than new content. Still, 46,5% of its press releases regard content. For each year, content acquisition plays the largest role for Hulu. We argue that since Hulu is a joint venture between companies that already own original content of their own, instead of producing original content between the multiple owners, Hulu pursues a strategy of claiming content and forming partnerships between content producers. During the research period there were some changes in the Hulu ownership. As a background 21st Century Fox had joined Hulu in 2013 while The Walt Disney Company and NBC Universal kept their original ownership positions. Company had been growing and at that point the company had grown to have more than 400 content partners from 150 in 2009. (21st Century Fox, NBC Universal and The Walt Disney Company to Maintain Ownership Positions in Hulu, 2013). Few years later Disney announced that they will be acquiring 21st Century Fox soon (The Walt Disney Company To Acquire Twenty-First Century Fox, Inc., After Spinoff Of Certain Businesses, For $52.4 Billion In Stock, 2017). This was soon followed by strategic reorganizing which meant that The Walt Disney Company started to focus (publicly) more on streaming services (direct to customers platforms). Related to this, they announced that they will create their own streaming service (later to be called Disney+) as well as continue focusing on Hulu (The Walt Disney Company Announces Strategic Reorganization, 2018). 21st Century Fox deal was later finished and as a result The Walt Disney Company achieved controlling stake in Hulu (The Walt Disney Company Signs Amended Acquisition Agreement To Acquire Twenty-First Century Fox, Inc., For $71.3 Billion In Cash And Stock, 2018). This meant that there were now three partners in the joint venture. Hulu and Comcast made a deal soon after that enabling The Walt Disney company to take full operational control of Hulu (The Walt Disney Company and Comcast Announce Agreement on Hulu's Future Governance and Ownership, 2019). Based on this deal Disney will acquire Comcast's stake of Hulu in 2024. Disney and Comcast also agreed to fund Hulu's purchase of AT&T's 9.5% interest of itself at the same time (The Walt Disney Company and Comcast Announce Agreement on Hulu's Future Governance and Ownership, 2019). AT&T acquired HBO in 2018 and this means that HBO was basically bought out of Hulu. In the end this means that what started out as a joint venture with 4 companies (most of the time) will in 2024 be completely owned by Disney. As stated, before a noteworthy mention is that The Walt Disney company launched its own Disney+ platform on November 12th of 2019 (Disney+ Lifts Off, Ushering in a New Era of Entertainment from The Walt Disney Company, 2019). After the research period of this thesis, in 2020 just three months after Disney announced that Disney+ had nearly 29 million paid subscribers (Disney+ Amasses Nearly 29 Million Paid Subscribers Since Launch, 2020).

Because of this, we also argue that Disney had already been investing on original content of its own for their upcoming Disney+ video streaming service launched in late 2019, so investing in Hulu originals at the same time could be less beneficial for the launch of Disney+. In addition to content, Hulu also invests in technology such as applications and greater resolution that bring value for their platform. Another notable difference is that Hulu focuses heavily on partnerships, collaborations and coopetitive actions. Hulu has multiple licensing deals with television networks to offer a wider live television collection as well as collaboration with other streaming services such as Spotify for music.

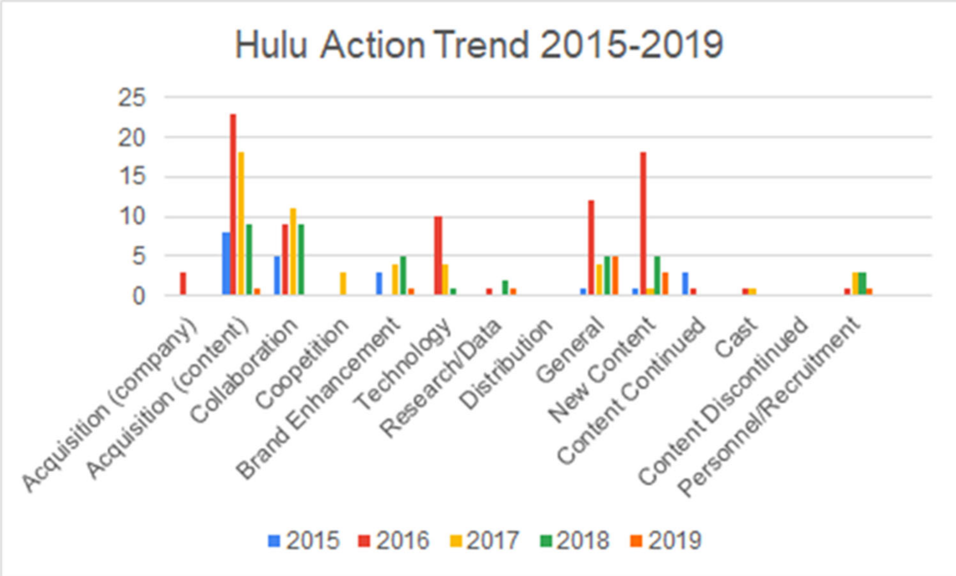

Figure 23. Hulu Action Trend 2015-2019.

What comes to content categories, drama is the most popular as it is with other platforms. Comedy is the second biggest category. These are also the two most popular content categories of all the acquisitions Hulu has made during the research period. There are not many notable observations in terms of content categories for Hulu, but Live TV as a trend can be seen in every category.

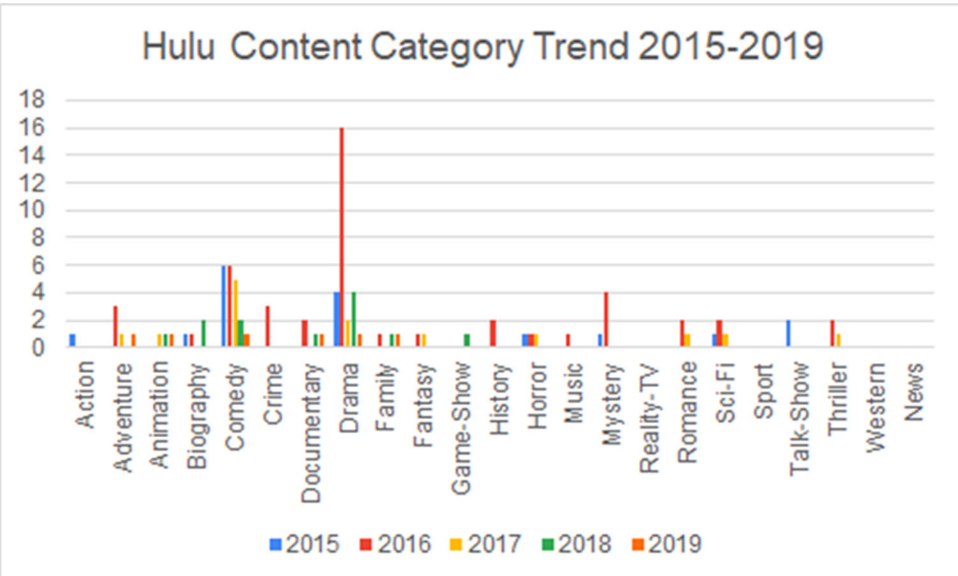

Figure 24. Hulu Content Category Trend 2015-2019.

Hulu focuses on content acquisition, but it still has a few acclaimed and highly rated original series such as The Handmaid’s Tale. Original Series and films are still important for Hulu as it can be seen from the signalling of award shows and nominations, although some of the originals are also sold or licensed later to competing platforms such as HBO.

The most signalled content for Hulu with three individual press releases is Seinfeld (Series - Comedy, Talk-Show - Rating of 6) and the two second most signalled content with two individual press releases were The Handmaid's Tale (Original Series - Drama, Sci-Fi, Thriller - Rating of 8,5) and UnREAL (Original Series - Drama - Rating of 7,8).

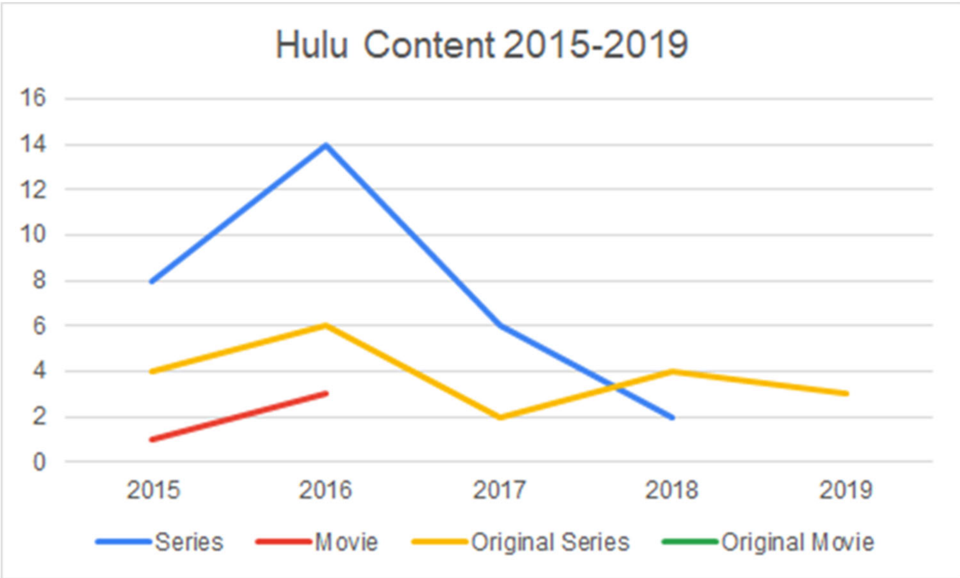

Figure 25. Hulu Content 2015-2019.

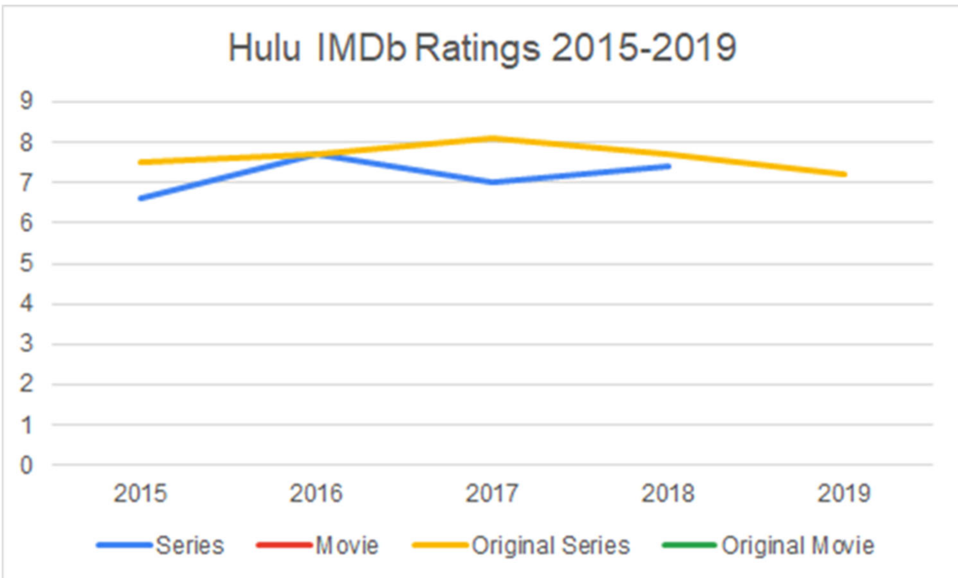

Figure 26. Hulu Content Average Ratings (IMDb) 2015-2019.

YouTube Premium

Owned by the technology leader Google Inc., YouTube is part of their advertising business. YouTube provides a range of video, interactive, and other ad formats for advertisers to reach their intended audience. Their analytic tools help advertisers to understand their audience and derive general business intelligence. Lately, YouTube has experienced strong growth in mobile viewers and established key partnerships with content companies to help monetize mobile video. (Google Inc. Annual Report 2018, n.d.)

YouTube competes with new and established companies, which offer communication, information, and entertainment services integrated into their products or media properties. (Google Inc. Annual Report 2018, n.d.)

YouTube launched a monthly subscription service YouTube Red in 2015 which included original content from YouTube creators. In 2018 YouTube Red was renamed and enhanced to YouTube Premium. YouTube premium includes the ad-free background listening to YouTube Music, more and bigger original series and movies, as well as ad-free, background play, and downloads across YouTube. YouTube Premium is available in multiple countries across the world with a monthly subscription fee. ("Introducing YouTube Premium," n.d.).

YouTube also has a live TV service in the U.S. called YouTube TV. With a monthly subscription fee, members can stream more than 50 TV networks live, record shows with no storage limits and with multiple devices. YouTube TV also comes with a YouTube Red/Premium membership to stream all YouTube original shows. ("YouTube TV Is Now Live," n.d.).

YouTube differs from the other companies chosen for this thesis in terms of their communication. Although they have original content in YouTube Premium, it is not the primary focus of their communications. Since YouTube's main revenue comes from advertisers, it is natural that their communications are targeted to them and the focus is on brand enhancement. YouTube also heavily invests on their platform, making sure that it constantly improves technologically and is easier to use for both the content creators as well as advertisers. Data is important for advertisers, so YouTube also has an interest in communicating about it.

The new content that YouTube communicates through its press releases is either about new YouTube Premium original series and movies, and live-shows in collaboration with traditional media such as presidential debates or other political events recorded for the platform. The data about content categories, originals and ratings could not be interpreted in a similar way to the other companies of our analysis. It is important to note, however, that YouTube is competing for the time of their users in the same way as the other SVoD companies and what comes to Live TV, YouTube is a direct competitor to Hulu.

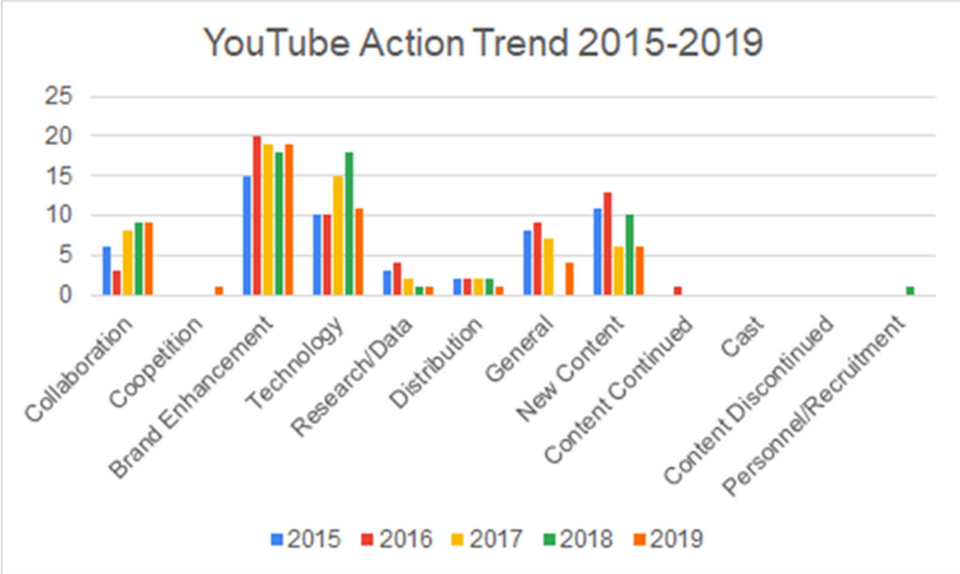

Figure 27. YouTube Action Trend 2015-2019.

4.2 The Competitive Dynamics and Trends in the SVoD Industry

Drawing from the individual analysis of companies we found that Netflix, HBO NOW, Amazon Prime Video and Hulu are heavily content driven in terms of their press release communications. Netflix, HBO NOW and Amazon Prime Video focus on the addition of their original content, while Hulu focuses on content acquisition. In addition, Hulu, and YouTube focus on their Live TV expansion. YouTube stands out from the rest by focusing mainly on branding instead of their content as it mostly offers videos free with advertisements outside of their YouTube premium service.

Our data consisted of 1837 press releases with a total of 2410 coded actions as we identified multiple actions in some of the press releases. In the SVoD industry 61,7% of the total 2410 actions of the chosen five companies regarded content (new content, content continued, content discontinued, content acquisition, cast). The second largest action type was the combination of branding and other signalling which could be in the form of award nominations or for example appealing to investors or advertisers with general information. Collaborative and coopetitive actions were the third most used action type, showing support that the industry is interested in growing together and avoiding aggressive competition. Technology & Research, Management & Human Resources as well as Market Expansion also served a minor role in terms of volume, but significant in terms of impact which we discuss next. The traditional model of company acquisitions played a very small role, showing that the industry does not consist of company acquisitions at least during our chosen research period.

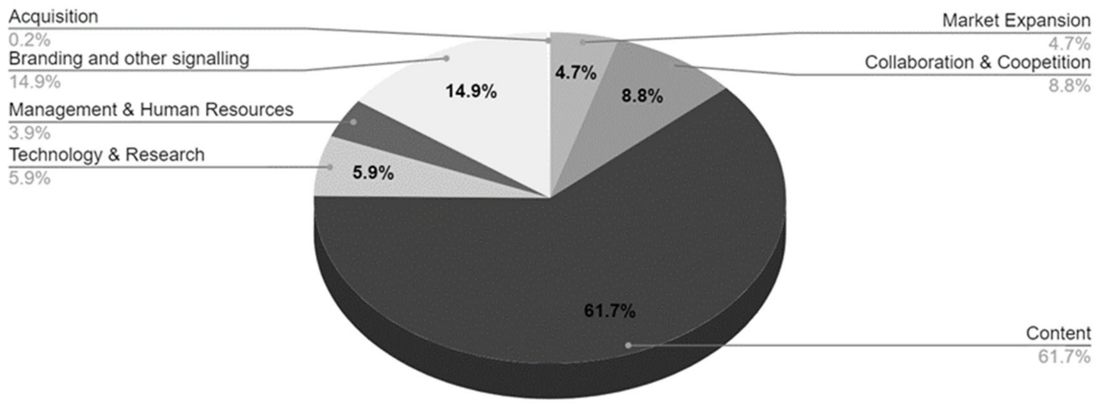

Figure 28. Action Type Volume in the SVoD Industry.

While content is a significant action type in terms of volume, we are more interested in the impactfulness of certain key actions to the industry dynamics. As described in the data section of our thesis, from the total 1837 press releases we identified 165 important press releases of which we consider 52 to be key press releases. We coded all the 165 further into four different competitive theme categories: resource building, co-creation, content trends, and market expansion. We first look at the chosen 165 press releases and how they are divided in terms of the competitive themes.

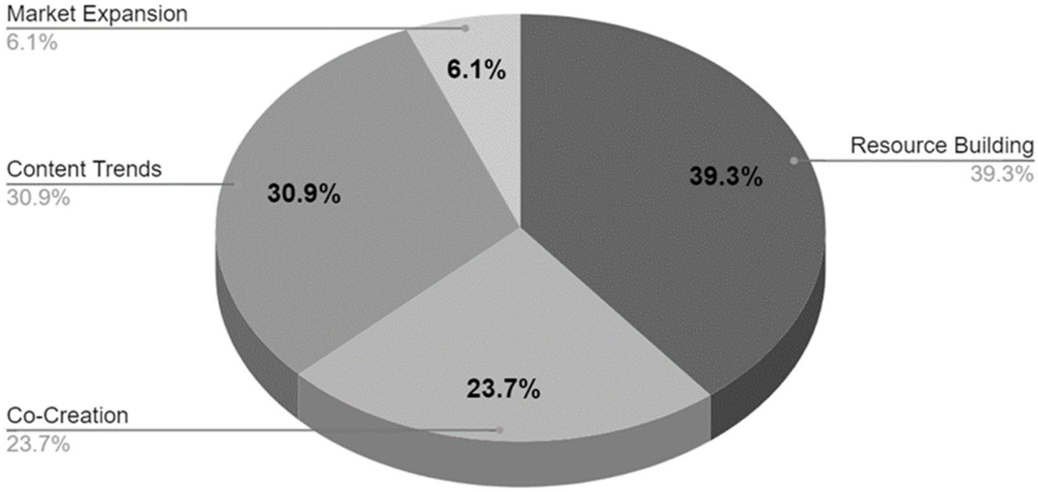

Figure 29. Important Press Releases Divided into Competitive Themes of the SVoD Industry.

We found that resource building was the most impactful competitive theme as the companies are preparing their competitive advantages for the future.

This is supported by additional co-creative actions and content trends related actions, as they serve as an underlying motive for competition. Market expansion was mostly seen from the actions of Netflix, thus not being the most impactful of the chosen competitive themes. Based on the 165 important press releases we were able to find interesting connections. The actions were run through the event structure analysis program, Ethno, and formulated into the connections between the key events. This enables to analyse the impactfulness of the important actions. We will first present the findings of the 165 important press releases, their timings, and their connections within each competitive theme and after this we draw a general understanding of just the 52 key press releases and their connections. The findings of the connections provide interesting and practical examples of how the competition in the industry happens. Since we are focusing on certain detailed aspects (themes) this provides a possibility to gain more in detail look at the certain aspect of the competition in the SVoD industry.

Resource Building

For the competitive theme of resource building we build findings on technological improvements, manager acquisitions and investments into any physical locations.

During the selected research period companies were improving their platforms and underlying technologies. For example, HDR video quality was introduced by Amazon and then followed by YouTube. YouTube then introduced the use of Virtual Reality (VR), a VR app for their platform as well as 360-degree videos, followed by Hulu's VR application and finally HBO experimented with VR on their platform. The improvement of SVoD platform recommendation engines also triggered competition. It is an important tool to show content to the viewer that he or she most likely would watch next, without the need of scrolling through hundreds or thousands of titles. During the research period this was first improved by Hulu, followed by YouTube, and finally by HBO. What also relates to the recommendation engines is platform personalization. Hulu improved their personalization by adding a watchlist feature that allows the viewers to store content that the recommendation engine offers the viewer to watch and later added viewer profiles on Hulu as well. 4K video quality was launched by Amazon just before the research period, but during the period introduced by YouTube for live streaming and then by Hulu. Netflix has not been investing in technology that much during the research period, but this is because Netflix has had a head start in the industry and has introduced all the above features already before the research period. There were also some interesting technological features that were not countered by rivals, but still unique to a platform such as Amazon Prime's X-ray that allows the viewer to see the name and info of the actors on the screen when paused.

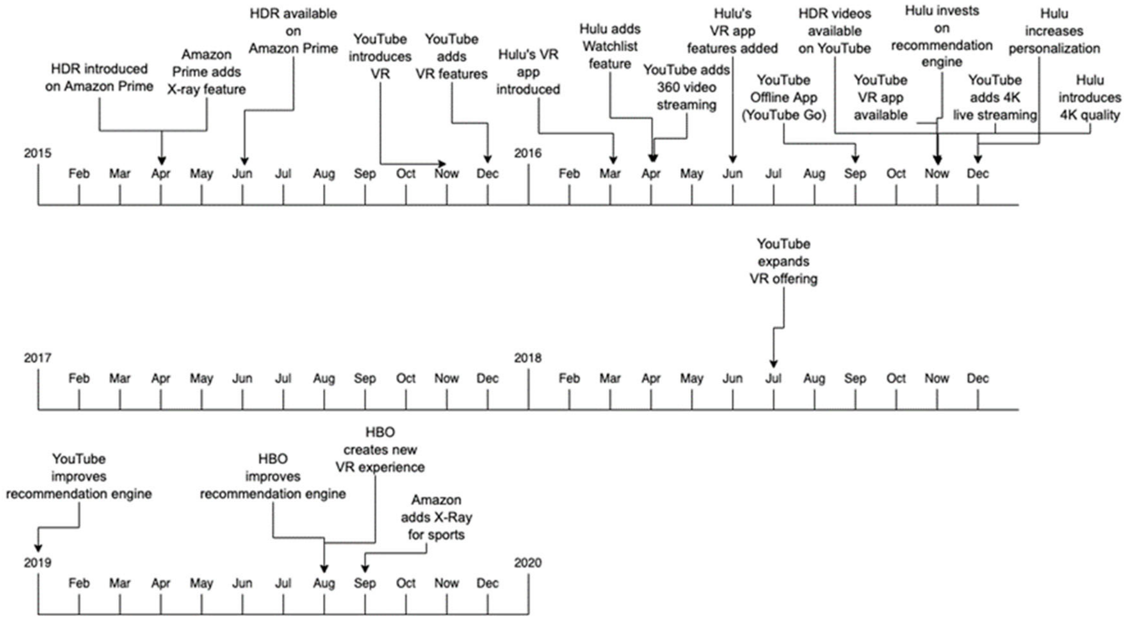

Figure 30. Technology Advances in the SVoD Industry Between 2015-2019.

Another important aspect about technological competition were various applications and platforms. These included the launch of YouTube Kids app and Gaming app, showing a greater investment in content trends. Hulu also launched their application for Windows to be operated on PC's, mobile phones, and tablets easier. Later YouTube announced their offline application YouTube Go that allows the platform to be used more efficiently in countries with slower internet speed and another application to be used on televisions. These applications were also utilized to their full potential by making them available through different platforms like iOS, Android or even the devices of a rivalling firm such as Amazon.

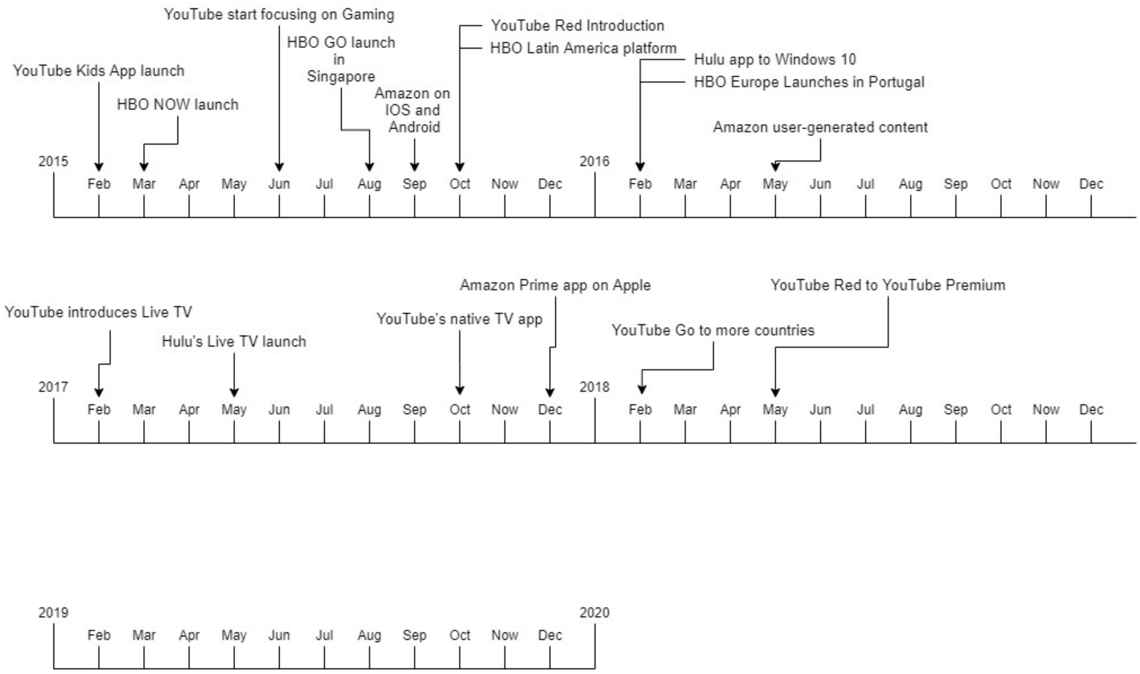

Figure 31. App Related Technology Introductions in the SVoD Industry between 2015-2019.

Many companies were focusing on acquiring highly experienced personnel to their Top Management Teams (TMT). During the research period, for example, Hulu hired a former Fox Networks Group executive as their new CEO, an experienced network executive as their Vice President of Network Relations, a Chief Content Officer with production experience, a former Google executive as the new CMO, acquired a new Vice President of Content Partnerships directly from their competitor YouTube TV, and strengthened their leadership in sales and technology. Netflix showed signals of boosting their content production by hiring a former TV executive as the new VP of Content, former vice chairman of Universal as the new VP of Original Films, a former DreamWorks and Disney executive as the head of kids content, and a former Sky and BBC executive as the VP or Original Series. In addition to content, Netflix acquired executives and board directors with global experience, signalling about their market expansion plans. As competition in the industry gets tougher, the importance of brand image also increases. An interesting observation was that Netflix hired a new CFO and new Consumer products director that both had a history of working for Disney. The CFO had a background of working in Disney experience parks which could indicate that we will see more emphasis for Netflix on brand identity, productization and creating experiences for their customers.

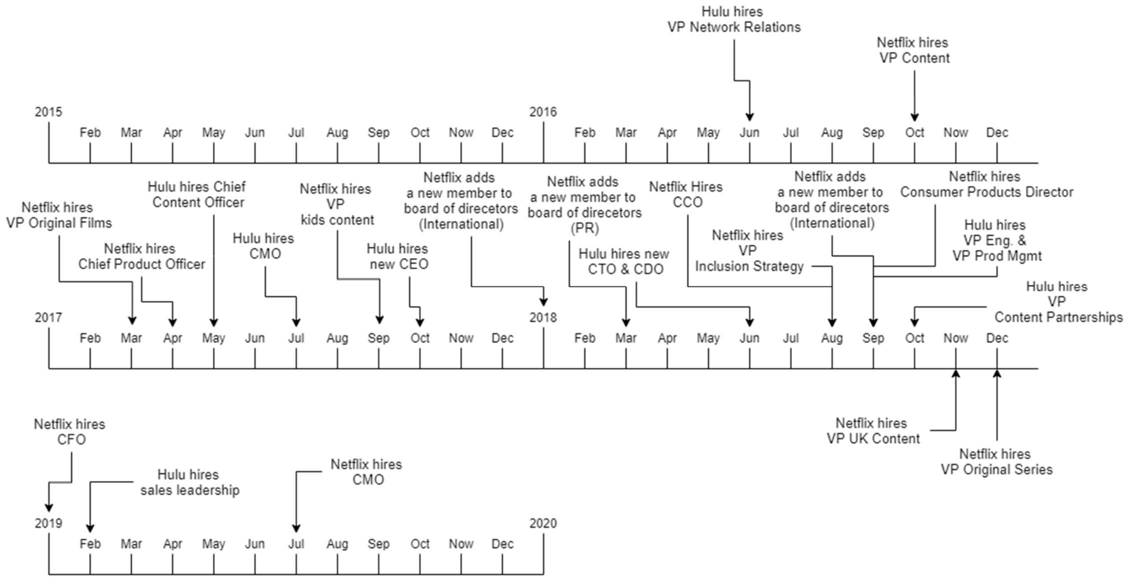

Figure 32. TMT Personnel Acquisitions in the SVoD Industry Between 2015-2019.

Investments on physical campaigns (to attract customers) and locations (for both customers and employees) were also seen as important events during the research period. Netflix and Hulu both acquired theatres in New York for their own promotional use. In addition, companies organized Pop-up events such as Hulu's Seinfeld apartment Fan experience, Hulu's viewer experience HQ, YouTube House in NY, and Netflix Originals Festival in Tokyo to attract and interact with customers. In addition, companies were doing campaigns that are mostly marketing such as Amazon Prime's The Grand Tour Parade float on Rose Parade, HBO's Partnership with the gym chain Equinox, Amazon's partnership with JetBlue and Hulu's sports sponsorships. Relating to market expansion, Netflix also opened several production hubs around the world to scale the business globally. This is also supported by the key recruitments with international experience.

To see how the competitive actions regarding resource building influenced the industry, with the help of the event structure analysis tool Ethno we drew competitive dynamics charts of the competitive themes. Starting from the top by the first significant actions of the chosen companies within our research period and descending to the more recent actions, we found that the launch of new platforms influenced competitors to also launch new platforms but influenced other actions such as key recruitments to lead the projects as well. The addition of key personnel spurred reactions from the competitors as similar positions have been filled by competitors as well. Reading the figure below, as an example the launch of HBO NOW influenced the equity deal between Time Warner and Hulu, as well as YouTube launching their Live TV platform which then led to Hulu launching their Live TV platform as well. The platform launches lead to Hulu and Netflix recruiting industry experts to build on their resources for the following competition between the platforms. This shows a significant signal within the industry as the companies prepare to compete against each other in technology and expertise.

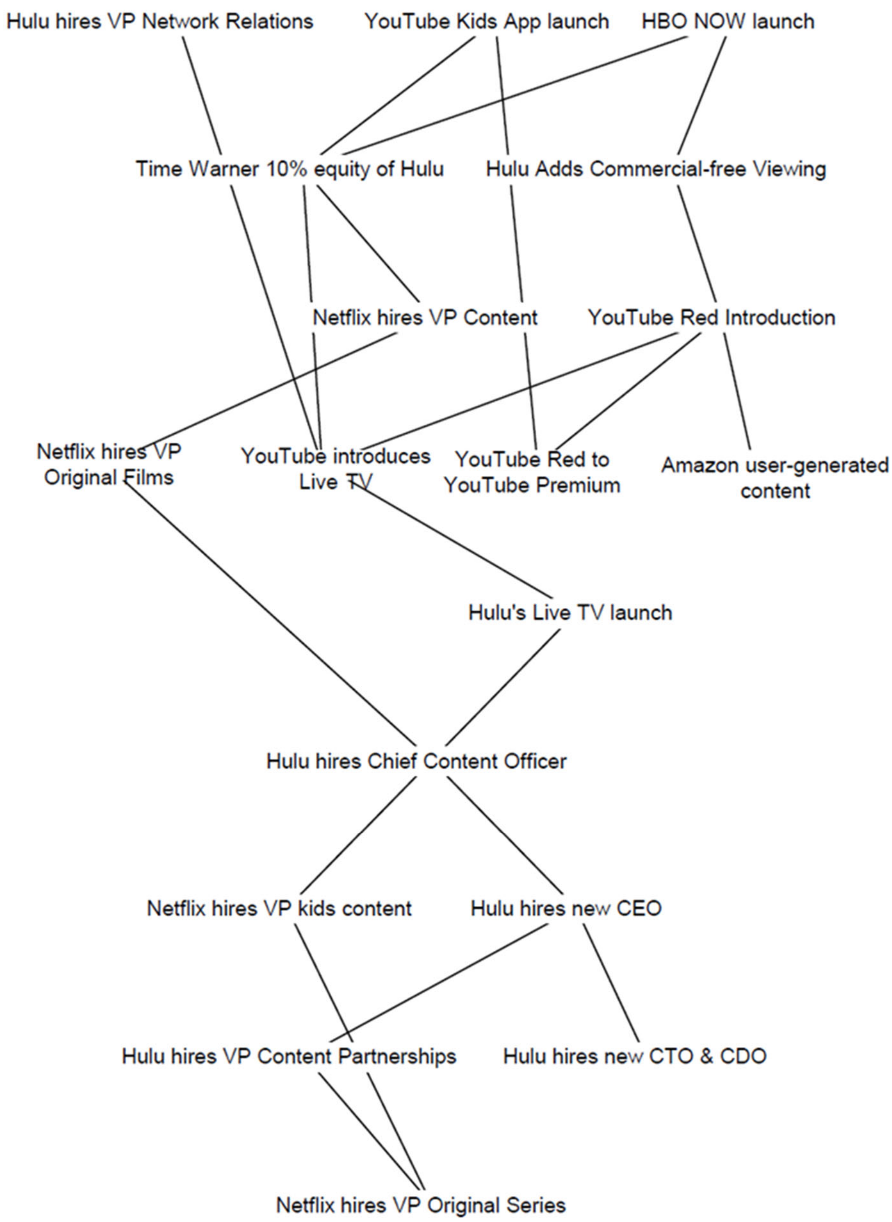

Figure 33. Resource Building Related Competitive Dynamics in the SVoD Industry.

Co-creation

Collaboration and Coopetition are very common in the SVoD industry. There are a lot of complicated and interrelating deals made about content and other parts of business as well, which could only be completely understood by experts of the SVoD industry, television, or other entertainment industries. One company can have the rights for a certain show in the U.S. while another company can have the same content rights for a different country. Also, content rights are usually limited to a certain period of time so that they can be later licensed to another company and the rights with production companies can be limited to only include certain shows and not the full production library.

However, as it can be seen from the figure below, co-creation deals in the SVoD industry were constant during the whole research period and it seems that companies are heavily focusing on making them. These deals are crucial for mainly producing and providing content for the platforms, so these are also related to the content trends theme. The timeline below also highlights the fact that there is a very large number of "players in the field". Some of these players are so important that many companies like to cooperate with them. This is also why some of the deals between the companies can be interrelated, overlapping and complicated. We take a closer look at some of these co-creation deals under the content trends competitive theme chapter.

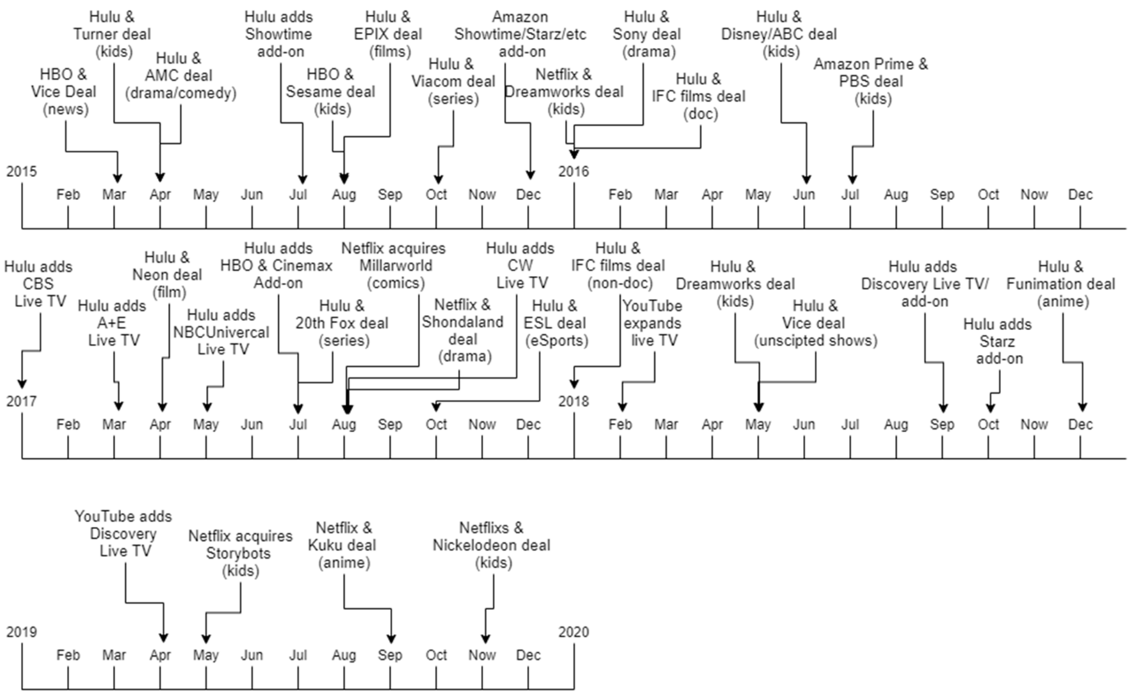

Figure 34. Co-creation Deals Made by the Selected SVoD Companies Between 2015-2019.

Collaboration in the SVoD industry is not limited to content, as companies are also forming relations with, for example, tech companies. Netflix entered a product and IP agreement with TiVo, a global leader in entertainment technology and audience insights. The deal brings Netflix to the set-top boxes of TiVo, allowing customers to view the OTT content of Netflix. Netflix also made a similar deal with Comcast for their platform Xfinity X1, which can be accessed through a set-top box. Other companies in the SVoD industry have similar set-top boxes, as YouTube (owned by Google) has Chromecast and Amazon has Fire TV. Several other set-top boxes can be found in the markets, one of which is called Roku that was developed in collaboration with Netflix back in 2008. We argue that Netflix answers the competition regarding live television by not creating a live TV service of their own but collaborating with set-top box providers and offering their SVoD platforms to a wider audience. The TiVo collaboration with Netflix, however, is interesting as during the research period Hulu hired a former TiVo executive as their new chief technology officer and at the same time strengthened their data expertise by hiring a chief data officer. Hulu further strengthened their technology leadership by hiring a former Amazon Fire TV executive as vice president of engineering and another former TiVo executive as a VP of product management.

HBO has collaborated with Verizon to bring a 30-day trial of HBO NOW to all Verizon customers as well as Cablevision to distribute HBO NOW to Optimum Online customers. YouTube made a deal with the smartphone Samsung Galaxy S10 to offer 4 months of YouTube premium for free while Netflix answered this by partnering with the smartphone OnePlus 7 pro to promote both brands. Similar collaborations relating pricing and service bundling were communicated such as Hulu's and Spotify's bundle deal to both streaming services. As a small but interesting mention, although Spotify and Hulu had a bundling deal, in the end Netflix was a company that announced to make a documentary of Spotify instead of Hulu. Therefore, based on this example and other occasions it seems that collaborations are not exclusive to one firm and that companies are doing business based on which deals are most beneficial to them. Overall, these collaborations show that the companies are pushing their SVoD services to as many platforms as possible and growing the industry together.

Also relating to content trends which will be discussed more in detail next, we identified that certain trends such as content for kids or Live TV affected the nature of collaboration. The companies chose important partners to co-create content for their platforms and each deal spurred a reaction from competitors by forming deals of their own. The deals are made to block the competitors from acquiring the rights for content first as well as to build on the quality or quantity of the platform content libraries ultimately to keep their customers on their platform. Reading the figure below, for example Hulu adding Showtime to their streaming service initiated a chain of reactions mainly from Amazon and YouTube regarding collaborative additions to Live TV and channel add-ons. The interrelating deals show the nature of a competitive race to accumulate content for the platforms.

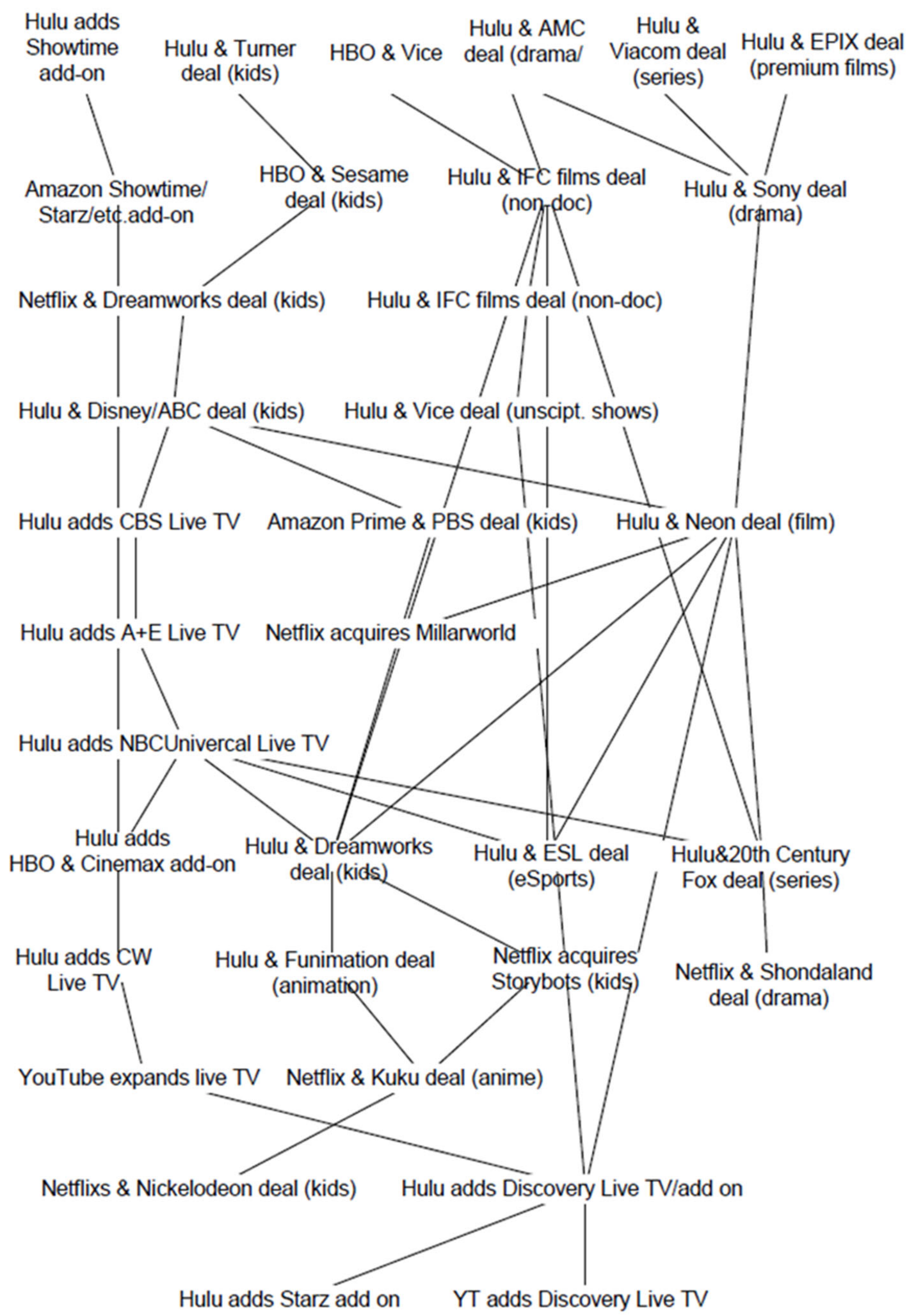

Figure 35. Co-creation Related Competitive Dynamics in the SVoD Industry.

Content Trends

Content was the most popular competitive action type as we found earlier. As a secondary competitive theme regarding both resource building and co-creation we found several trends relating content during the research period. These included, for example, kids' content and animations, sports, documentaries, stand-up comedy, gaming, music, live streaming, Live TV, and additions of network channels. While many customers are "cutting cords" and getting rid of cable packages and even televisions, there is still content that people want to watch live such as concerts and sports events. Furthermore, families can consist of different audiences where some still want to watch traditional network channels while others want to use on-demand content. As mentioned as a solution companies are offering packages where customers can get everything inside of the one application.

Kids' content was the most highly invested content category and sparked competition in many companies, which will be explained more in detail in the event structure analysis map (fig XX). Relating to kids' content, animations and anime as genres was also something the companies paid attention to although some animated series were also targeted to teenagers or adults as well. As found in the individual company analysis, statistically Amazon Prime had the strongest focus on kids' content which is answered especially by Netflix and Hulu with several kids' and animation content deals of their own.

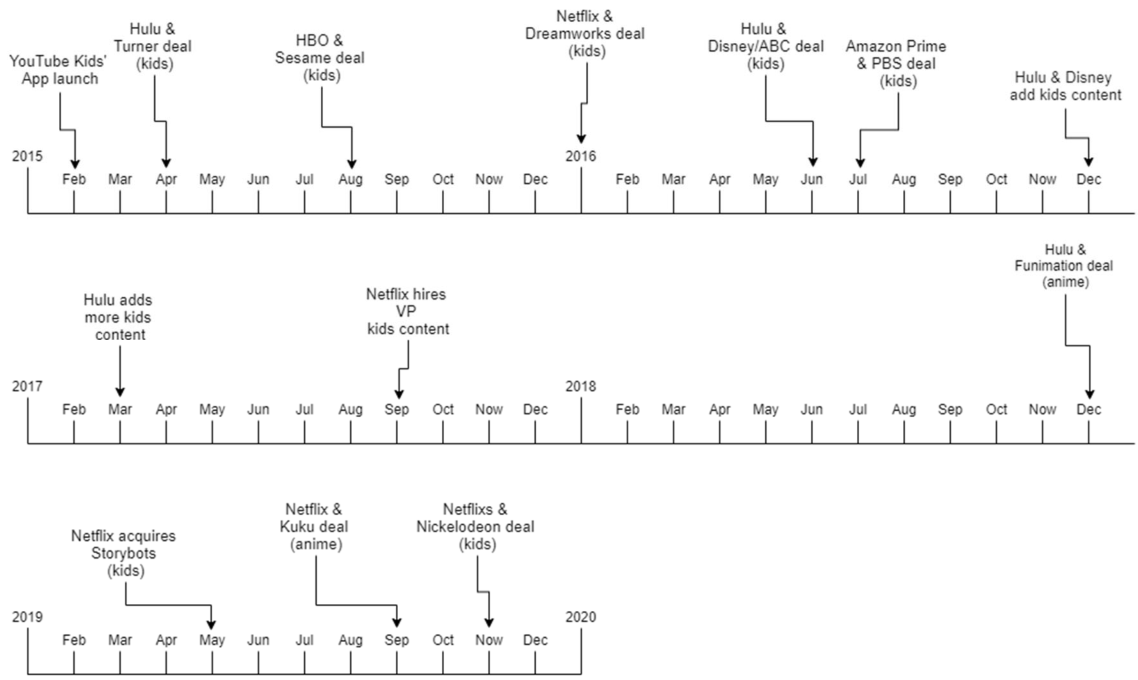

Figure 36. SVoD Companies' Investments on Kids' Content Between 2015-2019.

Out of the selected five companies Amazon, Hulu and YouTube were focusing on providing Live TV options to their customers. Live TV was offered as an addition to on-demand service. This means that by paying a certain extra amount of money a customer would be able to watch certain tv channels from the same platform. During the research period Hulu was the first to provide this kind of service when they added Showtime channel to their platform, responded by Amazon adding Showtime, Starz, and several other channels into their service. Hulu on the other hand created a separate app just for the Live TV broadcasting and was aggressively adding channels to it. While live TV offering is not actually included in the SVoD industry, it is interesting that these companies are expanding their businesses into live TV and by that broadening their offerings.

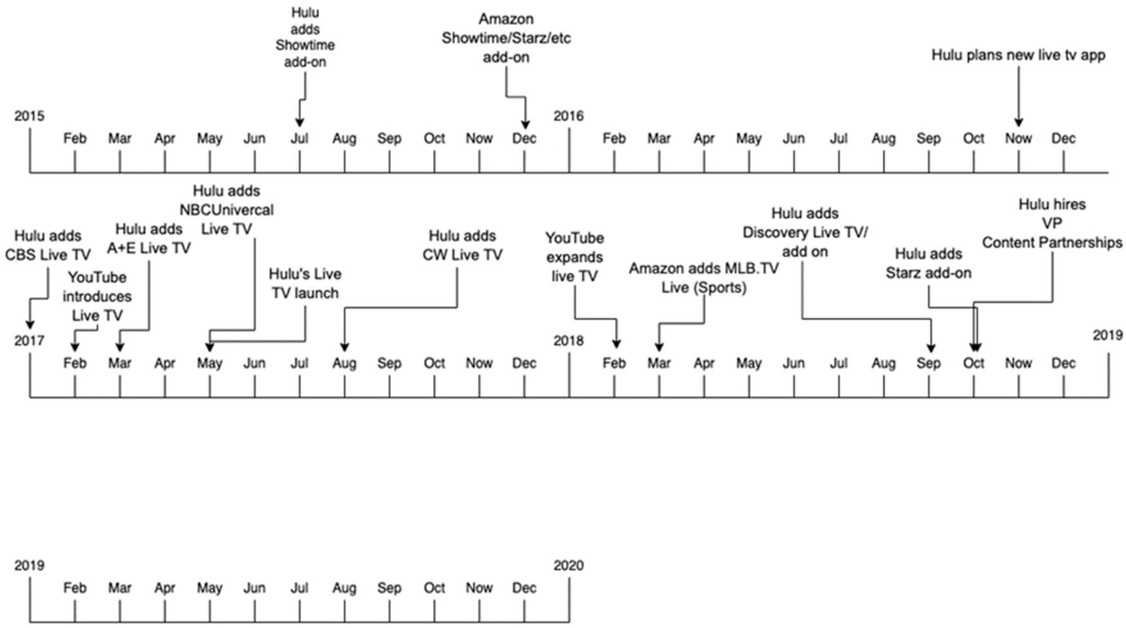

Figure 37. SVoD Companies' Investments on Live TV Broadcasting Between 2015-2019.

Regarding both streaming (live TV) and on-demand sports, many companies had sports as a part of their Live TV streaming bundles for example Amazon Prime announced the addition of MLB.TV on its platform. In addition, YouTube was focusing on sports events (for example NFL games and World Cup), creating content while they were happening. Sports documentaries were popular among many companies. Netflix had an American football series called Last Chance U which was followed by Amazon's documentary following Coach Jim Harbaugh. Later companies released a variety of sports documentaries following certain sports clubs. Amazon had a documentary of Dallas Cowboys and Manchester City FC while Netflix had a documentary of Juventus FC. Hulu was also sponsoring sports such as Nascar and the playoffs of NHL. Sports is a trend that is heavily watched live on traditional television. These investments in addition to Live TV collaborations show that the companies are aiming to reach a wider audience for sports and slowly cutting the cords from it.

While sports documentaries were popular, companies were also producing and focusing on a large variety of different documentaries. As found on the individual company findings, HBO signalled a significant part of their content about documentaries possibly taking a stand on their content strategy or answering the trend from others by increasing it. Documentaries gained popularity among the customers and such documentaries as How to Make A Murderer on Netflix, Hulu's Beatles Documentary "The Beatles: Eight Days A Week" and HBO's Leaving Neverland were successful in that regard. Also, Amazon created their original documentaries such as American Playboy: The Hugh Hefner Story and YouTube created The Gift: The Journey of Johnny Cash.

Streaming music content was another trend. HBO had a U2 live gig while YouTube was focusing on livestreaming festivals such as Coachella and Lollapalooza. Companies were also streaming several award shows and ceremonies. YouTube was streaming the BRITS show and HBO the Rock and Roll hall of fame event. YouTube and Hulu (with LiveNation) were also experimenting with VR concerts. Out of the companies YouTube was the one who was mostly focusing on music. In addition to live streaming festivals and announcing YouTube Music as a music streaming platform, it also collaborated with Eventbrite to make it easier for customers to buy tickets to shows of their favourite artists.

Gaming and eSports have been growing rapidly during the past few years and it has become a business that involves a lot of different industries, people, and huge investments. The SVoD streaming companies also started to provide some content relating to gaming to get their part of the business. YouTube has been focusing on gaming for the longest since their customers have been uploading gaming videos to YouTube for a long time. YouTube also has made collaborations with big gaming events such as E3. In addition, Hulu also made actions in the gaming world. Hulu's deal with ESL (world's largest esports company) marks an interesting event in the eSports streaming history. This deal makes esports content available on a SVoD service for the first time.

Comics was also a content category companies were focusing on. Netflix acquired Millarworld which was probably the biggest single action regarding comics during the research period. In addition, Netflix also secured the rights to Extreme Universe content. These additions for Netflix can also be directed to fill up the need to provide more kids content as mentioned previously. Other companies also did actions regarding comics, for example Amazon made a deal with Skybound entertainment regarding comic content.

Comedy and more specifically Stand-up shows received increasing commitment by the analysed companies. Netflix introduced several stand-up comedy specials with world renown comedians such as Chris Rock as well as local stand-up shows with comedians popular in different countries. HBO and Amazon Prime acknowledged this trend and released several comedy stand-up specials of their own.

As a minor trend, podcasts gained more popularity among the past few years. During the period HBO Launched the Chernobyl Podcast and a sports podcast called Hard Knocks. There is a possibility that podcasts will become a more popular way of competing in the future. Some of these other content trends such as sports, gaming, and stand-up are illustrated in a chronological order in the figure below.

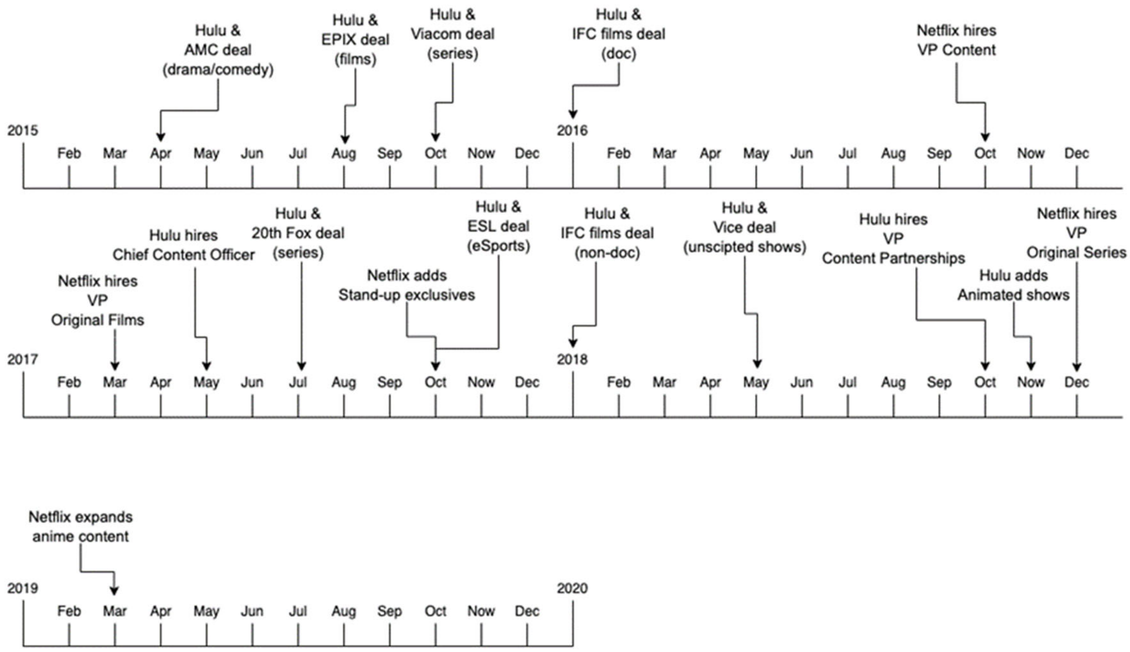

Figure 38. Other Content Related Investments by SVoD Companies Between 2015-2019.

Using previously successful content as a starting point for new content was also a big trend. Reboots, sequels, and prequels were commonly created. Netflix introduced reboots from such popular shows such as Will & Grace and Gilmore Girls. Hulu on the other hand brought back Animaniacs. Sequels/prequels is another example of creating new content which already has a fanbase. Netflix announced that it is bringing back Baby-Sitters Club. Back in the day the show used to be on HBO. Similarly, HBO is also aiming to ride on its existing fan base by creating a Game of Thrones prequel called House of the Dragon. Book adaptations was another form of creating new content of existing content (with existing fan base). Netflix announced that it is producing an adaptation of the chronicles of Narnia. In addition, Netflix announced that it is making a series of (e.g. New York Times) bestseller books. These series include for example the drama series "Maid" and The Girl on the Bus Stop. Also, musicals such as Broadway musical "13" are turned into a family movie.

Although we are highlighting some connections in the competition regarding content, to find a more detailed connection we would need a deep understanding of the content and especially the deals behind them. For example, genre is only a limited amount of information to describe a certain show, meaning not all drama series are competing with other drama series. Related to this, companies also compete with which actors and directors they can acquire. Research on that would need to be done on a larger scale.

Taking the above limitation into account, we found some interesting individual titles that seemed to be indirect competitive moves against successful content of rivalling platforms. Hulu's original series the Handmaid's Tale has been hugely popular and received plenty of awards and nominations. One of the most signalled series of Netflix was Alias Grace which is an adaptation of the same stories that Handmaid's Tale is based on. Amazon's most signalled and praised series The Grand Tour was also answered by Netflix through the addition of several motor series such as Fastest Car. HBO's most signalled series, Game of Thrones, was answered yet again by Netflix introducing a similar fantasy series, The Witcher but also by Amazon announcing the upcoming series adaptation of the popular Lord of The Rings movies as an original series. We also found that the series Designated Survivor was first acquired by Hulu and later sold to Netflix as a Netflix Original.

Overall companies were signalling a lot about their content which could also be seen in the form of award winnings (Golden Globes, Emmys, Oscars) each year. The most notable win, however, was the first ever Emmy award for a streaming service received by Hulu for the show Handmaid's tale. Other highly signalled shows such as HBO's Game of Thrones and Amazon Prime's The Grand Tour were signalled to receive multiple nominations or awards each year.

It was also visible that in addition to content companies are fighting for actors, writers, producers, and directors. It was quite common that for example the same actors would appear on multiple different platforms. For example, popular names such as Reese Witherspoon or Kevin Hart were doing content for many of the streaming services. As a solution to stop this from happening especially Netflix started to make many overall deals and longer deals with people, they wanted to keep on their platform exclusively. Netflix made this kind of deals with directors, writers, and producers and especially with ones that had successfully been a part of Netflix's production previously. As an example, Netflix made overall deals with the creators and the director of Stranger Things. Netflix made deals also with bestseller writers to keep them from making content to their competitors. As an example, Netflix wrote deals with popular writers such as Harlan Coben and Karin Slaughter. The same trend was happening on all content categories, regarding kids' content Netflix made a deal with for example Darla Anderson who had previously made movies such as Coco, Cars and Toy Story 3. During the research period Amazon also started to make overall deals with award winning filmmakers but not as aggressively as Netflix.

Relating to both resource building and co-creation, we found that the SVoD companies were acquiring several independent movie titles from film festivals such as Sundance. Acquisitions were made by all the analysed companies except YouTube. For example, Netflix acquired "Audrie & Daisy", Hulu acquired "Joshy", Amazon acquired "Love and Friendship", and HBO acquired "Won't you be my neighbour?".

To build on the findings of co-creation discussed above, we found that content trends are affected by multiple aspects such as platforms, key recruitments as well as collaborations. As it can be seen from the figure below, the competitive dynamics of content trends analysed by Ethno is similar to the co-creation competitive dynamics. This is because most of the (selected) content related actions were done in collaboration/cooperation with other companies (often producers of the content). This is also because the Ethno figure includes only a certain amount of the most important actions. Basically, the only difference between the two is the fact that this Content Trends analysis includes also personnel acquiring as well as platforms/applications that are related to support the focus on certain content trends.

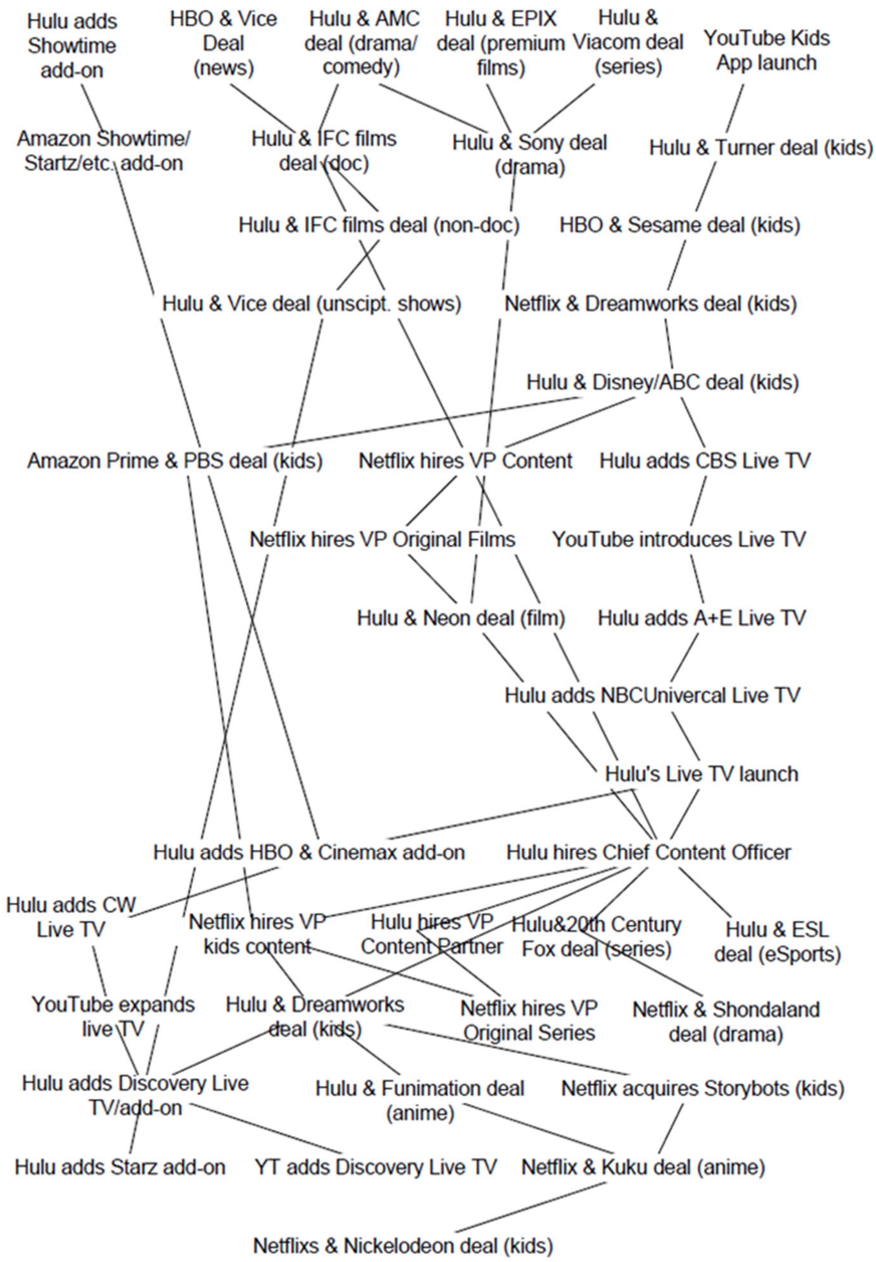

Figure 39. Content Trends Related Competitive Dynamics in the SVoD Industry.

Market Expansion

Market expansion as well as localized content (and production) was another secondary theme we found. However, since the focus of the thesis is on the North

American market, localized content or market expansion were left out of the final key press releases.

It is still important to notice that especially Netflix was heavily focusing on creating original local content and expanding their market. This is highlighted by new production hubs for example in Madrid, Toronto, Albuquerque and Shepperton. Netflix also hired many experts regarding globalization for example new VP of UK content, VP of inclusion strategy and a new communications officer and added new members to the board of directors that had a lot of EU connections. In addition, Netflix made partnership deals in the EU with companies such as Sky and Orange to increase its presence. Other companies also did some expansions, for example HBO Europe launched in Portugal, HBO Go launched in Singapore, HBO created a Latin America platform and Hulu licensed HBO content to Japan markets. YouTube on the other hand created YouTube GO, an offline application to make their platform more usable in countries where mobile data is limited.

Related to countries with limited mobile data, companies were also focusing more on emerging markets with again Netflix leading the way. Netflix focused on for example Asia, India, and Africa with creating originals and productions all over the world. In the later part of the research period also Amazon started to do localized content. Amazon released original content from Australia such as original scripted drama Back to the Rafters and Australian stand-up specials. Netflix's focus on emerging markets is also highlighted by the introduction of mobile pricing plans in certain emerging markets such as India, Malaysia, and Indonesia.

Another reason why market expansion was left out of the key releases is that data gathering was not completely unbiased. While Netflix operates globally under one brand, companies such as HBO have their own subsidiaries in other locations (Latin, Nordic, etc.) and for YouTube it has localized content built into it because of its nature (user generated content).

The Connections Between the SVoD Industry Key Events

To get a general view of the dynamics between the most impactful competitive actions, we filtered the 165 important press even further to the most significant 52 key press releases. These key press releases did not include any market expansion actions as we are focusing on competition in the North American markets. To summarize the competitive dynamics between the competitive themes we drew a figure of the relationship between all the key actions.

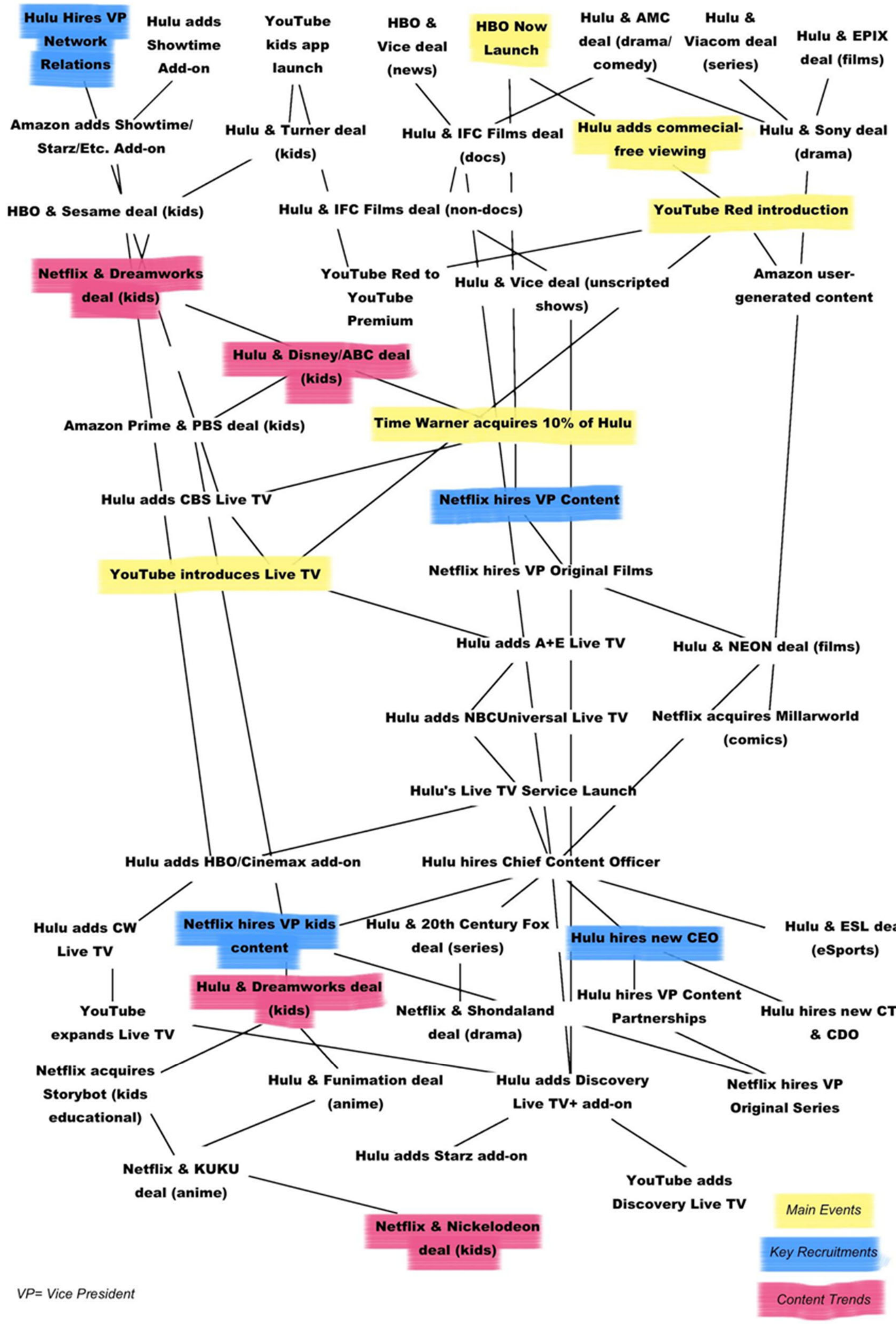

Figure 40. Competitive Dynamics by Key Events in the SVoD Industry.

We highlighted main events that mark a sequence of important episodes during the research period. The first main event is the launch of HBO NOW, when HBO entered the SVoD industry with its own cord-cutting OTT platform. It is the market entry move by HBO which is answered by platform introductions of rivals. Hulu introduced commercial-free viewing, which was a new subscription model for them, YouTube launched YouTube RED which is a subscription-based service with original content. Through the introduction of new platforms in the SVoD industry, Time Warner, which is the owner of HBO, invested in Hulu and acquired 10% of its equity and at the same time introduced the launch of Hulu's live television platform to stream traditional television through their service. This marks an important event as it shows that Time Warner invests in the industry by supporting both SVoD platforms of HBO and Hulu. A little later YouTube answered this by introducing YouTube TV, a live TV platform of their own although Hulu's live TV platform was officially launched a little later than YouTube. These main events mostly relate to the competitive theme of resource building, enabling more content to be distributed to the customers.

Some key recruitments, which relate to resource building but also to content trends, are highlighted in blue. These mark important decisions in manager acquisitions and determine important partnerships and content claims in the unfolding events. Hulu employs a Vice President of Network Relations to start building their live television network for the upcoming launch of Hulu live TV streaming. Several networks are added into their platform and answered by Amazon adding traditional television networks into their service and YouTube making network deals of their own. This indicates that in the U.S. markets, live television seems to be an important investment in the SVoD industry and there is still a need for traditional television. Netflix has not, however, entered the live television business and continues to compete with its content partnerships and scaling their original production. This can be seen by Netflix acquiring a Vice President of Content, a VP of Kids Content, a VP of Original Films as well as a VP of Original Series. Since content is the main competitive force of the industry, investing in recruitments regarding content are competitive moves against their rivals.

What comes to key content trends, we found several category trends such as the increase in documentaries, sports, live television but most of all kids' content and animation is something that all of the firms have been investing in during the research period. The platforms have made significant multi-year deals with renowned kids programming studios to add popular titles to their content libraries and to block their competitors from distributing the same content. These deals include, for example, HBO & Sesame Workshop, Amazon Prime & PBS Kids series, Hulu & Disney, Netflix & Nickelodeon, and Netflix & DreamWorks which was later countered by a deal with Hulu & DreamWorks. Competition of kids' content is aggressive since it is stated by the companies that a large amount of their users watches kids content every month. The deals between Netflix, Hulu and DreamWorks are an interesting example of this. DreamWorks was first doing a lot of collaboration with Netflix but in late 2018 it was announced that from 2019 forward it would shift its focus to Hulu (although some DreamWorks content can also be found in other platforms). In this deal Netflix got the upcoming releases until the end of 2018 and a first look at content based on Universal IP (minority of the DreamWorks total content) but everything else will shift to Hulu. This shift is followed by Comcast/NBCUniversal's acquisition of DreamWorks that happened in 2016. It makes sense for them to start focusing on Hulu since Comcast is until 2024 also part owner of Hulu. This shift from DreamWorks, in addition to Disney's decision to start focusing on their own platform, meant that Netflix needed to fill the hole of kids' content in their catalogue. As a response Netflix for example acquired Storybots and announced a variety of new upcoming kids' content from a variety of producers such as Sanjay Patel who has done popular movies for Pixar.

The competitive dynamic findings of content trends support our individual company findings in a few ways. Amazon Prime has invested heavily into kids' content but much of the content is made in-house. We argue that the heavy trend in kids' content has had an impact on other firms through content deals, where Hulu seems to be the most aggressive. This is supported by the individual findings of Hulu, as their most used action trend is content acquisition in contrast to having produced content of their own.

5 DISCUSSION

The aim of our thesis was to study the competitive dynamics in the Subscription Video-on-Demand (SVoD) industry and how they affect the companies' performance. The underlying sentiment behind the thesis was to study how competitive advantages gained in the SVoD industry and which actions will lead to a company gaining a dominant position. We studied this by seeking answers to our research questions, which will be discussed next.

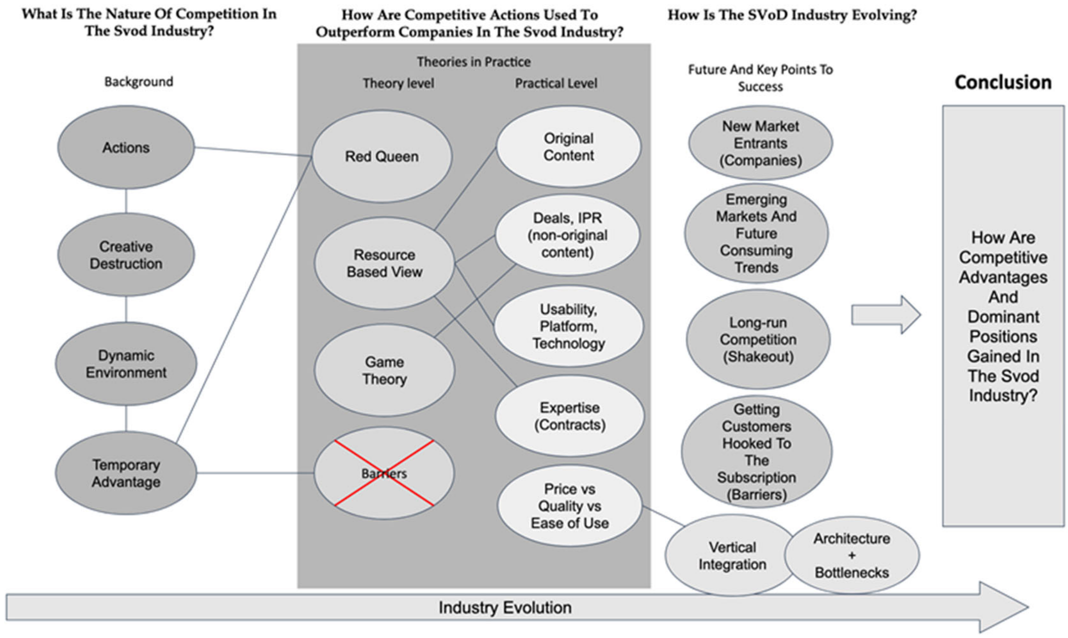

Figure 41. Structure of Discussion Related to Findings.

What is the Nature of Competition in the SVoD Industry?

As a starting point we studied what the competitive environment in the SVoD industry is like. We introduced traditional theories of gaining a sustainable competitive advantage as well as theories based on Austrian economics focusing on gaining temporary competitive advantages in dynamic markets. Based on these theories we observed that the SVoD industry is a dynamic market and because of that we more specifically studied the theories of dynamic markets and the creative destruction that is happening inside them. This leads to our main point of view that competitive advantages in a modern dynamic digital market such as the SVoD industry are only temporary (Pfarrer & Smith, 2005).

Traditionally, companies have been aiming to find the best position in the industry to gain competitive advantages (Porter, 2004). However, the dynamic nature of competition in the SVoD industry is changing rapidly and competitive advantages are temporary. Competitive advantages are sought after to outperformer others in the industry (Hill et al., 2014). This is often even necessary for the companies' ability to be profitable or in extreme cases to survive (Anderson & Tushman, 1990). Outperforming is done by executing competitive actions. We are also looking at the competitive actions in more detail, focusing on their nature. Competitive actions in the SVoD industry are often signalling actions (Porter, 2004) to communicate their intentions to customers, competitors, and others. We argue that most of the actions in the SVoD industry are defensive (Porter, 2004) and not heavily aggressive (Ferrier, 2001; Ferrier et al., 1999) at this point since companies are focusing on improving themselves, and the industry as a whole is still growing. As it can be seen from Appendix 1. companies were not aggressive with their pricing and did not change their prices that often during the research period. Netflix has raised its prices and the prices of Live TV subscriptions have changed a bit, but majority of the prices have stayed constant. However as popularized by the media, the "streaming wars" has begun which means that in the future companies are more likely increasing their focus on offensive/defensive actions and responses overall.

Competitive actions are always executed within the surrounding environment. During its evolution to this date, the Subscription Video-on-Demand industry's environment could be considered an oligopolistic industry, only consisting of a few dominant companies such as Netflix, Hulu, Amazon, YouTube and HBO that are dependent on each other and offering similar products. (Grimm et al., 2006; Porter, 2004). Because of the industry's fast-paced nature, however, the SVoD industry can also be defined as Schumpeterian competition, which is a hypercompetitive environment consisting of several companies and with each of them having low profits. (D'aveni, 1994). Either way it is highly visible that companies are one way or another dependent on each other.

Regarding the (competitive) strategies, The Subscription Video-on-Demand industry consists of multiple companies all around the world that each have a slightly different strategy to pursue competitive advantages. Some multipoint companies like Amazon as well as Apple, who is coming up with its own platform, focus on providing video streaming as a service and a part of their other businesses such as retail. Therefore, they are competing with a low price and the ease of use and focus less on their content quality. By ease of use we mean that e.g. for the users of Apple devices the Apple TV+ platform is already built into the phone and it can be easily billed through an Apple ID account. Similarly, if you are already paying for Amazon Prime (home delivery, etc.) you can get the Amazon Prime video included with the same subscription. Others, however, like Netflix and HBO focus on the quality of their original content, providing exclusive content that the other companies cannot provide. Quality is also measured on how much companies are investing on single titles. Quantity also plays a role as companies are aiming to be attractive to as many customers as possible and offer something for everyone. Since Netflix started to focus on originals, its content catalogue has shrunk down but it is only going to improve over time (Netflix's US Library Has Shrunk by More Than 5,000 Titles in Less Than 10 Years, 2020). Amazon on the other hand has a large quantity of titles but the quality is not necessarily on the same level as with the more expensive SVoD services such as Netflix and HBO (Streaming Services Quality Versus Quantity Price Comparison, 2019).

In terms of complementary assets and credibility (Pisano & Teece, 2007), Netflix has a head start compared to other companies within the industry since it already has established its position as the online video streaming market leader. However, other companies in the industry are all also companies with a long history in other industries and therefore have existing credibility. Netflix also has a lead in manufacturing capabilities since it has been producing its original content for the longest time out of the companies in the industry and in the past, it has had the highest budget for original content producing. This shows that established companies such as Netflix are driving the standards up of what customers are used to and by that also pushing other companies forward. This has created a situation where market entry is not possible unless the company entering has an existing content catalogue or massive resources. There are of course some exceptions such as smaller SVoD services that are focusing on a niche such as indie movies. In general, Netflix can be considered a "kingpin" of the industry regarding technological IP's and holding the most weight in value (Jacobides & Tae, 2015). Netflix has been the market leader and most widely known (as a streaming service) of the companies and the one that others have generally followed. In a way Netflix has been the industry standard as it has become a somewhat synonym for SVoD services and overall a global "phenomenon".

How are Competitive Actions Used to Outperform Companies in the SVoD Industry?

Secondly, we are looking at different ways the companies are aiming to get the necessary competitive advantages over their competitors. Through our findings we argue that in the SVoD industry companies aim to achieve competitive advantages by for example acquiring valuable resources (J. Barney, 1991; D'Aveni et al., 2010; Eisenhardt & Martin, 2000; Grimm et al., 2006). This is done by resource building through technology, key managers, and physical locations as well as by co-creation to form long-term content deals and other collaborations. Content serves as the main force behind competition and was found to be the most used action type in the industry which contrasts heavily with previous studies of the action types of more traditional industries. Resources are linked into the competitive dynamics that we observe in the industry as without the necessary resources, actions of the companies are limited (Lamberg et al., 2009; Ndofor et al., 2011).

Actions overall in the SVoD industry are constantly performed in a Red Queen manner (Derfus et al., 2008) to not fall behind the competition and distribute better content than the competitors. Utilizing Game Theory (Grimm et al., 2006), defensive actions in a form of deals with production studios are made to acquire content as well as to prevent others from getting the same content (Porter, 2004). As our findings showed, companies were acquiring many independent film titles from different movie festivals. Interestingly movie critics on the A.V. Club podcast stated that a reason for this can also be that companies are buying some titles to keep their competitors from getting them (Which Streaming Services Do Film Lovers Really Need?, n.d.). As companies in the SVoD industry rely on production studios to create or acquire content for their platforms, co-creation with other companies becomes an essential strategy. Deals such as a kids' content deal with DreamWorks are made in a Game Theoretic (Grimm et al., 2006) manner to prevent rivals from capturing the same content value while simultaneously building a greater library for themselves. Co-creation also relates to the trend of Live TV (channels/broadcasting). While companies such as Amazon, YouTube and Hulu started to focus on channel additions and for example sports offerings, Netflix especially has not been following that trend, which is also supported by our findings. This is a strategic decision that they have made since the CEO of Netflix stated that they will not host, for example Live Sports or news. At the same time Netflix made a stab against some of its competitors by stating that it will never have commercials in its platform. (Netflix Promises Never to Run Adverts, 2018).

Strategic alliances studied by Eisenhardt and Schoonhoven (1996) and coopetitive actions (Gnyawali & Madhavan, 2001) are also supported by our findings in the SVoD industry as the companies are to some extend sharing their resources with third party companies as well as their own competitors in order to achieve a mutual goal. For example, Netflix utilizes Amazon Web Servers as a storage for their platform, which leads to Netflix being dependent on Amazon's services but remaining competitors with Amazon Prime Video in the SVoD industry. Our findings also show that there are agreements with competitors to, for example, share their platform applications to a wider audience or bundling services to promote the industry. Supporting the findings of Ketchen et al. (2004) the top management teams of the SVoD industry have understood that cooperation and competition can simultaneously boost the performance of both companies, growing the industry but also limiting rivalry. In practice regarding content, companies are aiming to balance the licensing of content to other platforms to maximize profits without losing the power of attracting customers to their own platform as well.

Competitive advantages in the SVoD industry can be studied through the Resource-based View. Resources such as human capital, financial capital, physical capital, and social capital (Grimm et al., 2006) become important as well as intellectual property and technology which are all leading to unique and inimitable advantages that are harder to duplicate by competitors (J. Barney, 1991; D'Aveni et al., 2010; Eisenhardt & Martin, 2000; Grimm et al., 2006). As our findings show, content, platform technology, key personnel as well as long-term contracts with talented actors and directors are valuable resources for the companies to gain competitive advantages in the SVoD industry. Companies such as Disney (who is entering the market with its own platform) and HBO have a significant competitive advantage against some of the competitors in terms of their content. They already have a large library of original content ranging from television shows to movies that are produced when theatres and television channels were the main distribution methods. The importance of this older catalogue of content can be seen in for example the fact that during the past years older tv-shows such as F.R.I.E.N.D.S as well as The Office have been one of the most popular content to be streamed in the SVoD services ("Market Experts Predict Which Streamers Will Fail and Why," 2019; Trainer, n.d.-a). The ownership of this old but popular content means that WarnerMedia which owns the rights to F.R.I.E.N.D.S has a power position. This content that already has an established large fan base can mean that they have been able to negotiate favourable licensing deals for themselves. In the future the game is likely to change since most of the big content owners are creating their own streaming services. For example, it is most likely that AT&T, who owns WarnerMedia and HBO, will take F.R.I.E.N.D.S to their new HBO Max video streaming platform launching in the year 2020 and pulling the show away from competing platforms. The Office is owned by NBC, a subsidiary of Comcast, and the series will be pulled to their upcoming platform Peacock. Disney, as the owner of many distinguished classics, is also pulling their content from other platforms as they launch their own Disney+ SVoD service. Other companies such as Netflix and Amazon have had to develop their own inimitable resources, e.g. original content for themselves aiming to compete with the classics. As our findings also showed, the companies have been recruiting industry experts that have decades of experience in the traditional entertainment industry, for example, traditional television, production studios or technology companies to build on these. The lack of classics and the production of new original content has been proven to be successful for Netflix, however. The top 20 most streamed shows of 2019 reported by Forbes (Feldman, n.d.) show that 19 of the listed shows are available on Netflix and one on Hulu. For customers this means that if you want access to a variety of popular shows you need to be subscribed to multiple platforms at the same time and this trend is already happening where it is common to have two streaming services that people are paying for. As Business Insider reported (Schomer, n.d.), an average U.S. household is willing to have 2.8 or 3.4 (depending on the source) different SVoD services but 75% of Americans are not willing to pay more than $30 a month for all of them together.

Related to people subscribing to multiple services or switching between platforms, switching costs (Porter, 2004; Suarez, 2004) in the SVoD industry can refer to, for example, the rating systems or content libraries and can influence the user to stick with the current service or switch to another one. For example, Netflix users are getting personalized recommendations from their AI recommendation engine. The personalized interface is something the users would have to abandon if they would move to another platform. Also, in the streaming services you can create a unique catalogue of movies/series that you are interested to watch in the future. However, these "technological barriers" can be only a minor setback for a general customer. There is also a certain presence of network effects (Cennamo & Santalo, 2013; Gawer & Cusumano, 2014) in the SVoD industry when picking or changing platforms, since successful series or films can attract a large number of customers to a certain platform because of the need to discuss it in their daily life. There is also a pressure of a social setting where the network effect can influence which platform to use by going with whatever is the most popular one at the time.

Regarding other barriers (Porter, 2004), for example, Netflix has their own original content which can be the only barrier to keep their customers from leaving their platform to another one. Basically, companies are aiming to have a selection of content that would be intriguing and captivating enough for customers that they would not change services but instead would keep paying for multiple services. This is resulting from the fact that changing services is easy since it can be done easily online within minutes and basically free since subscriptions are billed monthly and there is no entry or exit fees.

Competitive advantages can also be achieved by aiming to fortify the company’s position within the industry architecture (Jacobides et al., 2006). In the SVoD industry this can be seen by focusing on intellectual property rights, raising strong protection barriers around the platform technologies as well as previously mentioned original content. Architectural advantage explained by Jacobides et al. (2006) can be achieved by investing in platform technologies or technology architecture decisions (Pisano & Teece, 2007) eventually leading into controlling bottlenecks of the industry (Jacobides et al., 2006; Jacobides & Tae, 2015). It can be argued that in the SVoD industry, for example internet providers are considered as bottlenecks of the industry since the platforms cannot operate without access to the internet and the internet providers demand the SVoD platform owners to pay for the broadband delivered to their customers (Evens & Donders, 2018). As providers of internet plans, AT&T (HBO) and the emerging Comcast (Peacock), hold beneficial positions within the industry. While this bottleneck is created through the end-users there are also direct bottlenecks that are affecting the streaming services. One of these bottlenecks can be for example popular content and popular human resources e.g. actors, directors, writers. As we have stated earlier it was visible how popular actors were changing the service they were on and how companies aimed to lock their personnel such as directors and writers in order to keep them from going to a competitor's payroll. Another bottleneck can be web cloud storage. Streaming services need massive amounts of storage to store all their content and the storage also needs to be extremely fast so that a large amount of people can use it at the same time from around the world. Therefore, companies such as Amazon Web Services as mentioned earlier can achieve a bottleneck position. At some level also hardware that enables end users to watch the content can achieve a bottleneck position. Out of the selected companies this is mainly related to Apple. Apple has their own devices which makes it easy for their customers to watch their own Apple TV+ streaming service. However, Apple could in the future decide that they are not enabling their competitors’ apps on their app store. This would mean that everyone who is using an Apple device would basically need to subscribe to their platform and would make Apple a bottleneck. While big SVoD companies do not necessarily have a bottleneck position regarding licensing content from independent production studios, they still have some negotiation power. Content deals are often tied to the number of users or subscribers that the content is made available in the SVoD service. Therefore, an independent production studio aiming to get the maximum revenue from licensing their content might select the service that is able to distribute their content to the widest possible audience.

To this date, Amazon has benefited from vertical integration by having combined the stage of content production through Amazon Studios with distribution through Amazon Prime Video, Amazon Fire hardware through Amazon.com, as well as web storage through Amazon Web Services (Machlup & Taber, 1960), ultimately weakening the power of industry suppliers. Others rely on third party studios and collaborations for their content, although Netflix made an acquisition of a production studio in the U.S. during the research period in the year 2018 (NETFLIX ANNOUNCES PLANS TO OPEN NEW U.S. PRODUCTION HUB IN ALBUQUERQUE, n.d.). As Richardson (1996) adds, vertical integration may not always be the superior form of organizing, and Netflix may have understood that by focusing on their core competency of platform technology they allow for more options in terms of content producers. Although Netflix acquired the previously mentioned production studio and for example Millarworld it has itself stated that their business strategy does not include "acquisition business" (Chu & Chu, 2019), which is also supported by our findings. As Netflix operates globally, it would need to have several production studios to have a fully vertically integrated content production. However, as Netflix orders new production from third party studios, they are purchasing all the rights and label them as Netflix Originals, ultimately leading into a similar vertically integrated situation - owning the content as well as its distribution. In the SVoD industry, vertical integration may play a greater role in the future as established corporations enter the market. We have already seen production studio acquisitions by Disney (e.g. 20th Century Fox) and Comcast (e.g. DreamWorks) to complement their upcoming SVoD platforms Disney+ and Peacock.

How is the SVoD Industry Evolving?

Thirdly we aimed to see what aspects are going to affect the future of the SVoD industry and which competitive strategies are most likely preferred. Regarding the stages of industry life cycle, we argue that the SVoD industry is currently in the growth stage. The industry is still fairly new and big companies such as Apple, Disney and Comcast are only now starting to enter the market with their own platforms, increasing the number of competitors within the industry and shifting their focus from R&D to marketing actions. (Peltoniemi, 2011; Porter, 2004). This is supported by our findings as the platform technology for the chosen companies is already in a good state and most of the competitive actions revolve around content: the production, marketing and signalling of content. In the growth stage competition is often co-operative and companies are learning together (Peltoniemi, 2011) for which we also found support through co-creation actions. Maturity has not yet been reached, since the industry growth has not slowed down (Porter, 2004). We argue, however, that after the introduction of the new emerging competitors Apple, Disney and Comcast, the industry will soon face a decisive battle resulting in a shake-out of companies (Peltoniemi, 2011; Porter, 2004).

It can be predicted that in the following stage, the strategies of the companies will change and become more aggressive in actions as well as starting to focus more on individual benefits rather than the collective industry benefits. Netflix even itself acknowledges that the entrance of new companies such as Disney, Apple, and the increasing efforts of Amazon on their video streaming service are going to change the competitive environment (Chu & Chu, 2019).

From the data it was visible there have been several trends regarding the actions that the companies are executing. For example, companies started to make more overall deals with content personnel such as actors and directors. We assume that the same trend will continue in the future since content is going to stay as one of the main competitive aspects. Also since competition will get more intense it is likely that there is going to be a focus on a broader range of competitive attacks in terms of volume, duration, complexity, unpredictability, as well as the forces influencing them (Chen et al., 1992; Chen & Miller, 2012; Ferrier, 2001; Porter, 2004; Schimmer, 2012; Shapiro, 1989), for example regarding the expansion of content. This also means that the trend of acquiring highly qualified personnel will continue in the future. Netflix has already started the expansion into many areas, but the trend is most likely only going to get more rapid in the future for the other companies as well. Therefore, there is going to be focus on expanding into multiple market areas and localization. Emerging countries can have a big role in this expansion since more and more people are able to get smartphones and by that get connected to the internet and the SVoD platforms. Since Netflix's strategy is basically dependent on adding more subscribers (Trainer, n.d.-b), the new market entrants can have a big impact on its performance. Netflix already had a period in which it lost some subscribers on its main market (U.S.). ("Market Experts Predict Which Streamers Will Fail and Why," 2019; Trainer, n.d.-a). Therefore, this might explain why Netflix is focusing so heavily on expanding into new markets and emerging markets globally.

Regarding content, it is highly visible that companies are focusing on producing original content and there is no reason that this trend would stop in the future. We argue for it to even become more important since more content producers and owners are entering the market. We mentioned the possible upcoming bottlenecks and by following that logic companies are aiming to achieve a favourable bottleneck for themselves or avoid them as much as possible. This can mean an increased focus on, for example, vertical integration and doing most of the business aspects inside of the company.

The platform technology within the industry is in a good state as mentioned before, but its role in the future is going to be big at least in terms of data. Overall, the companies are already using data to make selections on what kind of content to produce, who to sign as actors or producers, and what people like and do not like. The importance of this is going to be even bigger when companies are aiming to make their performance as efficient as possible, are trying to avoid making mistakes as well as possible, as well as aim to keep the customer on their platform by constantly producing interesting content.

Regarding the changes in ownership and leadership among the companies, there are a few interesting events that have occurred in the past few years. For example, while it was basically stated that AT&T sold their ownership of Hulu to pay off their debt from acquiring TimeWarner (Pedersen et al., 2019) there is another side to the story which indicates that the deal was made so that AT&T can fully focus on its own upcoming subscription platform HBO MAX and Disney can fully focus on Hulu (and the upcoming Disney+). In addition, TimeWarner announced that the former and founding CEO of Hulu, who has also worked as an executive at Amazon and DreamWorks Animation, will be the next CEO of TimeWarner. This indicates how serious AT&T is about the future of HBO and especially HBO MAX (Alexander, 2020). It can also be argued that Disney's power in the market is quite undeniable. Disney is planning to buy out Comcast's ownership from Hulu and become the sole owner in 2024. What this means for Comcast is that they can also pull their content from Hulu for the use of their own upcoming SVoD platform Peacock (Gartenberg, 2019).

Another interesting observation made from digital companies is that they are often not making profit although they are worth billions (Govindarajan et al., 2018; Holmes, n.d.; "Unicorns Aren't Profitable, and Wall Street Doesn't Care," n.d.). One reason for that can be that traditional financial statements can be not usable for digital companies since their focus is on intangible assets not in physical assets. This creates a situation where investors are valuing other measurements more. (Govindarajan et al., 2018). Another explanation of that can be the fact that investors are betting that the companies would eventually turn profitable like some previous successful digital companies such as Facebook or Amazon (Holmes, n.d.; "Unicorns Aren't Profitable, and Wall Street Doesn't Care," n.d.). How long investors are willing to wait for the companies to turn profitable is another question. For Amazon it took from the foundation in 1994 till 2001 to make profit (Holmes, n.d.). For SVoD companies this waiting to turn profitable can in some ways be more difficult than it would be for a digital platform company such as Snapchat or Facebook. In the SVoD industry the licensing or creating of content is a massive expenditure and in the long run it can become too much if the company is not gaining the traction that it is hoping for. And even for bigger companies such as Netflix there is a possibility that turning profitable will take too long for investors to lose interest, thus Netflix needs to prove that the massive amounts they spend on content can be monetized before their competition takes more market share. (Trainer, n.d.-b). Another example could be Sony that entered the SVoD industry in 2015 with their monthly subscription live TV and on-demand platform called PlayStation Vue. However, Sony found the industry to be highly competitive with expensive content and network deals that were not going to change as fast as they had hoped. This led to Sony shutting down the service in early 2020 and to continue focusing on their core gaming business. ("Sony Interactive Entertainment to Shut Down PlayStation Vue," 2019). As the giants enter the SVoD market with their platforms, it remains to be seen how well they can expand the platforms and when they turn profitable, if ever.

To predict the evolution of the SVoD industry, one scenario could be that Netflix starts focusing on expanding to other industries to build resources, as the other giants are multi-industry corporations as well. Another scenario could be that while the giants slowly but steadily build resources on their SVoD platforms, Netflix is pushed into a situation where it could be acquired by one of the bigger competitors. However, if Netflix manages to build a large and successful enough content library under their platform or decide to expand into other industries as well, they will remain a strong competitor. While the giants have massive resources behind them to last a long battle, there is still no point in wasting resources if competition becomes too fierce and expensive, as seen with Sony's PlayStation Vue.

As a conclusion there are going to be multiple aspects that are going to affect how the competitive dynamics in the SVoD industry will evolve. From the trends that emerged from our data and findings, we can make a prediction on which actions are important in the future and which companies will stay in the competition. New market entrants will disrupt the industry and the competition will most likely increase. This means that companies need to be more innovative in ways in which they are aiming to achieve competitive advantages. As we found, resource building, co-creation, content trends as well as market expansion have served the industry during the research period, focusing on defensive actions to build competitive advantages for the future. In the future as the industry reaches maturity, co-creation will become less important, while market expansion to emerging markets and other industries as well will become more important. Content trends and resource building will remain to be valuable sources of competition. In addition, it is important to acknowledge that competition in the SVoD industry will become more aggressive as it moves towards maturity. Therefore, it is still a long "battle" ahead in the streaming wars, and the companies that can sustain profits in this race will be the most successful. The companies' key goal should be to attract and hook their customers to their own original or exclusive content so that they are not willing to drop out of the streaming service. Companies with the largest worldwide content rights will hold the largest libraries for their platforms in the future. Consumer trends will also shape the industry, as SVoD companies are competing with multiple other industries of the time that consumers have. Increased popularity of content trends and social life trends such as eSports or travelling can affect how much time people have to watch movies or TV-shows, and the companies should follow these respectfully. The research period of our thesis only marks the beginning of the long-lasting Streaming Wars, as the giants enter the industry.

6 CONCLUSIONS

Our three sub research questions are all leading to the main question that is, how are competitive advantages and dominant positions gained in the SVoD industry? In this thesis we explained how competitive advantage in the past has been viewed to be sustainable and how the new modern and dynamic markets are not fitting to that theory. Instead we then presented how temporary advantages are understood in the strategic research. We also studied how industries are evolving to understand the competition better but also to make better assumptions on how the future is going to be in the SVoD industry. Lastly and most importantly we took a closer look on the theory of competitive actions and responses (competitive dynamics) and analysed the data from the SVoD industry to see more in detail the competitive interaction between the chosen companies. Our data was gathered through press releases of the companies which had previously proven to be a suitable method for studying competitive dynamics.

Based on our analysis we found that as a contrast to more traditional industries companies are mostly competing with content whereas companies in traditional industries were competing with traditional competitive actions such as pricing and market expansions (Chen & Miller, 2012; Ferrier, 2001; Schimmer, 2012). However, we found that while content serves as the main force behind competition, the companies in the SVoD industry are heavily focusing on resource building (technology, TMT acquisitions, physical expansion) as well as co-creation (collaborations, coopetition) as bigger competitive action categories. Exclusive content becomes a valuable resource for the companies and companies follow certain content trends (kids, live TV, sports, gaming, etc.) that have been successful to build on their catalogue. Market expansion has not been a primary focus of competition, but we argue it to become more important in the future.

Building on our findings, our predictions for the future of competition in the SVoD industry is that as the industry moves towards maturity, it will be a long battle between the companies to build the necessary resources for the future and prepare for the industry shake-out. Netflix has a head start for the industry while other companies are still catching up. New competitors as well as established rivals are owned by large corporations that have enormous resources behind them, while Netflix has had to build up resources of their own. As the companies continue battling, Netflix needs to keep up with the competition and grow big enough to survive the increasing competition.

We found that the companies in the industry roughly follow two different strategies. Netflix, HBO, Hulu, YouTube, and the upcoming Disney and Comcast platforms focus on the quality of their content. Amazon and the upcoming Apple platforms, however, follow a conventional service strategy where the SVoD platform is focusing on quantity or serves more as a complementary service in addition to the other businesses behind the companies.

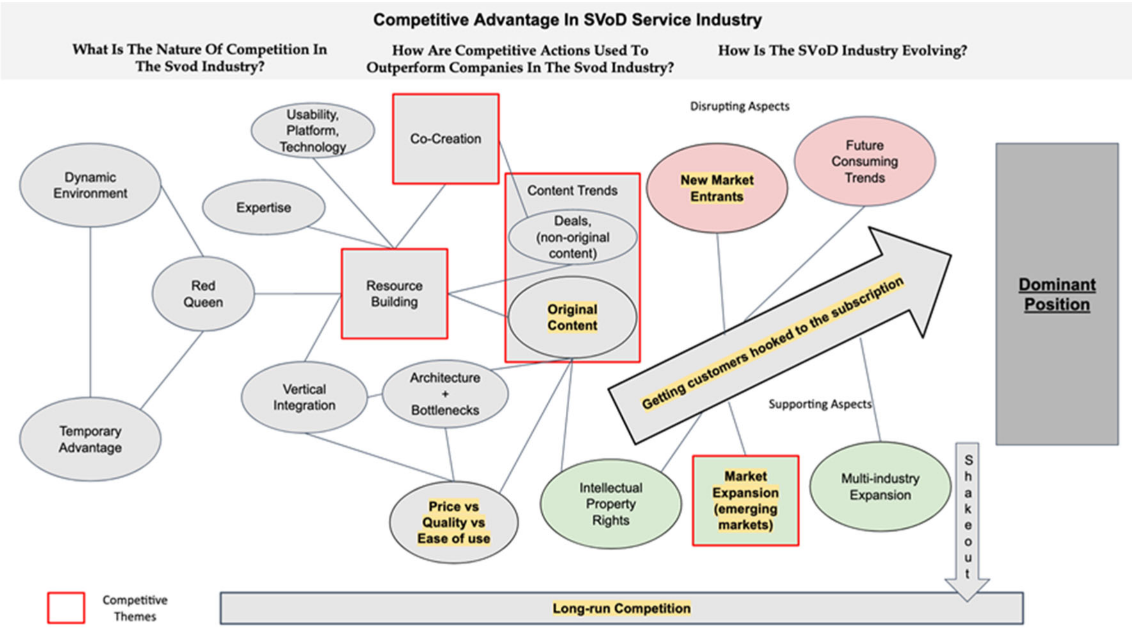

Figure 42. Competitive Advantage in the SVoD Industry.

To conclude, Netflix has all the early entry benefits but needs to build their resources in order to stay in the competition, while Amazon Prime, HBO NOW, YouTube Premium, and Hulu need to catch up on for example on technology and market penetration. Some of these companies already have their own inimitable resources which in this case is mainly content to be able to compete against Netflix. The emerging Apple TV+, Disney+ have just entered the market and newcomer Comcast's Peacock will enter the market soon. Streaming wars is going to be a long battle which companies are now just preparing for by building resources.

Our thesis contributes to the literature of competitive dynamics, industry evolution, resource-based view as well as strategic management. Contributing to the findings of several authors (D'Aveni et al., 2010; Gnyawali et al., 2010; Lamberg et al., 2009) on competitive dynamics, we provide a new context in which competitive dynamics are being studied. The digital modern SVoD industry brings valuable new information to competitive action research and shines attention to the fact that competition in different industries can differ a lot. Building on the literature of industry evolution, our findings contribute to research by Peltoniemi (2011) by studying a high-tech industry in a non-manufacturing manner. We also link resources to actions and contribute to the findings of Ndofor, Sirmon and He (2011) by bringing new insight on how certain resources affect the actions and sequences of actions in the SVoD industry. Based on our findings competitive dynamics could be studied in another similar modern context to see if the results are similar.

6.1 Managerial Implications and Future Research

This thesis provides an overview on how and what kind of actions some of the biggest companies in the SVoD industry have been using. This can provide managers a better understanding of the industry and by that put them in a position where they are more capable of making correct choices and executing the right actions. At the same time the thesis provides an interesting look on the future of the SVoD industry and the evolution of the "streaming wars". This also helps managers to better understand the direction in which the industry is moving towards. Overall, the thesis is not focusing on practical managerial implications but more so providing useful insight of the industry and some companies operating in the industry.

Based on the previously mentioned reasons and the nature of this thesis there are more implications for future research than there are for managerial use. To limit our thesis into a reasonable sized research, we had to choose our focus from the large amount of our data. Future research could benefit from our work by studying it further from a different angle or by expanding the time frame of the data collection.

Our data was collected from the years 2015-2019. Future research could focus on a broader time frame, researching events from the beginning of the industry until today or even expanding into the year 2020 and further. By studying the later years, an interesting addition would be to include the new emerging players Disney+, Apple TV+ and Peacock who have started operating after the analysed period of our thesis.

What we did not consider in our thesis is top management team characteristics or the internal analysis of the companies. A way to enrich our data would be to carry out a qualitative approach by interviewing the managers or other key personnel of the chosen companies and understand the motives behind each action and strategies more precisely.

We did not study the performance of the chosen companies in any means. An interesting addition would be to see how the user base or visitor count of the services have been affected during the research period and point out connections why they are changing. Another performance metric would be to study the financial changes or the market share of the chosen companies and how they have been affected by the competitive interaction. To study the competitive actions even further and link them to performance, future research could focus on finding patterns in the competitive attacks and response times. These could include findings for attack volume, duration, complexity, and unpredictability and their effects on performance.

As our findings support the strategic importance of content, further studies could focus on production studios, the competition between them, and how the production deals or licensing deals are formed between the production studios and the SVoD companies. Future research could benefit from our data of content categorization and ratings by adding statistics of how much of the content categories are distributed through the platforms and if the communications through press releases support these findings. To further study which content has been successful, the actions could be more directly linked as competitive actions against rivals. The acquisition of acclaimed directors and actors also play an important role regarding content, which could be linked to the success or failure of content.

After the research period of our thesis, we acknowledge that the COVID-19 pandemic has and will change the world and affect all businesses. Already during the writing of this thesis there have been effects on the SVoD companies. For example, companies have gained a lot of new subscribers but for some companies operating in multiple industries there has also been a lot of negative effects (Lee, 2020). As a practical example Netflix's market cap passed Disney's market cap (at least temporarily) since Disney is being hit harder by the pandemic (Nunan, n.d.) A study about the long-term effects on performance and the nature of competition for the SVoD companies could be interesting to research.

6.2 Limitations

The data is collected and coded manually. Since the sample size is 1837 press releases, human error might have occurred during the process and possibly led to some errors in the data. We also coded each press release using our shared judgement. It is possible that not every press release is coded correctly. However, we have inspected the data multiple times, verified that it is done correctly and that there are no errors. As we are two authors, the data is also cross checked between us to make sure errors were not made.

For the press releases of Amazon, only releases about Amazon Prime Video and Amazon Studios were used. As Amazon operates in many industries, we are only including press releases regarding their video streaming and original content creation businesses for this thesis. Because of this, some information may have been left out if it has been discussed in the other press releases of Amazon.

As we picked press releases as our main source of information, some limitations relate to them. Press releases are written by the company itself and not a neutral third party, which could lead to the communications being biased or some important details that affect the company negatively to be left out. Also, not every important event in the industry is communicated through press releases as we found regarding the changes in ownership of Hulu. Also, it is logical that press releases focus heavily on content. If the data would be gathered in another way it could highlight more traditional business actions in a more visible manner. It should be noted that the IMDb ratings for each series and movies used in the data are collected in January 2020. The ratings of movies or series might have been changed since the release of the movie/series and might still change in the future. Especially the ratings of series are volatile to changes since each season of the series might be rated differently, resulting in a different overall rating for the series. It should also be noted that movies and series are rated by viewers and each title has a different group and a different number of raters. While most movies and series have thousands of raters, some newer ones only have hundreds.

A limitation also exists within our chosen period of research data. Five years of analysis might not be sufficient to find out, for example, if a successful series has been imitated by a competitor. It takes time to measure when a series is successful. When success has been found, it then takes time to come up with an imitating series, start its production and communicate about it.

Regarding the event structure analysis program Ethno, to generate a sensible figure of the connections between company actions we could only include a smaller set of key press releases. As we had 1837 press releases that were reduced to 52 most significant press releases, some (less) important events were left out from the figure.

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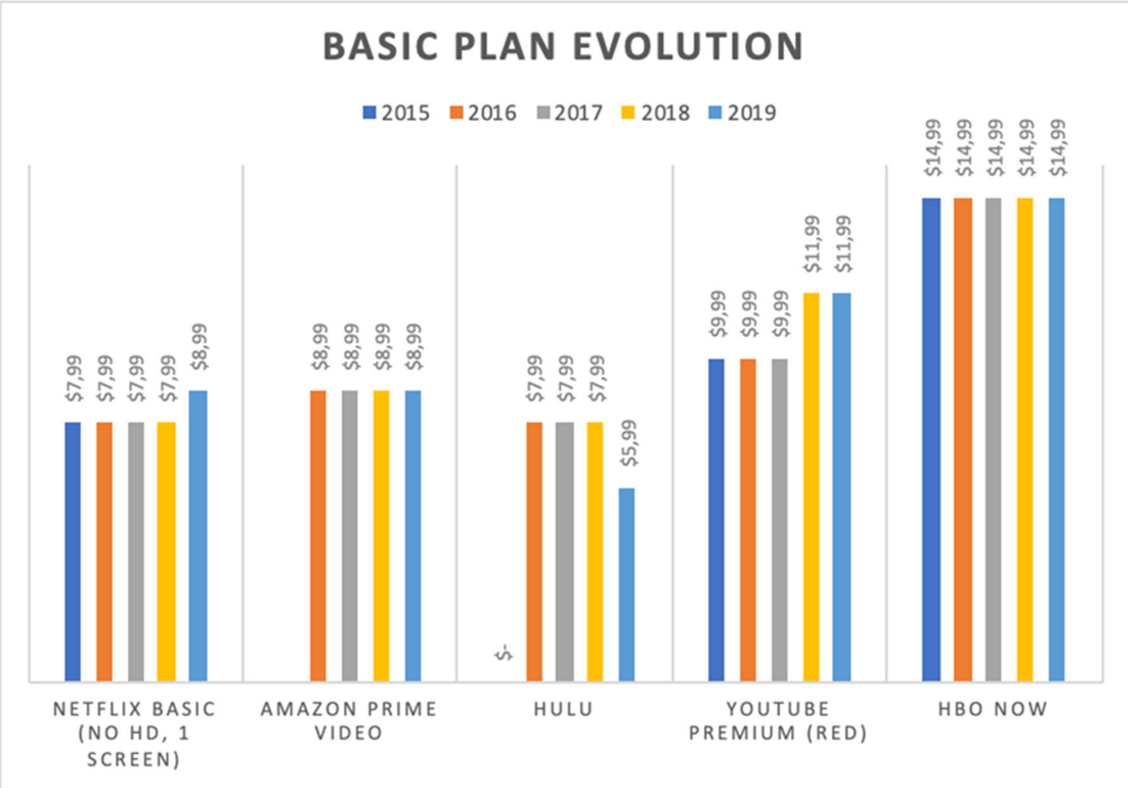
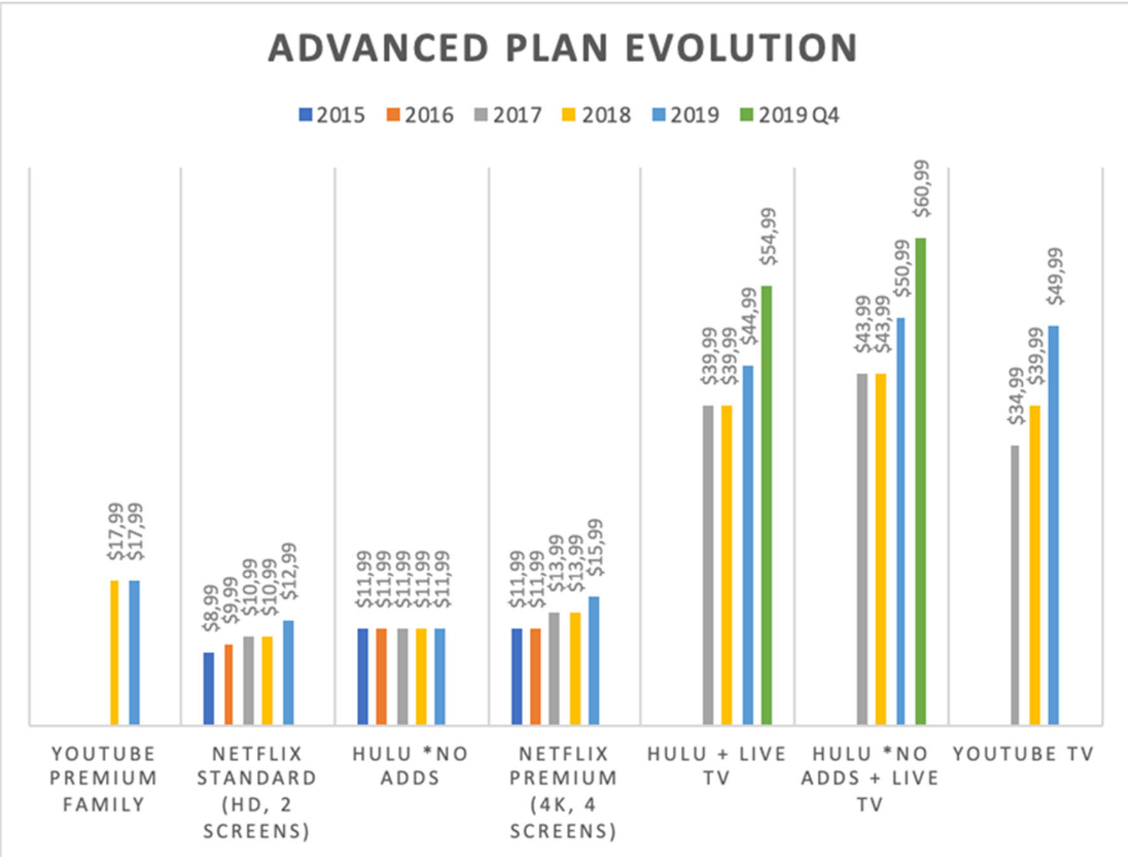
APPENDIX 1. SVOD SERVICES PRICE EVOLUTION





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