DISRUPTIVE INNOVATION: A CASE STUDY ON HOW NETFLIX IS TRANSFORMING THE LIVING ROOM

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ABSTRACT

Innovation has always been a crucial factor in business strategy across various market segments. In light of the digitalization revolution, the entertainment industry has been affected greatly, both in positive and negative ways. Long standing market incumbents such as Blockbuster have felt the disruptive shift of a new market player, Netflix. Its disruptively innovative strategy was simple enough to cater to small consumer segments, while rapidly gaining market traction. Eventually Netflix disrupted not only the market giant Blockbuster, but also consumers’ living rooms. Clayton M. Christiansen’s theory on disruptive innovation provides context and guidelines in better understanding the differences between sustaining innovation and disruptive innovation. Furthermore, it reflects over “The Innovators Dilemma” where, innovators must decide how to best invest their resources so as not to loose market share. This Thesis aims to better understand the effects of disruptive innovation within the entertainment content industry. The research utilizes a case study approach, using Netflix as the case company. Due to technological advancements the TV and entertainment content industry has drastically changed with new methods of consuming content, and new business models to disrupt the market. Having disrupted the market, Netflix remains a leading force among consumers. Moreover, in recent years, the competition within the market has radically increased. The project goes on to explore Netflix’s possible outcomes for future markets.
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ABREVIATIONS

**AVOD**: Ad-Supported Video-On-Demand
**DBS**: Direct Broadcasting Satellite
**DVD**: Digital Versatile Disc
**DSL**: Digital Subscriber Line
**DTO**: Download To Own
**DTT**: Digital Terrestrial Television
**DVR**: Digital Video Recorder
**EST**: Electronic Sell-Through
**FCC**: Federal Communications Commission
**HFR**: High Frame Rate
**HD**: High Definition
**ISP**: Internet Service Provider
**IPTV**: Internet Protocol Television
**iVOD**: Internet Video-On-Demand
**ISP**: Internet Service Provider
**MVPD**: Multichannel Video Programming Distributor
**NCTA**: National Cable and Telecommunications Association
**OTT**: Over-the-top
**TV**: Television
**U.S.**: United States (of America)
**VHS**: Video Home System
**SVOD**: Subscription Video On-demand
**VOD**: Video On-demand
**OTT**: Over-The-Top
1. INTRODUCTION
1.1 Growing Pains of Disruptive Innovation

Innovation has always been a key component for the growth and development of any company, organization, or industry. Innovation is what drives performance and growth, it is central to the success of any business and it must be an integral part of a business strategy. Particularly in considering today’s consumers who have a multitude of choices, thus companies must constantly strategize methods to distinguish themselves from other competitors within the market. Companies who successfully innovate understand that, to remain ahead of the curve, they need to constantly enhance their organization, product or services. However, even after implementing processes to satisfy targeted customers, some companies seem to be surpassed by a no-name underdog, the disruptive innovator.

There are two types of innovation, sustaining innovation and disruptive innovation. Caroline Howards, in an online article for Forbes explains it as “Disruptors are innovators, but not all innovators are disruptors.” (2013). Sustaining innovation is done by improving a product performance based on feedback by its largest costumers and typically by reducing defects (BoardStudios, 2015) whereas, disruptive innovation often involves lower performance in many of key features that are currently highly valued by the market (Ibid, 2015). In other words, sustaining innovation fulfills customers’ current needs, whereas disruptive innovation develops to meet customers’ needs in the future. Naturally, market incumbents typically implement a sustaining innovation strategy which provides short term success. However, this can potentially be disastrous for the current companies on the market causing them to fail. Inevitably allowing allowing an entry point for market disruptors to enter the market (Ibid). Therefor, although dedicating resources to a niche and unproven opportunity may not be the best strategy in the short term, in the long term, it can set the future of the company.

Clayton M. Christiansen’s 1995 theory, “Innovator’s dilemma”, describes the predicament that companies must consider: whether to maintain the current market and continue to produce innovated products or, to invest their efforts into
future investments of niche markets that could potentially disrupt the market? (Christensen, 2012; BoardStudios, 2015). Customers who are often ignored prefer the lower price point and the accessibility of the disruptive new offering (“The Explainer: Disruptive Innovation.”, 2013). The new, and disruptive, entrant gains traction and over time takes more of the existing market, eventually displacing the incumbent (Ibid, 2013). Netflix, a streaming video on demand (SVOD) service provider, is a great example of this. Its DVD-by-mail business model transformed the video rental business, grabbing a foothold on the market and over time, drove industry titan, Blockbuster, into declaring bankruptcy in 2010 (Graser, 2013). By providing services such as extended rental periods without the penalty of late return fees Netflix was reaching a small yet untapped consumer base; with a much simpler and unsophisticated service¹. Blockbuster was underserving several consumers, thus Netflix saw an opportunity to enter the market and created a business model where their services presented “affordability, accessibility and availability to these under-served customers” (Ostrower, 2016). Using this momentum Netflix has grown to be one of the largest Streaming Video on Demand (SVOD) in the market today with 83 million users (About Netflix, n.d.). Today Netflix has conquered DVD rentals, is leading the market in SVOD, and is entrenching into established territory, TV entertainment industry.

1.2 Who and what is Netflix

In 1997, CEO Reed Hastings co-founded Netflix to offer DVD rent-by-mail movie rentals (“About Netflix”, n.d.). Within the following years, from 1997 to 2001, the first DVD rental and sales website debuts subscription services for unlimited DVD rentals for one low monthly price and introduces a personalized movie recommendation system allowing for tailor made suggestions for customers (Ibid,n.d.). By 2005, Netflix has a total of 4.2 million members (Ibid, n.d.). In 2007, the dawn of a new era for digitalization of the TV industry has begun and ushers in the next decade of developments for all key market players. This is the year which Netflix introduces

¹ [www.dvd.netflix.com](http://www.dvd.netflix.com)
streaming content which allows members to instantly watch television shows and movies on their personal devices (i.e. personal computers, gaming consoles, cellphones, etc.) (Ibid, n.d). Today Netflix is available world wide, having dominated the United States market, and has expanded to include over 190 countries (Minaya, 2016). According to Netflix’s website, “Netflix is the world’s leading Internet television network with over 83 million members enjoying more than 125 million hours of TV shows and movies per day, including original series, documentaries and feature films” (“About Netflix”, n.d.). Netflix subscribers can enjoy as much content as they want at anytime on most devices which have an Internet-connected screen (Ibid. n.d.). Netflix services promise member that they are able to play, pause and resume watching, all without commercials or commitments (ibid, n.d.).

1.2.1 Business model

Netflix’s business model is centered on providing subscription based service for DVD rentals and online streaming media such as TV shows and films. Although Netflix initially began as a DVD rental service and continues to provide this service to its customers, subscription based streaming has remained its main source of revenue and focus of future business developments. Subscription based SVOD has revolutionized many aspects of digital enterprises and business ventures. It has particularly affected the relation between entertainment content streaming services and Multichannel Video Programming Distributors (MVPD), such as Cable TV companies. The common denominator between these key market actors is that they are all subscription based models. Consumers can purchase a MVPD package just as they can purchase a subscription to an online streaming content provider. The differences can be found within accessibility and convenience. Both offer access to a wide variety and high volume of entertainment content, however, with MVPD and TV cable packages, a linear TV model is used where the consumer lacks the control to select when, where, and how they consume content. This is where Netflix’s non-linear SVOD content model has the competitive advantage as it allows for accessibility of content on any device, at anytime, with
the option to stop, rewind, fast forward, or re-watch as often as the consumer chooses, affording the consumer the ultimate convenience. Additionally, traditional TV business models rely on TV advertisement in between shows as a form of revenue. Netflix drastically differs in this aspect as it does not rely on any form of advertisement at all ("About Netflix", n.d.)

Currently Netflix represents a classical service business model within the video-on-demand industry providing entertainment content via video streaming technology in exchange for a monthly subscription fee (Mikhalkina, 2014). Their platform offers three types of streaming plans. The streaming plan you choose will determine how many people can stream movies and TV shows from a Netflix account at the same time. Netflix has divided its subscription packages into basic plan costing $7.99 USD, standards plan $9.99 USD and premium plan $11.99 USD². The basic plan allows for one person to stream the entire Netflix library, including movies and TV shows, in standard quality. The standards plan allows for up to two people to stream the Netflix library simultaneously time and in high definition (HD) quality when available ("Netflix Streaming Plans, n.d.). This means that two users can be streaming different content on different devices at the same time while being subscribed to one account. The premium plan allows up to four users to stream content at the same time in high definition and ultra high definition (UHD) when available (Ibid, n.d.).

As previously mentioned, Netflix is a SVOD service provider. Roberts and Muscarella define SVOD as “For a fixed, recurring fee, subscribers may have unlimited streaming to a licensed catalog of content for the duration of their active subscription term. Subscription terms may be as short as one month (Hulu Plus, Netflix) or as long as one year (Amazon Prime)” (2015). When looking at the big picture of the current market, SVOD is part of Over-The-Top digital distribution commonly referred to as OTT. Over-The-Top digital distribution refers to “the

² Pricing information was acquired via the U.S. Netflix website and is based on the U.S. dollar value. Link provided: [www.netflix.com/getstarted](http://www.netflix.com/getstarted)
delivery of audiovisual content streamed over the Internet without the involvement of an Internet service provider (ISP) in the control or distribution of the content” (Roberts and Muscarella, 2015). The ISP is not accountable for, neither able to control, “the viewing abilities, copyrights, or other redistribution of the content, which arrives from a third party and is delivered to an end-user’s device” (Ibid, 2015). The purpose of the ISP is to simply provide a means of transporting IP packets (Ibid, 2015). Roberts and Muscarella make an important and distinguishing note, “OTT services don not require any business or technology affiliations with the entity that controls or maintains the infrastructure through which the content is delivered to end-users” (2015). Of the OTT models there are there are 3 models that will remain the focus of this research. First and foremost, SVOD, as this is the model that Netflix utilizes. This model will be compared and contrasted against Netflix competitors’ models: Ad-Supported Video on Demand (AVOD) and Internet Video on Demand (iVOD) (Ibid, 2015).

1.2.2 Value proposition
To acquire and dominate the market, Netflix has positioned itself to be the number one SVOD content provider through its value proposition. Its main value proposition is accomplished by “streaming a rich content database with legally accessed content” (Mikhalkina, 2014). The company’s website goes on to explain that “Netflix partners with content providers and creators to license streaming rights for a variety of TV shows and movies.” (“How Does Netflix Get TV Shows and Movies to Stream Online, n.d.). The important factors are quantity, quality, and legality. While TV networks and Cable providers have a wide range of content available, the consumer lacks flexibility of when and how to consume the content. Additionally, consumers who turn to pirating content3 for entertainment consumption, are not only infringing on copyrights, but lack control of video quality, availability of content, and run the risk of accessing malware or viruses. In

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cases such as this, consumers are better off using SVOD content providers rather than inflexible linear TV or illegal and unsafe online pirating of content. Additionally, Netflix has integrated a customer customization strategy in the form of personal suggestion of movies for each customer ("About Netflix", n.d.). This is done by a rating algorithm where customers' ratings serve as a basis for recommendations (Mikhalkina, 2014). Thus allowing for better use of TV shows and movies which are available on the website and to be tailored to the customer’s taste (ibid, 2014).

Compared to its SVOD competitors (i.e. Hulu and Amazon Prime), Netflix insists on providing content without the interruption of advertising (Mikhalkina, 2014). Correspondingly, Netflix realized that, to be able to deliver their value proposition, where members can play, pause and resume watching, all without commercials they would have to make their services available and accessible on a variety of devices ("About Netflix", n.d.). Mikhalkina, states that the value created here is accomplished by, “having one of the widest supported devices ranges, including game consoles, tablets, PCs, and internet TVs” (2014). In recent years Netflix has begun to produce and offers original and exclusive content to its subscribers. New and exclusive series are being released as full season as opposed to linear TV’s week by week episode release model, getting Netflix users “hooked” (Mikhalkina, 2014).

With the Internet ecosystem expanding, Netflix benefits from its environment and is leading change. The Internet is getting faster and more reliable. This allows consumers the freedom and flexibility to watch streaming content on demand on any screen ("Netflix's View: Internet TV Is Replacing Linear TV.", 2016). Netflix and its programming have drastically changed how viewers consume and experience TV and film. Its customers not only have access to a library of options, but have their own personalized selection due to Netflix’s recommendation algorithm, and they can access immediately anytime for as long as they like. By providing this innovative service to consumers they are market leaders when it comes to SVOD.
1.2.3 Disrupting the market

At the time, Netflix started in 1997 as a DVD-rental-by-mail firm, and spent the first few years establishing a sustainable model ("Netflix's View: Internet TV Is Replacing Linear TV.", 2016). The company went on to spend the next five years fighting with Blockbuster in the U.S. market (Ibid, 2016). Netflix CEO, Reed Hastings, even approached Blockbuster with an offer to purchase the DVD-by-mail rental company for $50 million dollars in 2000, however, Blockbuster declined (Grasser, 2013). Blockbuster’s chief executives lacked the mind set to see how the industry was ever-changing (Ibid, 2013). Eventually, industry incumbent, Blockbuster, went on to file for bankruptcy in 2010 when it lost $1.1 billion dollars (Ibid, 2013). Blockbuster, the market incumbent, was at the time estimated to be worth $24 million dollars, while Netflix’s value rose to an estimated $13 billion dollars that same year (Ibid, 2013).

Netflix officially established itself as a force to be reckoned with once it had disrupted market incumbent, Blockbuster. CEO Reed Hastings went on to pursue other business strategies, with advancements in technology and the web 2.0, online streaming and downloading content from the web became continued to grow. By 2007, Netflix began streaming TV shows and movies in the U.S., and internationally in 2010 ("Netflix's View: Internet TV Is Replacing Linear TV.", 2016). OTT, and in particular SVOD, has become increasingly common within the market and the preferred choice of entertainment content consumption amongst Millennials. This palpable shift in consumption is affecting TV Networks as well as TV Cable providers. Netflix has taken the initiative to develop its business into more than just SVOD, in a manner of speaking it has cleverly reinvested in itself. Not only does Netflix stream online content, through purchasing IP licenses to stream, as of 2013 has begun producing its own content ("Netflix's View: Internet TV Is Replacing Linear TV.", 2016). Lately, Netflix’s strategy has shifted to focus on attracting more subscribers by means of producing exclusive original content for its platform (Mikhalkina, 2014). This has been well received with Netflix audiences as well as
critically acclaimed award recognition. In 2015 Netflix received a total of 34 Emmy nominations, this number has increased to 54 nominations in 2016 (Huddleston, 2016). This type of recognition is important within the creative industries as it add legitimacy to market entrants.

In 2016, Netflix became a global provider for SVOD reaching over 190 countries (Minaya, 2016). Netflix’s view on Internet TV replacing linear TV is a hopeful one, claiming that, “Over the following decades, Internet TV will replace linear, and we hope to keep leading by offering an amazing entertainment experience saw a market opportunity with the services it could provide to customers” (“Netflix’s View: Internet TV Is Replacing Linear TV.”, 2016). Netflix has successfully built customer relations in addition to the delivery of high quality video and content, and has subsequently become a market leader in streaming services. Throughout this process, power positions have shifted within the market. Thus posing the following questions for research and analysis:

1.3 Research question

- How has the Netflix’s disruptive innovation impacted the TV industry and market?
  - How has entertainment consumption changed due to Netflix (SVOD)?
  - How can Netflix maintain and gain market share under current climate of competitors entering the streaming market?

1.4 Motivation for research topic

The motivation for this research stems from the chaotic nature of disrupting market incumbents and the impact of this disruption on the consumer. Disruptive innovator, Netflix, and market incumbents Cable TV and TV networks are battling it out for territory and due to advancements in technology consumers’ demands are changing as well. To be able to not only remain but continue to gain market share, Netflix must use the momentum gained from disruption and launch itself at the forefront of entertainment content providers. The digitalization revolution has
affected various industries and in particular creative business processes. The TV entertainment industry and the intricate interrelation between partners within the industry is a complex and riddled with intellectual property rights clashes.

TV has been a part of consumers daily lives for many years, and will continue to be. What is interesting is to see where Netflix fits into the bigger picture in all of this. Currently a balance has to be found between Netflix, its competitors, and partners. Netflix can not produce the amount of content that TV Networks do at such a large scale, yet must buy intellectual property rights (IP) to legally stream content on their site. Current trends place TV networks and cable companies with the odds set against them. The linear TV model no longer suits consumers. Therefore consumers are forced to find other means of satisfying their demands for entertainment content, turning to pirating, cable cutting, or simply switching to Netflix for more control over how they consume. TV networks may not want to sell their content to Netflix but with viewership decreasing and current Cable TV customers either leaving or adding Netflix subscriptions, a message is being sent loud and clear. Customers want quality entertainment content with capturing story lines, with freedom and flexibility of how to consume it. TV networks are losing ad sales since TV audiences are decreasing, in a way, TV is being arm twisted into selling to Netflix to make up for lost costs.

TV networks are realizing this shift in power and have strategically begun to move their content online so as to protect their IP and to enter the OTT and SVOD market. In recent years, entertainment industry titan HBO has decided to provide a standalone streaming service “HBO Now” (Neumayr and Cusson, 2015). This can be interpreted as a definite sign that the TV landscape is transition into new territory. When one of the most successful Pay TV service provider can no longer remain out of the SVOD market, it’s an indication that the future of television is changing and perhaps even being disrupted.

Taking in to consideration the above mentioned motivation in conjunction with the outlined research question and sub questions, the applied research on this
case study proposes to outline clear segmentation of the market to better understand where the industry leaders lie, in the hopes to demonstrate how the TV entertainment landscape is changing. Most importantly, to establish how Netflix can remain an industry leader and perhaps predict and recommend future prospects.

1.5 Outline and structure

The following research has been structured as follows:

**Section 1:** A introduction to the case study company, Netflix, and outline of its internal business standings as well as its relation to the market competition. Presentation of research questions and motivation for research.

**Section 2:** Clear definition and outline of relevant theory used throughout the research process. Critique of theory and brief references to how the theory is connected to the case study of Netflix are also mentioned. In doing so, a connection between the applied theory and the case study will allow for highlighting the challenges and opportunities within the field of research. As such, providing the basis for the analysis process.

**Section 3 & 4:** Presents the choices in research design and details the procedures used to collect and analyze data. This is followed by a report of primary data and cumulative secondary data collected.

**Section 5:** Contains the analysis conducted in order to answer to the research question and presents the initial findings, deriving from the observation of qualitative and quantitative data, that describe the dynamics characterizing the case study on Netflix and the TV industry.

**Section 6 & 7:** Lastly, summary of the results, within the context of the theoretical framework, and the conclusive sections of the Thesis.
2. THEORETICAL FRAMEWORK
The following section will outline the theory utilized during the research process and how the theoretical concepts are applied to the case study of Netflix. There will be brief references of application of theory to the actual case and how the theory can be implemented in practical terms. This is followed by an objective critique of the theory’s shortcomings. Lastly, additional literature to provide context to the case study.

2.1 Defining Disruption (Clayton M. Christensen; 1995)

In the mid 1990’s, Harvard Business School Professor Clayton M. Christensen introduced the theory of Disruptive Innovation. Over the years, the application of the theory has been widened to include not only technological products, but also services and business model innovations (Christensen and Wessel. "Surviving Disruption.", 2012). Initially, the theory was a simple statement of the correlation between market incumbents and disruptive innovators. Evidence showed that incumbents outperformed entrants in a sustaining innovation context, but underperformed when it came to disruptive innovation context (Christensen, et. al. "What Is Disruptive Innovation?", 2015). It also distinguishes between disruptive innovations from “sustaining innovations”. A sustaining innovation is defined as an innovation that is accomplished by improving a product’s performance based on feedback by its largest customer base and by reducing defects ("The Explainer: Disruptive Innovation.", 2013). On the other hand, disruptive innovation is a term that describes the process by which a product or service enters at the bottom of a market, and persistently moves up market, eventually pushing out established competitors (“Disruptive Innovation.”, 2012). Disruptive innovations are, at first, considered substandard to what is available on the market. Often customers are not willing to switch to a new offering simply due to a lower cost. Instead, they wait until its quality rises enough to satisfy them. Once that has been accomplished, they adopt the new product and its lower price. (Christensen, et. al. 2015). Disruption does not always occur as a single event, it can also be process that develops over a period of time, occurring rapidly and completely, or gradually and incompletely. (Christensen and Wessel, "Surviving Disruption." 2012).
It should be noted that Christensen’s innovative theory has generated a considerable impact on management practices as well as incited clashing debates within the academia (Yu and Hang, 2009). There are a number of factors that have contributed to the debate on disruption. Critics of the theory argue that, the term is too broad, which has inevitably contributed to its improper use to describe any and all kinds of innovations (Markides, 2006). A combination of inaccurate use of the terminology, lack of concrete qualifying criteria, and difficulty of predictability of theory has contributed to many critics’ disdain for Christensen’s claim of theory (Daneels, 2004; Lepore, 2014; Markides, 2006).

The following sections aim to clarify, the concept of disruptive innovation and some common misconceptions in regards to the theory.

2.1.2 The Innovator’s Dilemma and Solution
According to Christensen, disruptive technologies provide different values from mainstream technologies, and initially underperform along traditional performance metrics (“Disruptive Innovation.”, 2012). Nevertheless, disruptive innovators end up displacing the prior established technologies, and subsequently the incumbent firms that provide the technology (“Disruptive Innovation.”, 2012). Through widening the application of the theory, the term disruptive technologies evolved to be the term commonly used today; disruptive innovation. The development of the theory not only covers technological products, but additionally services and business models innovation (Yu and Hang, 2009). Disruptive innovation is a formidable means of expanding and developing new markets and providing new functionality within the market, which can result in disrupting existing market linkages (Ibid, 2009). Christensen provides a model to explain the process of how market incumbents and disruptive innovations meet.
**Entrants vs. Incumbents: When and How Disruption Occurs**

The Disruptive Innovation Model depicts the contrast between product performance trajectories, and customers demand trajectories over the course of time. The red arrows are representative of how products or services improve over the specified period of time. Contrastingly, the blue arrows depict customers’ willingness to pay for performance. As incumbents develop and produce higher-quality products or services to meet the high end demand of the market, they exceed the needs of the low-end and mainstream customers (Christensen, et al, 2015). Naturally, incumbents want to improve their products or services to reach the high end of the market as this is where the greatest profitability potential is at its highest; leaving them to neglect the low end of the market (Ibid, 2015). Due to the speed of which technological progress occurs in today’s market, in addition to the pressures to innovate and out pace encroaching competitors, companies are verging on innovating faster than the development of customers’ needs ("The Explainer: Disruptive Innovation.", 2013). This can result in producing products or services that are too refined, complicated, and expensive for current market customers (Disruptive Innovation, 2012). Characteristically, incumbents allocate resources to focus on sustaining innovation by upgrading existing products and
services in the hopes of attracting higher paying customers ("The Explainer: Disruptive Innovation.", 2013). They are not concerned with the simpler demands of lower end of the market customers. Consequently, this creates an opening for market entrants to gain and establish footholds found in the in the less profitable division of the market (Christensen et al, 2015).

Disruptive innovations offer the opposite of what is produced by incumbents. The product or service itself finds its strength as being the simple, low cost alternative to what is already on the market, and over time the entrant develops and improves the product or service to appeal to higher level customers ("The Explainer: Disruptive Innovation.", 2013). Disruptive innovation occurs at the point where new market entrants on a disruptive trajectory sufficiently improve the performance of their offering (Christensen et. al, 2015). Thus they begin to move upmarket gaining traction with low end, mainstream, and eventually high end customers. In its initial phase, disruptive innovations have a smaller target market and offer simpler products and services to what is already available, as such these products and services may not seem very attractive when compared to market incumbent offerings (Disruptive Innovation, 2012). Moreover, due to the low-end of the market providing lower gross margins, this market segment is unattractive to other current market firms, therefore forming space at the bottom of the market for new disruptive competitors (Ibid, 2012). Resulting in entrants challenging the market dominance of the incumbents.

*Figure 2.1.2b New and Low-end Market Entry for Disruptive Innovation Model*
For disruptive innovations to be made possible, they must begin their origins in one of two types of markets, low-end and new market footholds, typically these are markets which incumbents have a tendency to overlook (Christensen et. al, 2015). Low-end market footholds exist due to incumbents characteristically focusing on the high-end market and not focusing on the low-end market. As previously motioned, this is done by providing products or services to the highest profit yielding and demanding customers, supplying the market with improved products and services, and being less attentive to the less-demanding low-end market customers (Christensen et. al, 2015). This provides the opportunity for market entrant disrupters to provide the low-end customers with an adequate product to satisfy their needs (Ibid, 2015). On the other hand, new-market footholds occur when disrupters create a completely new market where none existed before, thus turning non-consumers into consumers (Christensen et. al, 2015). This allows entrants to create and exploit an entirely new value network. Disrupters start by appealing to low-end or underserved consumers and then migrate to the mainstream market.

Disruption theory further differentiates disruptive innovations from what are considered to be “sustaining innovations”. As previously mentioned, disruptive innovations target new and low end market entry footholds and over time improve their offerings to reach the higher end markets. Christensen et. al, states that “These improvements can be incremental advances or major breakthroughs, but they all enable firms to sell more products to the most profitable customers” (2015). He goes on to explain how “a disruption displaces an existing market, industry, or technology and produces something new and more efficient and worthwhile”, it is both destructive and creative at the same time (Christensen et al, 2015). Market incumbent’s strategy typically rely on sustaining innovations, where making upgrades to an already existing product to satisfy an already established market. However, this leaves incumbents susceptible to being disrupted, therefore, managers must take into consideration what Christensen refers to as “The Innovators Dilemma".
Defining the Dilemma

Jill Lepore describes Christensen’s Innovators Dilemma simply as a missed opportunity (2014). Perhaps that is an oversimplified way of understanding the dilemma, however there is some truth behind this perspective. We have previously delineated what is a disruptive innovation, and explored how disruptively innovative market entrants and market incumbents process their innovation strategies. It should be noted that not all innovations are disruptive, and not all disruptive innovations succeed in reaching mainstream and higher end markets (“Disruptive Innovation”, 2012). For disruptive innovators it is important to continue to listen to customers, and strategically utilize their low position in the market to their advantage. This leaves market incumbents in a frantic and panicked state of “disrupt or be disrupted” (Lepore, 2014). It seems that often, incumbents seem to fail in the face of disruptive innovation. This is an encouraging message to new competitors and market entrants, however it is a message of caution to managers and leadership teams.

A company follows a path of sustaining innovation when it improves a product’s performance based on the feedback of its largest customer segment. Customarily, these improvements are in regards to reducing defects and making things better, faster, stronger (BoardStudios, 2015). Large and established companies in the market have a demanding and sophisticated customer base and simply can not adopt a disruptive strategy (Ibid, 2015). This is due to, as previously mentioned, disruptive innovations having lower performance in many of the key features valued by the current market, including more defects, less speed, and less power. For market incumbents it is inutile to adopt such a strategy when their customers have higher performance demand (BoardStudios, 2015). Furthermore, incumbents must consider how and where to allocate valuable resources in regards to market analysis and product development (Ibid, 2015). It is within incumbent’s nature to consider it to be ill advised to invest in niche and unproven opportunity. When conducting market research, incumbents focus on their largest customer base
and market to satisfy their needs since these are the customers that add to the company's value network (BoardStudios, 2015). Nevertheless, these customers are already having their demands met, their feedback is usually related to a manner of upgrades and adjustment to what is already on the market, in other words, making an already existing product better, but not creating any drastically new products (BoardStudios, 2015). By further satisfying this market’s needs, incumbents hope to improve an already well established margin.

Sustaining innovation satisfies customers’ current needs, while disruptive innovation, technologies, services, and business models evolve to meet customer’s future needs (Christensen, et al, 2015). Thus the core of innovators dilemma. Following sustaining makes sense in the short term but can ultimately mark a company to failure. Disruptive innovation is born out of the need that exist in the niche market which are currently being neglected by current market offerings (Christensen, et al, 2015). This market segment may not place too much emphasis on traditional market features (Ibid, 2015). Therefore, incumbents find themselves without any competitive advantage in the new market created by disruptors. For example, Smartphones started with poor camera capabilities which served only the lowest tiered customers, initially they were useless as cameras and few would use them, but after technological advancements and developments, they have displaced cameras from traditional uses (Christensen, et al, 2015).

Often, there is an assumption that the reason why market incumbents do not succeed in embracing or developing disruptive technologies is the inability to organize and adapt operationally or technologically (Thrasyvoulou, n.d.). That is to say that, management lacks the ability to identify up coming trends, develop innovative ideas, or organize to introduce new technologies to the market (Thrasyvoulou, n.d.). However, what theory and evidence support is that incumbents are capable of doing so and often do. The issue is encountered in the inability to properly value new innovations and attempt to apply them to their current consumer base (Thrasyvoulou, n.d.). This creates a misalignment between
the incumbent, the innovated product, and the current customer base. As Xenios Thrasyvoulou, states “often new technologies are too new and weak for the more advanced and mature value networks that incumbents operate.” (n.d.)

**Solutions to the big question: The Innovator’s Dilemma**

Strategic solutions for disruptive innovation do not present themselves as being applicable to all cases. That is, there is no specifically correct manner in which to counter the innovators dilemma. This is due to the fact that, every firm, in every industry operates under specific yet differing organizational nature. As such, this outlines what firms have the possibility and ability to do. When encountering an innovator’s dilemma, the best tool for action is collecting information to make strategic decision making. Once the innovator understands and recognizes the dynamics and the development of disruptive innovation, managers can tackle the dilemma and the opportunities that may be present.

**2.2 Critique of theory**

As with many theories, many scholars from different management research disciplines have generated, over time, diverse critiques, doubts and challenges over his theories’ mechanisms and effects on firms and industries.

Perhaps the most notable of critiques is the theories unpredictability. Christensen never fully claims that disruptive innovations are always successful. Nevertheless, he has been critiqued for carefully selecting case studies where firms that fit his theories description and qualifications. Resulting in scholars who have challenged the predictive use of disruptive innovation theory (Yu and Hang, 2009).

It can be argued that success of any given firm could just as well be dependent on lucky technological choices (Barney, 1997). Nevertheless, the real test of any managerial theory lies within its performance predictability. Therefore, it is argued that there can not exist a predictive value if the predictability only occurs once the phenomenon has happened. While often the displacement of market
incumbents frequently occurs, it is argued not to be the only outcome. As a matter of fact, some argue that the disruption itself can have an impact on the current market without always displacing a potential competitor (Schmidt and Druehl, 2008). Furthermore, it must be taken into consideration that incumbents are capable of surviving market disruption, there have even been cases where the incumbent is in fact the disruptor (King and Tucci, 2002).

2.3 Response to disruption
Overall, Charitou and Markides (2003) identified five key ways in which a market incumbent may respond to disruptive innovation. First, incumbents can choose to remain focused on investing on their own business. According to a survey conducted by Charitou and Markides (2003), companies who embraced innovation were motivated by their own desire to remain focused on their own exiting business and customers. Secondly, it has been advised that the best thing you can do is to simply ignore the innovation (Charitou and Markides, 2003). While this may seem counter productive it in fact allows to focus on what is truly important and crucial for the business. Therefore, although the threat to innovate may be eminent it can also be counter productive and produce set backs. Many times a company will react to the threat of innovation, to safe guard against disruption, but as aforementioned not all disruption is guaranteed success and threat (Charitou and Markides, 2003). Thirdly, should there be a real threat of disruption, an attack position on the market may suit best (Ibid, 2003). While the disruptor starts to take hold on the smaller markets, the incumbent takes notice of this and quickly adopts and implements the disruption strategy (Charitou and Markides, 2003). Since the incumbent has the resources to follow through with the innovation processes they can find themselves in a very favorable position on the market. Fourthly, by coming to terms that disruption is occurring, market incumbents can select to strategically adopt the disruption and to make it their own (Charitou and Markides, 2003). The issue with this strategy arises when incumbents must figure out how to adopt the disruptive innovation (Ibid, 2003). Nevertheless, the survey conducted by Charitou and Markides (2003) found that
68 out of 98 companies chose to embrace the disruptive innovation occurring within their industry. The final option available to market incumbents is to completely abandon their initial business strategy and to embrace disruptive strategic innovation completely. The end goal is not only to imitate the innovation but to also upscale and develop the innovation into a mass market, thus replacing the initial business strategy. In the survey conducted it was reported that managers often discuss utilizing this strategy however, ultimately refrain from actually implementing it.

Figure below depicts how to respond to disruptive innovation. Source: Charitou and Markides, 2003

As Charitou and Markides explain, often the manner of which a market incumbent elects to respond to disruptive innovation is dependent upon two key factors (2003). The first factor being the motivation to respond, and the second being its ability to respond (Charitou and Markides, 2003). As depicted above, the lower the motivation to respond, and the lower the ability to do so, the company will elect to focus on their own business strategies (Ibid, 2003). In the case that both motivation and ability to respond are high, then the incumbent may select the most suitable response given the circumstances (Ibid, 2003).
2.4 Disruption in Context: Innovation within the TV Industry

The aforementioned literature and theory in combination with scholarly critiques has attempted to time and time again to present a multitude of definitions of the concept of disruptive innovation. With such a variance in definition, and for the purpose of this research, a more focused definition of the theoretical concept will be applied. By doing so, the application of theory to the case context will be easier to understand, and as such, facilitate for clear analysis of data. Having re-examined Christiansen’s definition of the concept a new outlined definition of the theoretical concept is as follows: Disruptive innovation occurs when a technologically innovative product enters the low end of the market where underserved consumers are, and, or, creates a new market when introducing a new product resulting in new consumption patterns, and most notably, disrupting current market incumbents.

Through evaluating Christiansen’s theory and taking into consideration the critiques, it is true that often times, cases of disruptive innovation do not perfectly fit the definition given by the theory’s author. However, that does not make it any less reliable. It simply calls for a broadened scope so as to acknowledge new case findings within the field. As such, in doing this, the theory’s definition will become more concrete over time. Furthermore, the revised definition, allows for clearer reflections of the innovations that impacted the TV industry.

2.4.1 The Development of the TV Industry

In the 1950s, Television officially replaced radio by becoming most popular form of mass media, and as such has played a fundamental part in everyday modern life (Lule, 2012). It has therefore been responsible for reflecting and shaping cultural values. Moreover, it has consequently been criticized for its perceived negative influences as well as commended for its ability to create a common shared experience for consumers (Lule, 2012). Nevertheless, technological advancements and the digitalization of entertainment content has consequently spurred the evolution of the industry (Ibid, 2012). Yet, TV as a medium has continuously evolved
and as such has solidified its positon as what Jack Lule states to be, “one of the most important inventions of the 20th century” (2012). While the 1950s may have proved to be the “golden age of television”, it was also during this time that TV experienced substantial growth in popularity (Lule, 2012). With the mass-production developments having taken place during World War II, the cost of purchasing a TV became substantially lower resulting in its accessibility to mass consumers (Lule, 2012). Furthermore, during the 1950s, television programming expanded from radio broadcasting, into theater, creating dramatic and high quality news film to accompany reporting of daily news events (Lule, 2012).

The figure below illustrates a summarized timeline of the developments within the TV industry. Source: Lule, Jack. "Chapter 9: Television." Mass Communication, Media, and Culture.

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**The Evolution of Television**

Fast forward to the early 1970’s when, Home Box Office (HBO), became of the one of the first successful cable TV service providers, where consumers had accesses to video on demand via paid a subscription fee to access premium cable television shows (Lule, 2012). Since HBO utilized satellites for broadcasting and distribution, it made its network available throughout the United States (Ibid, 2012). This nation wide access gave HBO a competitive edge by gaining access to consumers across the country. The advantages in satellite distribution over the microwave distributed services, where clear, and soon many other cable providers quickly followed the market trend by switching to satellite.
The push for digitalization

In accordance to the FCC regulations outlines during the early 1940s, television sets received programs via analog signals made of radio waves. At the time, analog signals reached television sets by three different methods: over the airwaves, through a cable wire, or by satellite transmission (Lule, 2012). Although technologically innovative at the time and having remained in use for over 60 years within the industry, analog signals had several disadvantages. The analog systems frequently delivered poor quality picture as it was prone to static and distortion (Lule, 2012). Thus the need for innovative technological advancements were in demand. The latest efforts were driven by companies who began developing technology which would provide better quality of television formats, resulting in digital television (Lule, 2012). Digital television was a far better and more efficient manner in which to broadcast. It contrasts the analog systems methods of broadcasting by “using signals that translate television images and sounds into binary code, working in much the same way as a computer” (Lule, 2012). As such, this requires far less frequency space while simultaneously drastically improving picture quality (Lule, 2012).

Internet and TV

As previously mentioned, the TV industry has always been highly susceptible to change, and has not only spurred technological advancements but has also been able to keep up with technological demands. Consumers now a days are no longer restricted to a limited number of channels, limited number of network television, or even to the classic linear TV model schedule (Lule, 2012). Today, consumers are able to watch what they want, when they want. The internet has played a key role in this shift. Breaking with tradition, non-television delivery systems like the Internet, enable consumers to download or stream content on to a computer, laptop, or smartphone, and impacting the TV industry by changing the way people watch television (Lule, 2012). The TV industry has become highly motivated to provide similar service. Both cable and satellite providers are
allowing consumers to purchase television shows to watch at their convenience by offering video on demand services (Ibid, 2012).

TV audiences have become more and more fragmented. This is due to the escalating competition between cable and satellite channels, traditional network television stations, and the internet (Lule, 2012). Nevertheless, this fragmentation is also met with a growth in consumers due to the convenience and availability of technologies (Lule, 2012). Not only are there more people consuming television, but the amount of television that is being consumed as also increased. Due to technology, consumers are connected more than ever. As such consumers are once again being presented with even more options with non-television delivery systems such as the Internet over taking the market (Lule, 2012). It should be noted that, although other forms of media such as newspapers and the radio, the television industry has so far survived the Internet’s effects better than the other medias (Lule, 2012). Even though the internet has become an integral part of consumers lives, not only for the means of entertainment, television still remains the dominant source of entertainment consumers (Ibid, 2012). However, it should be noted that while consumers are maintaining their close ties to television, they are also more and more using new media in conjunction with traditional television viewing (Lule, 2012).

**Video on Demand**

The model for video on demand was introduced in the early 1990s, where a pay per view system which allowed consumers to order or download content via television or the Internet, and to consumer their content at their own convenience (Lule, 2012). At first, this model was not immediately successful, partially due to the high cost of ordering a content versus simply purchasing or renting it from a distribution store (Lule, 2012). Furthermore, at the time, studios were withholding releasing content until it was finally available an accessible via DVD (Lule, 2012). By the time content was released, those who wanted to consume the content had
already done so. The combination of these two disadvantages were eventually remedied. Now, content is released at the same time through VOD as it is released to DVD since the prices for doing so have become competitive and thus more affordable for consumers (Lule, 2012). Presently, most cable and satellite television providers include some form of video on demand service (Lule, 2012). Typically through VOD, where content is available at all times and consumers have the functionality to stop, play, and rewind content, or near video on demand (NVOD) where content is broadcast multiple times over short time intervals, yet this does not allow consumers to control the video (Lule, 2012).

An alternative to cable provided VOD, consumer can also obtain access to content via the Internet. Jack Lule points to services such as Netflix and Amazon as case examples. Netflix with its online DVD rental service which began in 2007 has developed into a SVOD platform (Lule, 2012). While internet giant and Netflix competitor Amazon, has chosen to offer a similar service but with a pay per view model in 2008 (Lule, 2012). This shift from traditional television viewing to online viewing is creating a small but significant impact on the $84 billion cable and satellite industry (Lule, 2012). In 2008 and 2009 an estimated 800,000 U.S. households cancelled their cable TV contract and “cut the cord” in favor of online services (Lule, 2012). As previously mentioned, in comparing other forms f media, Television encountered some set backs with the introduction of the internet and online viewing, but for the most part has persevered. However, online content consumption is drastically content delivery methods and impacting the manner in which consumers consider television and program scheduling (Lule, 2012).

2.4.2 The TV Value Chain for OTT
In taking a closer look at the TV value chain as it exists today, it is clear to see that it is a complex and ever-evolving ecosystem. This has resulted from all the different technologies and business models that have followed one another over the last few decades. Wessel et al. (2012) created a framework that attempts to simplify the TV value chain, by segmenting it into four distinct areas: “consumers”,

“distributors”, “curators” and “creators”.

Figure below demonstrates an overview of the TV industry ecosystem. Source: Wessel et al, 2012).

Consumers
The “consumer” segment, is the end user segment. From beginning to end, all products and services of the TV ecosystem are passed down to consumers. The end product is accessed through a variety of access points, and as previously discussed, these access points have developed beyond the traditional TV set method (Lule, 2012 and, Wessel et al. 2012). Consumers have access to their desired entertainment content by means of: TV sets, laptops, tablets, smartphones, internet connected gaming consoles and other OTT devices (e.g., Apple TV) (Wessel et al. 2012). The industry revenue is produced by means of device sales (access points) and subscription packages (Wessel et al. 2012). There has been an increase in motivation for traditional TV market incumbents such as cable TV service providers and device manufactures to pursue internet driven revenue streams by way of VOD so as to diversify within the market (Wessel et al. 2012). As a
result, consumers have now more options than ever before, for viewing their favorite TV programming. (Wessel et al. 2012)

**Distributors**
The methods for which consumers access TV entertainment content falls within the distributor segment. This is where firms purchase the IP rights from content creators with the objective distributing it to consumers by giving consumes access to content through a variety of distribution channels (Wessel et al. 2012). Distributors reach out to the rights holders and production studios to purchase TV entertainment content (Wessel et al, 2012). With the development of technology and the proliferation of the internet, some content distributors are taking on function of Internet Service Providers (ISP), and as such are bundling services in order to maintain high subscription rates with consumers (Wessel et al, 2012). Contrastingly, the internet has supplied a stable platform for market entrants to develop a new form of distribution over the world wide web. These service providers also serve the function of content distributor, much like traditional cable TV (Wessel et al, 2012). Revenue streams between distributors vary, however, the majority of distributors function on a monthly fee, where subscribers are charged to access TV entertainment packages, which include both premium and basic TV packages as well as VOD and DVR equipment (Wessel et al, 2012).

**Curators**
In the traditional TV industry, the curators segment of the value chain includes mainly broadcast networks, which supply content via over-the-air transmission, and cable networks. However, in today’s current ecosystem this segment can be extended to include a variety of online market players. Online video consumption continues to grow and develop within the market and as such new curators have emerged. Netflix, for example, has developed algorithms to determine the taste preference of individual users and present them with content they are likely to enjoy. The main revenue stream for curators is earned by advertising contracts, where advertisers pay to be featured during TV programing (Wessel et al, 2012).
More notably, curators such as TV networks, act as brokers for content creators and in that capacity create revenue by licensing the distribution rights (Wessel et al, 2012).

**Creators**

Last but not least, creators are at the very beginning of content. Simply put, creators are those who produce content. This is typically a processes by which producers craft entertainment content that is then sold and licensed to networks. Notably, with the current technological advancements and the development of streaming platforms, creators are now selling and licensing content to the digital distribution partners (Wessel et al, 2012). Recently, many content curators and distributors, for example HBO, have transitioned moved towards content production (Wessel et al, 2012). SVOD service provider, Netflix, has also invested in becoming content creator. By already being the the digital distributor, Netflix can effortlessly distribute their originally produced content along side licensed content directly. Consequently, resulting in a rich library of content. As such, the processes of creation and distribution are beginning to intersect and overlap.

**OTT Ecosystem**

The aforementioned diagram depicted the complexities of the TV industry ecosystem. However, it is also important to examine the more specific OTT ecosystem. This is a simpler model, but a key model nonetheless as it clearly outlines the process of consumption. It can be argued that this model further depicts the shift in consumer behavior habits in regards to OTT, SVOD, and online content consumption. The figure below depicts the flow of access from content to end users. At the top of the figure video providers ranging from AVOD, SVOD, and iVOD, which utilize the internet as a means to transport content (Roberts and Muscarella, 2013). The internet (ISP) does not serve as a monitor for content copyrights and license and it does not control the distribution of content (Roberts and Muscarella, 2013). The ISP is simply the manner of which content can be
transported from distributor to consumer. End users then access content with devices which have an internet connection. Contrastingly, the expansion of access points for content has greatly been diversified, with TV being one of the long standing methods (Roberts and Muscarella, 2013). Now, consumers can utilize a combination of devices to access their content.

Figure below demonstrates an overview of the complex OTT landscape. Source: Roberts and Muscarella, 2013).

The disruption of the living room
The culmination of literature explored above, brings us to the narrowed focus of this research: how has Netflix disrupted the living room. Cord cutting has begun to take a toll on the cable TV industry, while simultaneously the OTT SVOD models for services providers have flourished under current market conditions. While Netflix may not be the only SVOD service provider, it has been leading the market with rippling effects on its competitors, the market, and consumers. Already the manner
in which Netflix chooses to conduct its business strategy differs from the majority of market incumbents. Netflix insists on providing its content without the interruption of advertisement. Since Netflix does not rely on advertisement revenue it is able to attract more subscribers even with subscription fees being lower than its competitors. Just like many other content providers, whether SVOD or AVOD, Netflix also makes its revenues on extra features, upgrades, and premium subscription packages offers. Furthermore, the manner of which they release content does not follow the linear TV model, releasing episodes on a week to week basis. The company places a lot of control and liberty in their subscribers’ hands, allowing them access to a rich library of content. This impact has been felt on the market, with other non-market players feeling the disruption and switching to their own online streaming platforms or seeking partnerships to sell their content to SVOD platforms such as Netflix, Hulu, and Amazon Prime. HBO, a classic example of a content creator, distributor, and curator, made the switch to its own SVOD platform in recent years. Arguably, marking the beginning of new phase for OTT, traditional cable TV networks finally switching away from MVPDs cable TV, and establishing their own platforms. Throughout the developing history of the TV industry, consumers are beginning to become less loyal (“Cutting the Cord”, 2016). Moreover, the pace in which consumers are canceling their cable TV subscriptions has not occurred as swiftly as many had expected. However, the pace is also not slowing down, and cable TV subscriptions are not rising up. In other words, the number of consumers breaking their cable TV contract each year is outnumbering the consumers who are joining (“Cutting the Cord”, 2016). For a period of time, industry losses were modest, however is recent years traditional pay TV suddenly lost 1.1 million subscribers (“Cutting the Cord”, 2016).
3. METHODOLOGY
The following section introduces the methodology of the research, including limitations and delimitations. It also includes a brief section of overview of the primary and secondary data sources that were collected. This is for the purpose of providing relevant sources of data since the research relies heavily on secondary sources such as audits, reports, and reviews by third party participants. Lastly, the following section is derived from Saunders et al, theoretical text on research methods published in 2009.

3.1 Research purpose and strategy

The objective of this Thesis is to explore the evolution of Netflix and its affect on the TV industry, from the establishment of Netflix, to the present day. This is done in the hope of understanding the critical factors that have contributed to the development of the current competitive market and, to single out factors that could possibly determine the successes or failures of the current market. In order to accomplish this goal, the analysis and interpretation of the data collected have been implemented having taken into consideration, throughout the entirety of the project, the following research questions and sub-questions:

- How has the Netflix’s disruptive innovation impacted the TV industry and market?
  - How has entertainment consumption changed due to Netflix (streaming services)?
  - How can Netflix maintain and gain market share under current climate of competitors entering the streaming market?

The epistemological approach of pragmatism with mixed method of quantitative and qualitative data collection methods were utilized in this research project. Furthermore, an inductive approach to answering the research questions as this allowed for a more flexible research structure. Thus resulting in redirecting research focus with the development and progression of the project. In other words, the root of the research is based on the main research question and with new
discoveries allowing to revisit the focal point of the research. As such, this flexibility allows for redirecting and guiding the research processes. As previously mentioned, all research developments are rooted in the main research question, with the sub-questions acting as branches to further and more in-depth investigate the case study phenomenon. Data collection was obtained via a mixed method as this allows for in-depth exploration, providing meaning to quantitative data, and emphasized value to qualitative data. Furthermore, the purpose of this research is rooted in exploratory studies as it seeks to explore the phenomenon of disruptive innovation within the entertainment content market. This strategy aligns with a case study approach to research, where exploring the “why” and “how” and case study phenomenon occurs. For the purpose of this research a single case study approach was utilized as it fit best to understand and exploring the phenomenon of Netflix disruptive innovation.

3.1.1 Research design and Strategy
An inductive research design was used. Relying mostly on secondary data in conjunction with primary data to add support and relevance to secondary findings. Additionally, given the vastness and complexity of the research topic, the strategy chosen to explore and to answer the research question is a case study approach. By utilizing a case study method to research, it allows the research to focus on a specific context. Thus the possibility, to exploit the insights of the case company in the hopes of understanding and explaining the given phenomenon. By utilizing this research method strategy, it is possible to construct an analytical interpretation of the phenomenon, and in the process generate consistent findings.

3.1.2 Implementation of strategy
As the research conducted relies heavily on secondary data provided by reports, audits, and scholarly articles, information from these sources were collected via online databases and online searches. The majority of the primary data was
collected via face to face personal interviews, with a few interviews occurring through online chat and Skype call.

**Data sources and collection methods**

The following subsection briefly outlines the sources of data and what type of data was collected from each source. First a brief outline of the interview strategy that was implemented, subsequently followed by the key secondary data sources. The sources utilized in this research relied primarily on secondary publications from news articles, company websites, and scholarly articles, audit and statistical reports which were all accessed via online databases and online searches.

- **Personal Interview**

  A semi-structured approach was utilized in the interview process with a total of twenty-three questions used as guidelines. The interview process was divided into three sections. The first section was outlined to gather demographic statistics of those who participated including questions such as: age, sex, occupation, country of residence. The following section was aimed at quantifying participants’ consumer behavior with regards to consumption of entertainment content. Lastly, open ended highly qualitative questions were asked focusing on participants’ knowledge of Netflix and SVOD services in addition to their views on their consumer behavior towards SVOD services, as well as their view of what the future entertainment content markets might develop into.

- **Netflix**

  Netflix’s official website provided prime secondary data. Since contact and collaboration with the case company was not possible, the company’s official website was a primary source of secondary data. Data collected through the ‘About’ section to allow for basic knowledge and a historical timeline of the company’s development. Netflix also provides quarterly reports and frequently publishes a letter from the CEO to its stakeholders to inform them of any progress, new strategies, and to address any concerns or issues.
• **Deloitte**

Deloitte, an auditing and research company provided insight via reports on what drives today’s consumers. The 10th edition of Deloitte’s digital democracy survey, fielded by an independent research firm in November 2015, explores the speed at which technology and media consumption trends are evolving and how the introduction of new devices and technologies are influencing consumer behavior. The report includes data and statistics on Product and device ownership and value, Mobile app usage, Streaming video, Binge watching, Multitasking, Advertising, and Social media. The survey provides a glimpse into the evolving world of the connected consumer.

• **PricewaterhouseCoopers LLP (PwC)**

PwC’s “Feeling the effects of the Videoquake: changes in how we consume video content” 2014 report is part of a consumer intelligence series and is one of the main secondary sources of data for this Thesis. PwC set out to explore the many ways in which video content consumption has changed over the past year and what this means for consumers and the entertainment industry at large. Research and data collection methods for PwC’s 2014 aforementioned report, were conducted via surveys, focus groups, and social listening.

• **Digital TV Research**

Digital TV Research Limited, established in 2011, provided extensive international industry knowledge. The forecasts and analysis in these reports cover over 100 countries. This database was primarily used for up to date and current press releases specific to the SVOD market research.

• **The Video Advertising Bureau (VAB)**

The Video Advertising Bureau is an advocacy group dedicated to providing advertisers and their agencies with the most current, complete and actionable media insights on the expanding world of premium, multiscreen video content. The VAB analysis produced insights into consumer behavior and the power of TV
programming to drive awareness, consideration, sales traffic, activation and loyalty. Their reports consisted of The Video Streaming Ecosystem explores the current ecosystem, and the many layers that exist within it. It further explores the evolution of the SVOD category in addition to the further advancements that are sure to occur in the future.

- **Nielsen Holdings plc**
  The global performance management company provides a comprehensive understanding of what consumers watch and buy. Nielsen’s Watch segment provides Total Audience measurement services for all devices on which entertainment content is consumed. Nielsen’s source of data provided quarterly reports into media consumption trends. Additionally, the Nielsen’s Total Audience Report from the first quarter of 2016, provided detailed data focusing on SVOD penetration and growth on the current market.

- **eMarketer**
  The eMarketer is a subsidiary market research company that provides insights and trends related to digital market media and commerce. Within their data base, analysts, forecasters, and researchers publish industry reports, forecasts, comparative estimates, charts, articles, interviews, case studies, web conferencing and videos. This data source by means of comparing and contextualizes information from global sources provided a macro-level understanding of digital trends. More specifically, eMarketer report gave insight to the global market trend of SVOD subscription rates.

### 3.4 Delimitations

First and foremost, the research is conducted with Netflix as its focal point. In addition, the theory utilized, Christiansen’s disruptive innovation theory, is also at the center of the research. This is so when reflecting throughout the project, the research is always brought back to its core objectives: Netflix and its disruptive innovation. Furthermore, the scope and focus of the analysis is based upon the U.S. market. While the primary data collected included both U.S. and European
markets, the focus will remain on the U.S. market as this is the market of origin for the case company. Although Netflix has expanded globally, the U.S. market remains the most established and developed market segment. It should also be noted that the U.S. market is a driving force for other global market strategies.

3.5 Limitations

One of the main limitations in the research process was the inability to contact and collaborate closely with the case company. This affected the research by means of limiting the information sources for data, hence the majority of data collected was via secondary sources and publications. Additionally, it should also be noted the sample size for the personal interviews could potentially be argued to be too small and restrictive. Therefore, a bias of having too small of a sample group to make broad generalizations and reach concrete conclusion.

Other factors such as the singularity of theory used in the project. As the research’s focal point is strictly based on one main theory, and there have been numerous arguments against said theory. In this case, there is a risk of the theory being judged as invalid and therefore the corner stone of the research would not hold up on its own.

Lastly, time constraints and requirements of the assignment can always affect any research project. In this particular case the time line of the assignment certainly gave bias as to the information gathered. That is to say, that the time constraints, in a manner of speaking, give way to a specific timeline of research produced. Should the research be conducted sooner or later, different results could be attained. As the case company is currently highly active on the market, new information is released on a daily basis. Therefore the timeline of research is specific and crucial for the application of theory and analysis.
4. Data
The research conducted is founded primarily in secondary data by means of scholarly and academic articles, supplemented by reputable news articles to add context of the case study. Furthermore, the case study’s company, Netflix’s website as a base for Netflix quantitative and qualitative sources of information. Lastly, to provide further context mixed method semi structured interviews were conducted to allow a closer insight to the current market climate.

4.1 Personal Interviews
A total of 9 interviews were conducted, being based mainly in three markets: The United States, Denmark, and The United Kingdom. Of those markets 66.7 % being based in the U.S. while the remaining 33.3% based in Europe. 55.6% of participants were women, with 44.4% being men, moreover, the age range was between 20 years old to 67 years old. Occupational backgrounds included, lawyer, nurse, engineer, safety inspector, sales associate, with he majority, 4 out of 9 participants, identifying as students.

In measuring the frequency of which participants watched TV including TV shows, news, live sport events, or films, with 67% majority watching TV 7 days a week, followed by 22% watching 3 days out of the week, and the minority at 11% watching 1 day per week. The determining definition is not based on how many hours, but based on measuring the interaction of habit between the user and the activity. That is, what is being measured is how often does a participant interact with his or her entertainment device. Participants were also measured in frequency of going out for a movie. The combined average between two to three times within a year was the majority at 67%, with a combined of 33% being more than four times a year. Contrastingly, the frequency of watching a movie at home per month is a little more than half, having 56% combined total between 12-16 times within a month and a combined 44% being less than 8 times a month. That is to say that 6 out of 9 participants, the majority, attend an outing to a movie theater 2-3 times a year, and that same majority, 5 out of 9 participants, frequently watch movies at home more than 12 times per month.
When asked if interviewees watched television five responded with a hard “yes”, three responded a hard “no”, and one responded “not really”. The manner of which the interviewees accessed their entertainment content ranged from a combination of personal laptops, to gaming consoles, to cable TV. Four out of nine interviewees only used one singular method of watching entertainment content, via laptop, while the remaining five out of nine used a mixed combination of the aforementioned.

The figure below illustrates interviewee participants’ responses to how they accessed their entertainment content. Many use a combination of various access points. Source: data collected and summarized from personal interviews.

![Chart showing how interviewees watched entertainment content.]

Participants were asked to quantitatively and qualitatively identify if their television and entertainment consumption habits had changed within the last five years. The majority, 6 out of 9 participants reported that yes, their habits had indeed changed, with the remaining 3 out of 9 reporting that no changes had occurred. Furthermore, the majority of participants who reported changes explained that the changes were based on how they watched TV, with many stating they watch less TV but more TV shows on their personal laptop. Participants A, B, and C all reported that their habits had changed in the process of seeking more control over what content they watched. For example, participant A describes, “feeling very frustrated if I missed the opportunity to see it. Now I no longer bother with
feeling anxious or frustrated, because I know that I can always access and watch what I want now or later.” (Appendix 3: Participant A). Moreover, Participant C echoed Participant A’s motivations by stating “I find what I want on my computer via online.” (Appendix 3: Participant C). Additionally, Participant B expressed frustration with current content available through cable TV subscription stating “I feel that this has really turned me away from watching TV, or at least I feel that I’ve had to be more selective with where I go for my news.” (Appendix 3: Participant C).

In researching how many participants had some form of paid subscription for entertainment content, all participants except for one responded that they were subscribed to some form of subscription service. It was found to be common amongst interviewees to have a combination of MVPD cable TV subscription with additional subscription to SVOD service providers. For example, Participant A described that they were currently subscribed to a cable TV package but they were also subscribed to SVOD providers: Netflix and HBO Nordic (Appendix 3: Participant A). Participant B further explained that they had recently canceled their cable subscription and opted for a Netflix subscription for SVOD, stating the reason they canceled their subscription was due to what they described as “inadequate price for value” further elaborating that “I had a package (cable TV subscription package) that gave about 350 channels. We had only 3 or 5 channels which we really used and were very satisfied…. I guess to summarize; you could say that for us it was inadequate price for value. We paid for something that we weren't using because we were not happy with it.” (Appendix 3: Participant B).

Netflix Q’s and A’s
All interview participants were familiar with Netflix. Seven out of nine participants were currently subscribed or have previously been subscribed to Netflix. When asked how participants accessed their SVOD content, weather subscribed to Netflix or any other SVOD provider, 30% of participants access their SVOD content via laptop, 30% via apple TV, 20 % via gaming console, 10% via smartphone, and
10% via illegally downloaded pirated content. It should be noted that the previous
data reflect a combination of access points, meaning some participants used
more than one method of access. Participant F explained, “I’m not subscribed to
anything….on occasion I pirate content via streaming” (Appendix 3: Participant F).

Interviewees were asked if their needs as a customer fulfilled with their chosen
SVOD provider with the majority 67% responding yes, 11% were not satisfied, 22%
were not subscribed to any service or were not able to answer the question. While
Participant A stated that they were very satisfied with their current SVOD providers,
they went on to explain their frustration with having to be subscribed to two
different and competing services, stating “I of course find it a little frustrating that I
have to go to two different sites to watch my shows and movies, and that I have to
pay two different subscription fees.” (Appendix 3: Participant A). This is similar to
the one participant who stated they were not satisfied with their SVOD provider.
Similarly, to Participant A, Participant I stated “I always want more and they [SVOD
providers] all have exclusive content so you must subscribe to another one, and so
on.” (Appendix 3: Participant I). Participants who were satisfied with their SVOD
providers outlined a few key indicators that fulfilled their needs. Participant B,
explains, “I can watch anytime I want. There is a wide selection, there are so many
movies… There is major thing as well is that there is no interruption, there are no
commercials” (Appendix 3: Participant B). While Participant C goes on to explain
that “I want to watch and not be interrupted by advertisement. That has always
been a big plus for me “(Appendix 3: Participant C). While Participant H response
placed importance on the flexibility and freedom to watch content on their own
stating “its nice specially since my family still watches TV so when I do not want to
participate in what they are watching I can always go to my room and access my
shows or movies.” (Appendix 3: Participant H).

In addition to being asked if interview participants were currently subscribed to
any SVOD provider, they were asked since subscribing to a SVOD provider if they
were still subscribed to Cable TV. Seven out of the nine participants qualified to
respond since 2 out of 9 have never bee subscribed to a cable TV provider. Of those 7 qualified participants, 4 out of 7 answered that they were still subscribed to both MVPD cable TV and SVOD providers, while the remaining 3 out of 7 answered no. Interviewees who responded as being subscribed to both MVPD Cable TV and SVOD provider outlined their personal motivations for maintaining multiple subscriptions. For example Participant C stated “Yes I do have a cable subscription... its still nice to have access to news channels and local TV programs. There are certain things that are still only available through the TV.” (Appendix 3: Participant C). Similarly, Participant F also explains that there is certain content that is available on MVPD cable TV that is not provided by SVOD providers stating, “Yes. I have both subscriptions. So that I can watch sports since I can not access that on Netflix” (Appendix 3: Participant F). Lastly, Participant G describes that live sporting events are what keep him or her subscribed to cable TV, explaining that, “Yes, I have both actually but mainly for sports honestly.” (Appendix 3: Participant G). For the participants who no longer were subscribed to Cable TV most answered that it was a matter of cost and need fulfilment. Both Participant D and E explained, “we canceled our Cable TV because of the price per value. Paying for something that you are not happy with doesn’t seem like a smart investment.” (Appendix 3: Participant D) while Participant E stated, “I thought that the cost and benefits form cable TV were not worth it anymore, compared to the price of a Netflix subscription.” (Appendix 3: Participant E). When asked what were the comparable prices for the two services, Participant E further elaborated “Around $100 USD a month. And now I pay $7.99 USD for Netflix.” (Ibid). With regards to need fulfilment, Participant I simply explained, “No, I don’t feel the need. You have TV shows and movies online, same with sports and you get the news online.” (Appendix 3: Participant I).

**Change in consumption habits**

Interviewees were asked two sets of qualitative question in order to measure behavioral impact and changes since the introduction of SVOD into the market. The First question aimed at measuring if participants wanted to improve their
current habits of entertainment consumption. Five out of nine participants stated that did not wish to improve or change their current consumption habits. The remain 4 out of 9 participants made statements such as “I think I depend and spend too much time watching TV.” (Appendix 3: Participant A), “Well I wish I had more time to relax and catch up on TV shows or to just enjoy watching a movie. But my schedule does not really leave any time” (Appendix 3: Participant F), and lastly “I wish I could centralize my subscriptions to one place so it is easier to track what I have access to and how much it costs me per month” (Appendix 3: Participant I). Most wish for change in behavior were rooted in time constraints and centralization of subscription services.

Following the previous question, interviewees were asked if their entertainment consumption habits had changed since subscribing to SVOD provider. It should be noted that 2 participants were not able to answer since they were not subscribed to any SVOD provider. Participants explained in detail how their habits changed. One participant commented on the personalization and singularity of the entertainment consumption experience stating, “I think everything now a days is so personalized and customized to our individual needs that I’m used to watching "my" shows on "my" time, alone without being disturbed or interrupted. Where as before, especially before subscribing to Netflix, it was a special occasion to come together and share the experience of a fun movie night…” (Appendix 3: Participant A). While another participant pointed out the distractions on MVPD cable TV stating, “In the past I didn’t watch very many movies or documentaries...” (Appendix 3: Participant B). The participant was then asked a follow up question asking to elaborate on his or her answer as to why they did not watch as much entertainment content in the past. The Participant explained that the interruptions from TV advertisement were distracting, making it hard to follow the storyline of the show (Ibid). Participant C, made a similar observation as Participant A, explaining that “I do miss watching things together as a family, as a group, but at the same time, its so stress free to watch what I want on my own.” (Appendix 3: Participant C). Additionally, Participant H echoed participant A and C’s similar observations
on behavioral changes “I watch more shows and movies alone.” (Appendix 3: Participant H). Only one participant made any mention of illegally accessed entertainment content. Participant I stated, “I watch more movies and TV shows and I visit less illegal website...because I have access to most of the content legally” (Appendix 3: Participant I).

**Linear TV Versus Binge Watching**

Participants were also asked to select their preferred manner of TV entertainment consumption choosing between a linear TV model or binge watching. Majority of the participants responded that binge watching was the preferred method of consumer entertainment content stating reasons such as “I have so much flexibility. I can watch what I want when I want.”, “I am a big binge watcher otherwise I lose interest”, while another added “I binge whenever I can...but I do feel guilty when I do it too often.”. One participant explained that they prefer binge watching for the sake of availability, further explaining that, “I just like to know they are available to be watched.”

While 22% of participants preferred the linear TV model siting lack of time or current lifestyle to be the determining factor in how they consume their content. One participant explained that, “I prefer the linear model. I don't have the time to binge watch as it is, so I don't mind having 1 episode a week.” in conjunction with another participant stating “since I work long hours as a nurse. But I rarely binge watch. I just watch whatever is on the TV.”.

Lastly, participants were asked an open ended question to predict from the consumer’s point of view what the future of entertainment consumption and the dynamics in the living room would change in the future. Answers were very individualistic and high qualitative. Participant B described how in previous years consuming entertainment content was a shared experience, however, due to technological advancements, consumers can be entertained at all times (Appendix 3: Participant B). Meanwhile, Participant F had a similar perspective stating that “in the up coming years, the living room has already changed and will
continue to…. I believe that in general we are all moving towards a separate but shared experience, because people are watching more and more content, but by themselves.” (Appendix 3: Participant F). Another participant predicted a merging of SVOD platforms into one large platform (Appendix 3: Participant D), while others foreshadow massive amounts of content options. Both Participants G and H stated similarly, “How else could it possibly change? ....What’s happened over the last years is that we have more and more options. So maybe we will have even more options.” while Participant H like wise reiterated, “I suppose now-a-days we have so many options of what to watch...which is probably why we can never agree on what to see...I think in the future the options of what we can watch will be more and more, and perhaps our subscriptions will be more and more personalized...” (Appendix 3: Participant G and H). Some responses for what the future could potential bring were simply unimaginable, for example Participant E explained, “I liked the social aspect of what we used to have. I don't think things are going to change much more and I can't see how they will if they do...but don't think that theaters will disappear” (Appendix 3: Participant E).

4.2 VAB

The Video Advertising Bureau’s report “Requiem for a stream: Part 1” published in 2016, included a number of figures and interpretations of the current market trend among SVOD providers and subscribers. First and foremost, Millennials, one of the largest consumer bases, reported that they preferred watching TV network content and movies on OTT services over original streaming series (“Requiem for a Stream: Part 1”, 2016). That is to say, that MVPDs cable TV produced shows still cover a large part of the market and are preferred over original content being currently produced.

With regards to SVOD, the VAB forecast a slowing velocity of growth, which can translate into the market finally reaching a saturation point within the next few years (“Requiem for a Stream: Part 1”, 2016). Additionally, SVOD services are still turning to MVPDs cable TV as a main source of content, as well as incremental
subscribers ("Requiem for a Stream: Part 1", 2016). SVODs are slowly beginning to be integrated into their platforms and set-top boxes of MVPDs. Furthermore, it should be noted that although major SVOD services have seen prosperous growth over the years, they are still a fraction of the MVPD subscribers’ impression on the market ("Requiem for a Stream: Part 1", 2016). While major SVOD services such as Netflix have seen a successful growth over recent years, they are still competing with MVPD subscribers impact (Ibid, 2016). That is to say, the historical impact of MVPD is so prominent that it is difficult for any SVOD to outgrow the services and subscription rates of MVPD. These subscribers are also the same consumers who are price sensitive comparing cost per value. According to a recent Magid research study, 56% of respondents preferred a paid model (either subscription or transactional) when streaming TV shows or movies ("Requiem for a Stream: Part 1", 2016).

The figure below depicts the subscription comparison between MVPD subscribers and SVOD subscribers. Source: VAB “Requiem for a Stream: Part 1”, 2016

![SVOD vs. MVPD Subscribers Comparison](image)

Nevertheless, the VAB report also stated that 75% of homes have a high-speed data subscription ("Requiem for a Stream: Part 1", 2016). With the increase of high speed data subscriptions, an essential for video streaming, the development and necessity for technological advancements so as to fulfill the consumers need, continues to grow. That is to say that, the correlation between increase in high speed data subscription and the increase in SVOD subscription are closely
interconnected. Additionally, the VAB also reported that “TV Everywhere adoption continues to grow, the increase in continuous connectivity having content at your finger tips us becoming more and more adopted by consumers and entrenched into consumer habits” (“Requiem for a Stream: Part 1”, 2016). Lastly, within the current and highly competitive market, SVOD services are emphasizing their content differentiation as a strategy in order to stand out. The VAB report refers to the key market players as “The Big 3”, Netflix, Hulu, and Amazon Prime. Further explaining that “these SVOD services are differentiated primarily by their content libraries, with differences in perceived quality, genres and originals and also selection size” (“Requiem for a Stream: Part 1”, 2016). Moreover, while acquired TV content and movies distinctly continue to be the core pillar of SVOD services, Netflix has strategically decreased its overall library considerably as they turn their efforts on producing original content as a key differentiator for themselves (Ibid, 2016).

4.3 Deloitte Digital Democracy Survey

The Deloitte Digital Democracy survey recently conducted research, among over 2,000 U.S. consumers, found that older generation Americans still rely on traditional MVPDs cable TV subscriptions (Belson, et al., 2016). Conversely, younger Americans, Millennials in particular, favor streaming services over traditional MVPDs (Belson, et al., 2016). When asked which of the services they subscribe subscription services are the three most important ones to them, 72 % of those aged 14-25 named a video streaming service while only 58 % included a MVPD cable TV subscription within their top three (Belson, et al., 2016). All in all, the research report demonstrated a considerable generational gap in media preferences (Ibid, 2016). Naturally, just as technology evolves, so does the connected consumer. Other significant figures to be noted from the report include “70 % of U.S. consumers binge watch television” (Belson, et al., 2016). Additionally, the Deloitte research reported that approximately 50% of U.S. consumers are subscribed to streaming media services (Belson, et al., 2016).
4.4 Nielsen Total Audience Report

Nielsen’s 2016 report found that Subscription VOD (SVOD) penetration is now equals Digital Video Recorder (DVR) penetration in the United States market ("The Nielsen Total Audience Report | Q1 2016.", 2016). As a matter of fact, an estimated half of all consumers currently have some form of a subscription based service such as Netflix, Hulu Plus and Amazon Prime, according to Nielsen total audience report (2016). Interestingly, close to 30% of households have both an SVOD service and a DVR service (Ibid, 2016). The Nielsen report also noted that DVR penetration has flattened while SVOD is on a strong growth path (2016). So while consumers are still obtaining most of their content on television, live TV consumption is declining as smartphone and tablet viewing is increasing.

The report examines large trends in penetration, users and usage across all platforms. Traditional platforms remain the largest part of media usage market ("The Nielsen Total Audience Report | Q1 2016.", 2016). Radio has the most consistent share of time spent across demographics (Ibid, 2016). However, despite radio’s consistency, new technologies such as smartphones have been reported as having the largest reach of users per month (Ibid, 2016). The share to live TV increases with the age of consumers, with older consumers using theses services more than younger consumers ("The Nielsen Total Audience Report | Q1 2016.", 2016). Contrastingly, TV-Connected Devices is found to be highest among young adults (Ibid, 2016). Demonstrated in the figure below, DVR penetration has plateaued remaining between 49-50% from 2014 to 2016, whereas SVOD penetration has experienced significant growth of 10% over the same time period ("The Nielsen Total Audience Report | Q1 2016.", 2016).
The figure below depicts the contracts between DVR subsection and SVOD subscriptions. Source: “The Nielsen Total Audience Report | Q1 2016.”

In the first quarter of 2015, 18.2% of users had SVOD with an increase of 3.5% to 21.7% in the first quarter of 2016. Furthermore, “72% of homes have either DVR or access to SVOD, up from 67% last year” ("The Nielsen Total Audience Report | Q1 2016.", 2016). With regards to technology penetration, changes form the first quarter of 2015 show an increase of 19% placing SVOD providers at 50% market penetration in the first quarter of 2016, as demonstrated below (Ibid, 2016). All in all, changes in consumer behavior are a driving force with the growth and development of technologies and services (Ibid, 2016). Moreover, while emerging technologies are showing growth in ownership, older tech devices are experiencing decline and plateau of ownership (“The Nielsen Total Audience Report | Q1 2016.", 2016).
The figure below depicts the technology service penetration, in comparison between the first quarter of 2015 and the first quarter of 2016. Source: "The Nielsen Total Audience Report | Q1 2016.", 2016

### Technology/Services Penetration

<table>
<thead>
<tr>
<th>Service</th>
<th>Q1 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD TV</td>
<td>94%</td>
<td>+4%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>81%</td>
<td>+10%</td>
</tr>
<tr>
<td>DVD</td>
<td>77%</td>
<td>-3%</td>
</tr>
<tr>
<td>VOD</td>
<td>64%</td>
<td>+4%</td>
</tr>
<tr>
<td>Tablet</td>
<td>58%</td>
<td>+17%</td>
</tr>
<tr>
<td>DVR</td>
<td>50%</td>
<td>+3%</td>
</tr>
<tr>
<td>SVOD</td>
<td>50%</td>
<td>+19%</td>
</tr>
<tr>
<td>Game Console</td>
<td>44%</td>
<td>-4%</td>
</tr>
<tr>
<td>Multimedia Device</td>
<td>24%</td>
<td>+10%</td>
</tr>
<tr>
<td>Enabled Smart TV</td>
<td>23%</td>
<td>+43%</td>
</tr>
</tbody>
</table>

4.5 PwC’s Videoquake 2.0

The PwC report from 2014 consisted of a survey sample size of 1,024 consumers via an online survey. The aim of the survey was to “explore consumer attitudes toward video content and corresponding behavioral shifts” ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). For a yearly comparison, the report analyzed the study against a related study which was conducted in 2013 with a total of 1,008 participants (Ibid, 2016). The PwC report went on to include focus groups consisted of consumers ages 21 to 34 and 35 to 49 years old in 2014 ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016).

The report goes on to mention that between 2013 and 2014, MVPDs cable subscriptions dropped 6% among viewers under the age of 35 ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). Conversely, with regard towards,
alternative video services, there was a recorded increase in subscription rates among existing Pay TV subscribers. Netflix in particular saw an increase of 25% ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). PwC also investigate the manner in which content is accessed and reported that this has also changed. Consumers access video content via the internet more often than ever before, reporting 66% in 2013 to 71% in 2014 ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). Although it is only a 5% increase if this number remained the same each year since the survey was conducted than by 2016 that would be 81%, and 86% by 2017. The survey found that “74% of viewers say that original programming is either very important or somewhat important to them up from 63% in 2013” ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016).

According to Netflix's third quarter in 2014 earnings report, the service has 37.22 million members in the U.S., a 20% growth from 2013. The data also depicts an even higher increases among existing MVPD subscribers ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). All in all, 65% of MVPD subscribers say they now have Netflix, a 24% increase form 2013 (Ibid, 2016). Netflix’s market reach has dominated the tech-inclined Millennials. Furthermore, between 2013 and 2014, subscriptions rates nearly doubled amidst consumers age 35 to 49, moreover, subscriptions nearly tripled with consumers age 50 to 59 ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). However, the majority is still reported at 71% of MVPD subscribers ages 25-32, being subscribed to SVOD service provider Netflix ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). Netflix largest SVOD competitor, Amazon also prospered from an increase in subscriptions, jumping from 18% of households to 32% (Ibid, 2016).

Due to the improvement in quality content that is being produced an abundance of channels and programing have become available over the past decade ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). In a recent report by Nielsen Holdings PLC, “the average American household now receives nearly 190 channels, up from 129 in 2008” (Ibid, 2016). The increasing competition
between streaming service providers and MVPDs has made quality content an essential factor. In 2013, when we asked consumers to rate the importance of original programming, 63% rated it as very important or somewhat important. In 2014, that group jumped to 74%, further adding that “watching TV is often as good as going to the movies” (“Videoquake 2.0: Feeling the Effects of the Videoquake.,” 2016). The report explains that while the quality and the quantity of video content continues to improve there are fewer people who have the necessary time available to consume it. Although “binge viewing” has become increasingly a common practice and method of consuming content, where viewers watch episodes back to back for a more prolonged, engaging experience, many consumers simply lack the time to do so (“Videoquake 2.0: Feeling the Effects of the Videoquake.,” 2016). The survey recorded that 71% of consumers agreed with the statement, “The amount of TV content available is overwhelming,” and 61% agreed that “There are too many shows to watch, and not enough time to watch them.” (Videoquake 2.0: Feeling the Effects of the Videoquake, 2016). Thus resulting in consumers who are highly selective of how they chose to invest their time.

With regards to the competitive scenario, MVPD platform such as cable TV is still a strong market player. For many users within the U.S. market, having a cable TV subscription package is regarded as the standard (Videoquake 2.0: Feeling the Effects of the Videoquake, 2016). While having Netflix and other SVODs as additives, but certainly not replacements for cable TV (Ibid 2016). However, Netflix and other SVODs are familiar with their key demographics. The millennial consumer base has fully integrated SVOD consumption habits. Resulting in slowly chipping away at cable provider’s younger consumer market (Ibid, 2016). PwC reported that among viewers ranging from 18 to 24 years of age, the overall cable subscriptions rates have dropped 6% from to 77% in 2013, down to 71% in 2014 (“Videoquake 2.0: Feeling the Effects of the Videoquake.,” 2016).

In general, the PwC report found that the prevalent issue that cable TV consumers encounter is “the frustration with paying for channels they don’t use or want”
The report goes on to state that 41% of consumers in the PwC survey claimed to prefer an “a la carte package” of channels where consumers can customize their package by selecting channels they actually view (Ibid, 2016). In a 2014 report from Nielsen, showed that the average American household has access to 189 channels, nevertheless on average are only watching 17 channels ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). One survey participant stated "It makes me feel frustrated that I’m paying so much for so many channels when I really only watch one network" (Ibid, 2016).

As previously mentioned, the more mature consumer still utilizes cable TV with SVOD as add on. However, for the younger consumer, “unbundling” cable TV and MVPDs seems a more likely trend ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). It can therefor be argued that this is where the appeal for SVOD provider Netflix become apparent. The SVOD subscription package prices are far lower than those of cable TV, and although the subscriber is purchasing access to many other shows and movies that they do not have interest in, the consumer does have the choice to personalize their profile to their tastes and select what they want to watch, when and how to watch it. Although cable TV is currently embedded in consumer’s daily lives, MVPDs are likely to sustain a short term hold on the market, with the long term outlook steadily decreasing. PwC’s report found that 61% of cable TV subscribes would still be subscribed within the next 5 years, however only 42% would be subscribed in 10 years’ time ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016).

One of the downfalls SVOD providers encounter is consumers who are seeking to watch live events such as the news, sports, and concerts or music events. In the PwC survey, 44% of consumers said they’d be interested in watching a concert live, showing more interest for that than any other type of programming ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). That is the case with cable TV, its longstanding strength has been founded upon live content such
as concerts, news and sporting events. In the survey 58% of consumers stated that they would select a custom cable TV package where they could include sports channels ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). All in all, the PwC reports offered conclusive points for both SVOD providers and MVPDs such as cable TV. The report concluded that content providers should focus on producing and distributing quality content, moreover, there should be enough time allowed for the content to find an audience ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). An improvement in methods for audience measurement metrics are needed to capture current viewing patterns (Ibid, 2016). Furthermore, the use of live programming is still a key element for cable TV to maintain market share, while, conversely, live content is a crucial point that SVOD has yet to master (Ibid, 2016). It is also important that content distributors should apply their focus to content curation and discovery to help consumers find content that is personalized and relevant to them (Ibid, 2016). Lastly, all platforms, MVPD, SVOD, and AVOD, should utilize consumer loyalty as a means to gain market share by focusing on branding to drive content discovery (Ibid, 216). Given the reports findings, consumers are increasingly reconsidering the manner in which they access and consumer entertainment content. With the current market competition, many consumers are subscribing “to direct-to-consumer online streaming services, on-demand, and alternative forms of television” ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016). Thus resulting in a shift in the dynamics of entertainment consumption amongst consumers as well as providers, creators, and distributors (Ibid, 2016).
5. ANALYSIS
The following section will analyze the data collected in combination with theory application to the case study. The structure will follow the research questions outlined at the beginning of the research project. The purpose of which is not to reach any conclusions, but simply to target and focus the analytical process to the purpose of the research. By implanting a research question based outline of the analysis, a red thread leading to the conclusion of the research will be clearly visible.

**Impact of the disruptor of the 2000’s**

According to Clayton M. Christiansen disruptive innovation theory, for disruptive innovation to occur there are a few qualifications that must be present. There must be a distinction between market incumbent and the disruptor. And while disruption itself is chaotic, in practical terms, current markets are constantly innovating, expanding and contracting with the flow of innovation created by long standing businesses to up and coming start ups. As Christiansen et al, has established “Too frequently, they use the term loosely to invoke the concept of innovation in support of whatever it is they wish to do (2015). As such, this results in researchers, writers, and consultants using the term to describe any kind of situation where an industry or a competition may have been shaken up or stumbled with new market entrants (Christensen et al., 2015).

As such, the distinction of disruptive innovation is found in the target market and the product that is being provided. Market incumbents, like Blockbuster in the early 2000’s, focused on improving their products and services via innovation for their most demanding and most profitable customers. As Christensen et al, mentions, this is often accomplished by making upgrades and improvements to the already existing products and services so as to preserve their current profitable market (2015). For Blockbuster, this included competitive prices for renting movies, and providing snacks when choosing your rental movie, making sure they had the latest releases, increasing the number of movies you could rent per rental period. All of these services a tailored to those who are already a customer and to those
who are the mainstream market. For those customers the services and products provided fulfill their needs just enough for them not to stop using blockbusters products and services. Eventually, and often times, companies who are employing this sustaining innovation strategy end up exceeding the needs of some segments and ignoring the needs of other and even untapped markets. However, this type of innovation, called sustaining innovation, can only sustain itself for so long. It is not impossible for cataclysmic event of disruptive innovation to occur more than once by the same company, however it is unlikely. This is due to market incumbents sensible and logical strategy of sustaining innovation.

Market entrants begin to chip away at the current market barriers until finally gaining a foothold by targeting overlooked segments and delivering more suitable functionality and at a lower price. Netflix introduced its first over, DVD rental by mail offer, which suited the needs of those customers who did not have the time to enter the blockbuster stores, but still had the need to consumer entertainment content via movie rentals. However, these customer segment did not have the need for the extra services and products provided by blockbuster such as assorted snacks, and extra movie rentals. Some of the first customers to use Netflix were those who needed a streamlined product and service. For Netflix, this was a simple business model to fulfil, simply have a large enough library of content to be rented out via post mail. Since they did not have franchised stores, their cost of rent and shop employees were non existent allowing them to invest that money in innovating their offer.

It should be mentioned that with any form of innovation, disruptive or sustaining, there are a multitude of factors can affect the reliability of success. That is to say, many can have innovative and ground breaking ideas, however, if the timing, technology, or market is not prepared for this innovative advancements, the newest innovation will never take place or will never survive long enough on the market. Netflix began its foothold into the market at a very opportune time. The technological advancements allowed for the business model to take hold of the
market and push those who did not wish to substantially innovate to be pushed out of the way. VHS tapes were on the decline and DVDs were steadily on the rise in 2003. For a company like Netflix, whose main business model is based of shipping movie rental across the U.S. market providing a convenient and affordable alternative to its competitor, having light weight DVD disc as opposed to bulky VHS tapes certainly played a major role in determining their success, allowing it to maintain low cost.

**The Impact**

Data collected through the research process, in combination with articles and new sources, depict that although there has been an impact, it has not been as devastating as one would think. Reports form PwC, Nielsen, and personal interviews conducted all emphasized that consumer habits had indeed changed, but traditional methods of consumption have not become irrelevant as of yet. Many consumers still watch and use TV, but what has changes is the manner in which they interact with TV entertainment content. Traditional distributors and networks have slowly embraced the need for video on demand. Furthermore, networks and distributors who did not invest in developing their own video on demand platform, have had to adapt to market changes. Many of which have to sell their content rights to Netflix in order to make up money for loss of advertisement sales. The loss in advertisement sales is due to consumers watching more content across more platforms, in a sense, it dilutes the audience viewership per service provider. Consumers and products are now spread out over a vast network of platforms and service providers fostering a highly competitive market. Conversely it is this very same advantage that can become a disadvantage for consumers. In personal interview conducted one participant eluded to the fact that “I wish I could centralize my subscriptions to one place so it is easier to track what I have access to and how much it costs me per month” (Appendix 3: Participant I). The TV industry has drastically changed, having once been the singular place to access entertainment content, with all TV shows, movies, news,
etc, available in one location via one access point, cable TV. However, the development of other methods of consumption has lead consumers to scramble between several platforms and several devices.

While this expansion and contraction of the market is difficult to predict and control, networks have taken upon themselves to ensure their future in the market by following the streaming video on demand trend. HBO has been a leading force within the TV industry and continues to be. It was one of the first networks to take their content online in SVOD platform. Furthermore, they have strategically invested their resources into content production and curation. This allows them to control the quality of the product that is begin produced and distributed. Moreover, by developing their SVOD platform, they have now ensured that they can control the IP rights to their content and the distribution outlets. In a manor of speaking, HBO has become quite self sufficient within the TV industry market. Netflix has similarly begun to invest in the same strategy, however they are entering the market from the opposite side of HBO. First Netflix was a distributor, purchasing the rights to distribute someone else’s content. They inevitably became curators by selectively tailoring what kind of content they would be distributing, this helped to build and emphasize their brand. Lastly, and in recent years, Netflix has invested much of its resources into becoming content creators.

Throughout 2016, Netflix has substantially decreased contract renewals and the purchase of new contracts with several key content deals acquired through top studios and distributors. The company’s aspirations are not only to be subscribers very own on demand content library, but to eventually become the place where consumers can discover new and exclusive shows (Lee, 2017). Correspondingly, Netflix has invested into content that is originally produced by Netflix, rather than invest outside of the company into studios for the right to show existing content.

By 2016, “Netflix Originals” became a term synonymous with quality, and as such, the return on investment for Netflix originals have been beneficial for both consumers and Netflix (Lee, 2017). Now more than ever, consumers are benefiting
from the competitive markets between SVODs and MVPDs, who are aggressively implementing strategies to differentiate themselves. Not only do consumers have increased access to more content, but the creative development within the TV industry is resulting in higher quality of content. Netflix is also benefiting from its investments. From October 2016 to December 2016, Netflix has added 7.05 million new subscribers in the last three months of 2016 (Lee, 2017). The firm reported producing 600 hours of original programming in 2016, furthermore it intends to increase to about 1,000 hours in 2017 (Lee, 2017). The company expects that with the increase of subscriber they hope to reach a symbolic 100 million subscribers by the end on March 2017 (Lee, 2017).

To restate, data findings have suggested that Netflix has impacted the industry on more than one occasion. Firstly, disrupting the DVD rental business and outmaneuvering industry titan Blockbuster. Secondly, and perhaps most importantly is not just the fact that it has had an impact, but the manner of which the impact has manifested itself. This is evident in consumers’ evolving consumption habits. There is more content on the market than ever before, and there are more ways to access content at any given time. This has been possible due to the internet and its ability influence the possibility to disruption within a given market (Wessel et al, 2012).

Changes in Consumption
By compiling data from researchers such as PwC and Nielsen in combination with various reputable articles, it has been found that just as Netflix has impacted the market it too has impacted how content is consumed. Habits such as binge watching have been reinforced by the entertainment giant, who now has grown out of the startup arena and has become the industry contender dominating majority of the SVOD market. The manner of which content is consumed has consistently changed as it has with the times. Technological advancement play a key role in the transitional phases. In the early years television were not only black and white but limited in programing and channels. Comparing to today where
consumers are constantly connected allowing them access any time any place. Consuming entertainment content is no longer restricted to leisure time over the weekend to be enjoyed within a social group of friends. Now it takes place on consumers’ smartphones as they commute to work in the morning, or an entire weekend is spent watching many hours and many episodes of the same TV show.

In conducting interviews, many participants seemed to feel indifferent towards the traditional linear TV model. However, their every consumption habits eluded to the fact that those who participated in the interview do in fact rely more on SVOD methods of accessing content rather than traditional linear TV model. Participants explained that although they were satisfied with their current SVOD, stating that having the freedom and control to watch their content, there is such an over abundance of content that they never ha the chance to fully watch everything. This has paved the way for binge watching, and perhaps the most notable change in consumption habits. Binge watching has allowed for consumers who lack the time, or schedule to rely on linear TV model, to consume all the content they desire in one sitting. For example, should a consumer miss the opportunity to watch the latest TV series, they are able to access the content via SVOD and not have to wait for a week by week episode release model. For some of the interview participants this was an advantage, claiming that it allowed for better flow of storyline and less distractions, resulting in overall a more enjoyable experience in consuming content.

To restate, data findings in the research process found that for the most part current market consumers are still attached to traditional methods of accessing entertainment content. However, when reporting consumers’ daily habits, it was found that the majority of consumer rely more of SVOD for access to entertainment content. This is in part due to time constraints in consumers’ daily lives. It is simply not in the consumers’ best interest to rely on linear TV model scheduling. Lastly, with technological developments, new access points have
fragmented the manner in which consumer access their content. Consumer are watching more content, more often, for longer periods of time, on more devices.

**Maintaining and Gaining Market share**
Like any key player in the TV industry ecosystem, Netflix must continually expand its horizons and motivate consumers to become Netflix subscribers. This will most likely be accomplished by maintaining the standard of content high, while investing in content creation so as differentiate itself from other market players. Furthermore, continuous expansion into foreign markets will be a key metric in determining who is leading the SVOD market.

The decline of traditional television has been on a slow and steady with an average of 1% of households cutting the MVPDs cable TV subscription per year (“Cutting the Cord”, 2016). With the rise of cost for MVPDs cable TV subscription, the use of Netflix and other similar SVOD platforms have substantially grown. Half of American households are currently subscribed to at least one SVOD provider with other service providers utilized as add-ons, not substitutes (“Cutting the Cord”, 2016). All in all, the U.S. market is paying more for entertainment content than ever before. The pricey cable TV subscription package, where roughly 200 channels are bundled together for a high cost in subscription fee, is fast becoming antiquated as (“Cutting the Cord”, 2016). What has sustained the current TV industry market model is mainly the result of two factors. The first is that customers are still addicted to live TV, especially sport, and fat, pricey bundles reliably give that to them (“Cutting the Cord”, 2016). The second factor is that customers have lacked reliable, cheaper options until now (“Cutting the Cord”, 2016). Thus presenting Netflix with opportunities for potential growth.

In a statement addressed to its shareholders, Netflix has emphasized that the crucial factors to be globalization and competition (Lee, 2017). Having already made its mark on the U.S. market, Netflix has its sights set on international expansion. All in all, this strategy has been successful with the the majority of new subscribers being based outside the U.S. market (Lee, 2017). As such, this will
require a lot of expenditure for Netflix to dominate with original content in the 189 other countries it serves (Lee, 2017). Additionally, should local TV players take action and innovate from the linear TV model in favor of Netflix's model, there is a possibility of Netflix's encountering major set backs in expansion (Lee, 2017).  

In the effort to acquire new subscribers, Netflix must reach out to consumers who are currently utilizing MVPD cable TV, so as to convert them into SVOD consumers. However, the biggest debate for SVOD service providers is based on overcoming or compensating for the lack of live broadcasting. The lack of live sporting events and live content being streamed is often a major incentive for consumers to maintain a traditional cable or satellite subscription provided by MVPDs (Lee, 2017). However, the purchase of sport rights is astronomical high, therefore there is not much incentive for SVODs to pursue such strategies (Lee, 2017). Therefore, Netflix has remained adamant about it strategically choosing not to pursue live broadcasting of sporting events (Lee, 2017). All in all, Netflix has been steadfastly clear that it will incrementally decrease purchasing content, in the hopes to tailor what they provide so as to no longer be content purchaser and distributors, but to transition into being content purchaser, distributor as well as creator (Lee, 2017). This strategy is perused with the focus of acquiring deals that can be shown in every country so as to continue and solidify its global expansion.

Additionally, Netflix must not only concern itself with its competitors market share, but also the loss of market share due to piracy. In a recent article for The Telegraph, author James Titcomb states that due to the rise in quantity and quality of Internet streaming services, provided by companies such as Spotify and Netflix, have subsequently caused the rate of online piracy to decrease (Titcomb, 2016). An official report claims that online piracy of entertainment content is at its lowest rate in years (Ibid, 2016). The Intellectual Property Office reported that 15% of internet users are illegally consuming films, music and other entertainment content material (Titcomb, 2016). Although a slight 3% decrease from 18% recorded last year, it is a suggestive of the market trend among consumers (Titcomb, 2016).
article further reports that 44% of internet users are exclusively consuming legal means of content, a 5% increase from 39% in 2015 (Titcomb, 2016). The IPO’s report, suggested a strong correlation between the rise of rise streaming services and the declining piracy rate, recording 80% of music listeners currently utilize legal means of consuming music content, up from 74% the previous year (Titcomb, 2016). Nevile Rolfe comments on the topic within the article stating “There has been a decline in infringement and that consumers appear to be turning towards legitimate streaming” (Ibid, 2016). There is potential in gaining market share by providing consumers with the content that is being pirated. Consumers would be motivated to utilize the SVOD services as the video quality is better and is a legal and safe method of access entertainment content. In the interviews conducted only a small percentage of participants stated having at one point in time used piracy for content access. However, they further added that they currently rely of SVOD methods of accessing their content.

To restate, for Netflix to maintain its market share it must continue to diversify its investment and seek other innovative strategies so as to attract current and potential subscribes to be Netflix consumers. Netflix will continue to expand internationally so as to gains foothold within the global market, however this will not be an easy strategy to succeed as the company will have to over come many of the IP law and copyrights in each country. For the time being, Netflix has transitioned from content distributor to content creator. This will ensure the company has a future within the TV industry. Furthermore, by creating original series and films Netflix provides incentives to its competitors’ consumers to switch to their platform as well as motivating those consumers who illegally pirate content to legally access quality content via the Netflix SVOD platform.
6. Discussion
The following section will take a close look at further findings. To discuss any potential of unmentioned results.

**Consumer Segments**

Time and time again, data has demonstrated that current market consumers are divided when it comes to leaving MVPD cable TV and embracing SVOD platforms. Technologically savvy Millennials have been the first to cancel their cable TV subscriptions opting for a combination of multiple SVOD platforms for their entertainment content needs. While more mature consumer segments have been reluctant to unsubscribe from cable TV, there has been an increase in subscriptions to online platforms. As depicted below, Netflix market penetration with younger consumers has consistently remained high. Whereas older consumer segments saw an increase in subscriptions from 2013 to 2014 up by 39% ("Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016)

Percentage of Pay TV subscribers with Netflix. Source: "Videoquake 2.0: Feeling the Effects of the Videoquake.", 2016

![Percentage of Pay TV subscribers with Netflix, 2013 vs. 2014](image)

This fragmentation of the market is understandable as with the development of technology, and new devices available, mature consumer segments will have to invest in learning new skills so as to effectively and functionally utilize these up and coming new technologies. This observation raises an opportunity for further research. As technology advancements develop, surely some consumers will
eventually miss out of embracing them. As one consumer segment fades away, a new consumer segment is being developed and nurtured by the market. Taking into consideration Netflix as a case study and investigating where on a developmental technology timeline, will its mature consumers be surpassed by innovation. That is to say, at a certain point, Netflix’s target consumer base, Millennials, will eventually become the mature market segment, pushing out the previous consumers. In further investigating this occurrence, perhaps a better prediction of what direction Netflix will take in the future can be ascertained. Furthermore, a clear definition of the cycle changes within the market of disruptive innovators can aid in better understanding the limitations and delimitations of Christensen’s theory.

**Unimaginable Technology**

Naturally with innovation come new technology and with disruptive innovation comes market shifting disruptive technology. One of the difficulties in answering the final research question is found in the ability to imagine what are the possible outcomes for the future of the TV industry. Any predictions or forecasting is based on current market evidence and current market context. There is a tendency within the analysis to foreshadow Netflix’s future strategies from a consumer and market perspective. Furthermore, as the research reports many times the content market is at its highest quality of content and quantity. Eventually market saturation will be reached. There are insufficient resource to be able to consumer all of the content that is amiable. Therefore, this leads to further research in the other areas and ways which Netflix and the TV industry may develop into. Therefore, further research into the current technological developments and advancements of for future markets would allow for more concrete predictions. Current market players are differentiating themselves by producing original content, and this strategy is adequate for the time being. However, high definition video and sound systems, innovative means of producing content, and an disruptively innovative upgrade in manner in which consumers view content could potentially be the
future. For example, streaming platforms investing in the development of virtual reality glasses. We must then consider, how great of an impact can these technological developments have on determining business strategy.

**The Other Perspective**

Lastly, this research took a point of perspective from the case company Netflix. The research could have potentially been more focused in the interrelations between Netflix and other SVOD competitors, comparing and contrasting their strategies. Additionally, the research could further investigate from the industry perspective looking into Netflix. These research perspectives were not selected due to the research constraints. Nevertheless, it would certainly produce interesting findings which could be used to measure potential future shifts within the TV industry market.
7. Conclusion
In summary, the first determination of this research process was to investigate the manner of which Netflix has disrupted not only the market, but on a more personal note, how Netflix has disrupted the everyday consumer’s living room. Through the research process many of the preconceived notions of the results matched with what was estimated. Netflix has indeed disrupted the entertainment content industry in more ways than one. It has had a trickle down affect and has influenced how subscribers consume their services, promoted a competitive market amongst other SVODs, and perhaps most importantly MVPDs cable TV.

Data reports have demonstrated that although there has been a market shift in how viewers consume content, traditional forms of media and access to content have not disappeared. The fundamental impact of older generations subscription to MVPDs cable TV packages still remain on the current market and are sustaining traditional TV consumption models. Additionally, there has yet to be an improved alternative to MVPD cable TV services. Therefore, for the time being, consumers will remain subscribed to multiple platforms. This may eventually lead to a SVOD mega platform that will serve as cable TV packages once did.

In utilizing the theoretical lens to analyze the case company, Netflix does indeed qualify as one of the great disruptors of this time. Its disruption occurred with its initial DVD rental model, however it has ushered in the era of streaming video on demand. Through primary data collection methods, the research was able to grasp a qualitative view of how consumption of entertainment content has in fact changed. Many of those who participated in the interviews, mentioned how there has been a shift of “separate togetherness”. This has been in part due to the personalization of consumers’ account and the development of technology which allows for users to always remain digitally connected while simultaneously catering to their individual needs. Although it has had a positive effect, subscribers enjoy the personalized touch by service providers, it has also reshaped what used to be a social experience to a singular experience. Nevertheless, having technology at our finger tips still allows us to remain interconnected.
The future of Netflix, for the time being, seems lucrative and progressive, with new ventures to battle off competition and the trending shift to producing their own content so as to diversify themselves. Having said this, throughout this research process it has been difficult to concretely determine what will be the next disruption. At the very least, how will key market players such as SVOD and MVPD coexist in an ever changing digitalized landscape. Data from secondary sources as well as from primary sources, have participants foreshadowing a continuous improvement and development of high quality video and content. Moreover, with the competitive climate steadily increase in the years to come, the amount of content being provided to the market will surely increase as well. Although, some reports caution that over saturation of the market is inevitable should this development occur. Nevertheless, innovative technological advancements to content production, or consumer’s experience will most likely be the first of many new trend setters on the market. This is often the case that technology pushes consumers forward into new markets. Lastly, although it is not impossible, there is also the potential for Netflix to disrupt itself. Some scholars argue it is best to disrupt or be disrupted. Therefore, it is important for Netflix to listen to its consumer segments all the while researching underserved market segments so as to not be disrupted themselves.
8. References


NETFLIX SITES:


9. APENDIX
Appendix 1: OTT Providers (including U.S. subscriber estimates, monthly fees, etc.)

<table>
<thead>
<tr>
<th>OTT Providers (examples)*</th>
<th># of Subs</th>
<th>Price (Month)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netflix</td>
<td>42,000,000</td>
<td>$11.99</td>
<td>60,000,000 Worldwide subs</td>
</tr>
<tr>
<td>Amazon Video</td>
<td>27,000,000</td>
<td>$8.25</td>
<td>Included w/Amazon Prime annual fee.</td>
</tr>
<tr>
<td>Hulu Plus</td>
<td>9,000,000</td>
<td>$7.99</td>
<td>Base Hulu AVOD service is $0.00. 10,000,000 Hulu Plus subs</td>
</tr>
<tr>
<td>Showtime</td>
<td>1,000,000</td>
<td>$10.99</td>
<td></td>
</tr>
<tr>
<td>HBO Now</td>
<td>850,000</td>
<td>$14.99</td>
<td>MoffettNathanson estimates 1.9M</td>
</tr>
<tr>
<td>Sling TV (DISH)</td>
<td>250,000</td>
<td>$20.00</td>
<td></td>
</tr>
<tr>
<td>Noggin (Nickelodeon)</td>
<td>162,000</td>
<td>$5.99</td>
<td></td>
</tr>
<tr>
<td>CBS All Access</td>
<td>100,000</td>
<td>$5.99</td>
<td></td>
</tr>
<tr>
<td>PlayStation Vue (Sony)</td>
<td>N/A</td>
<td>$49.99</td>
<td>À la carte options are also</td>
</tr>
<tr>
<td>NBC Universal</td>
<td>N/A</td>
<td>$3.00</td>
<td></td>
</tr>
<tr>
<td>Apple</td>
<td>N/A</td>
<td>$25.00</td>
<td>Estimated price. Service to launch in 2016</td>
</tr>
<tr>
<td>Warner Archive Instant</td>
<td>N/A</td>
<td>$10.00</td>
<td></td>
</tr>
<tr>
<td>Sesame Street Go</td>
<td>N/A</td>
<td>$4.00</td>
<td></td>
</tr>
<tr>
<td>Popcornflix</td>
<td>N/A</td>
<td>$0.00</td>
<td>Ad-Supported Movies and TV</td>
</tr>
</tbody>
</table>

*Not an all-inclusive list. N/A - Not available

<table>
<thead>
<tr>
<th>OTT Sports (examples)*</th>
<th># of Subs (est.)</th>
<th>Price (Month)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFL Now</td>
<td>N/A</td>
<td>$1.99</td>
<td>$4.99 (outside of US, Mexico, UK)</td>
</tr>
<tr>
<td>NBA League Pass</td>
<td>N/A</td>
<td>$200.00</td>
<td>League Pass (fee)</td>
</tr>
<tr>
<td>MLB.TV</td>
<td>N/A</td>
<td>$20.00</td>
<td>Base fee. Premium options also</td>
</tr>
<tr>
<td>MLS Live</td>
<td>N/A</td>
<td>$15.99</td>
<td>$37.99 Season</td>
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<td>NHL Game Center Live</td>
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<td></td>
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<td>WatchESPN</td>
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<td></td>
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<tr>
<td>PGA Tour Live</td>
<td>N/A</td>
<td>$4.99</td>
<td></td>
</tr>
<tr>
<td>WWE Network</td>
<td>N/A</td>
<td>$10.00</td>
<td></td>
</tr>
</tbody>
</table>

*Not an all-inclusive list. N/A - Not available
Appendix 2A: The OTT View-niverse: A Map of the New Video Ecosystem
Appendix 2B: OTT and Pay Tv Ecosystem:
Appendix 3: Interviews (Participants A through I)

Interview Participant A

1. Age
   a. 26

2. Sex
   a. Female

3. Occupation
   a. Student

4. Where are you currently residing? (country)
   a. Denmark

5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. Apartment with roommate

6. How often do you go out for a movie?
   a. Once every 3-4 months

7. How often do you watch movies at home?
   a. 3-4 times a week, typically in the evenings.

8. How often do you attend live events (sports, music, theatre, etc..)
   a. 1 or twice every 6 months

9. do you watch TV?
   a. yes

10. How often would you say you watch TV (TV shows, the news, live sports events, and/or films)
    a. Oh...I watch TV, news, films on a daily basis, multiple times a day

11. How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
    a. Typically for short length videos/films, for example a news piece or even a 20-30-minute TV show on my commute to work or school I will watch it on my iPhone. If I have access to a TV I will watch TV at home. However, I would say that majority of the time I am watching content through my laptop online.

12. would you say that your TV consumption habits have changed in the past 5 years?
yes, how so?
   a. Yes. I remember being anxious about a new movie coming out or a new TV
      episode, and feeling very frustrated if I missed the opportunity to see it. Now I no
      longer bother with feeling anxious or frustrated, because I know that I can always
      access and watch what I want now or later. No missing out. And if I don't have
      time to watch it now I can always find a way to watch it again later.

13. Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV,
online subscription for TV and films,) if so which ones?
   a. Yes. Currently I am subscribed to cable TV package, Netflix, and HBO Nordic. The
      last two I access through my laptop and the first one via my TV at home.

14. Are you familiar with Netflix?
   a. Yes, very.

15. Are you currently or have you ever been subscribed to Netflix?
   a. I've been on and off subscribed to Netflix for the last year.

16. If you are currently subscribed to Netflix or any other form of Streaming Video on
    Demand provider, how do you access your content?
   a. Most of the time its through my laptop since I spend most of my time using my
      laptop and I can carry it with me wherever I go. But I do have an apple TV
      connected to my TV so sometimes when I have a movie night or I am watching
      something with other people, I like to watch it on a bigger screen.

17. Do you share your subscription account with anyone? Please specify if you share your
    password with others or if you have a joint account with someone else.
   a. No I don't share it.

18. Are your needs as a customer fulfilled with Streaming video on demand providers?
    Please describe
   a. I would say that for the most part yes, my needs are fulfilled. As I mentioned I am
      subscribed to 2 different providers (Netflix and HBO Nordic). I of course find it a
      little frustrating that I have to go to two different sites to watch my shows and
      movies, and that I have to pay two different subscription fees. But I am so satisfied
      with what they both offer that I would not consider cancelling one or both of the
      subscriptions.

19. Since subscribing to a Streaming video on demand provider, do you currently have a
    cable TV subscription? Why or why not?
a. Yes, I do have a cable subscription. I could probably cancel my cable subscription but I do not rely on my cable subscription as much as I used to before, but it's still nice to have access to news channels and local TV programs. There are certain things that are still only available through the TV.

20. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a. In general...I think I depend and spend too much time watching TV. But the services that I pay for, well, I would say that I am satisfied with them individually, and I know I can’t get everything that I want from just one place so I have to accept that I pay for 3 different services. Especially since the 3 services are all so different from each other. So... ideally I would like to make it all more simple, one place with everything that I need, leaving out the things that I don’t need. I don’t want to be excessive. I guess what it comes down to is practicality. Why pay for something that you won’t be using? But currently I use them all, and far too often.

21. Since subscribing to SVOD, would you say that your entertainment consumption habits have changed? How so?
   a. I noticed that I do not get excited about watching movies or TV shows with large groups of people. I think everything now a day is so personalized and customized to our individual needs that I’m used to watching “my” shows on “my” time, alone without being disturbed or interrupted. Where as before, especially before subscribing to Netflix, it was a special occasion to come together and share the experience of a fun movie night, for example. Also, maybe this is an obvious one but, I don’t watch just one episode or just one movie out of the trilogy. I’m not proud of it but I want to watch a continuous story line, which means I spend 3-4 hours straight watch parts 1, 2, and 3 or episodes 1 through 10. I don’t necessarily feel the need to watch an entire TV show season, but I know that I can not just sit and watch 1 if I know there are more available.

22. Do you prefer a linear TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. Binge watching. I suppose its just a habit that I have picked up, I never really thought much about it.

23. Do you feel that the living room and how your consumer entertainment content will
change in the future? How?

a. Its difficult to picture it now, but I suppose all change is motivated by technology. Technology gets better, faster, more improvements and then new ideas and new ways of doing things follow. Before there was black and white TV and once we got color TV, we have never turned back. Maybe that's what will happen in the future, some technological advancement will move us all forward into a new change. A different way of watching TV and movies could change it all thanks to technology.

Interview with Participant B

November 05, 2016

1) Age?
   a) 67

2) Sex?
   a) Male

3) Occupation?
   a) Engineer

4) Where are you currently residing? (country)
   a) USA, Texas

5) Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a) House, living with my spouse

6) How often do you go out for a movie?
   a) 3 times within the last year

7) How often do you watch movies at home?
   a) 1 time per month

8) How often do you attend live events (sports, music, theatre, etc..)
   a) 2 times a year

9) Do you watch TV?
   a) No

10) How often would you say you watch TV (Tv shows, the news, live sports events, and/or films)
    a) Daily. But I want to add that its typically small videos from a news clip for example.
And the occasional TV show, I’d say 2 times a week maybe a little more.

11) How do you watch entertainment content? (i.e. - TV, personal computer, laptop, gaming console, cellphone, etc.)
   a) iPad, iPhone sometimes, but predominantly on my iPad. Sometimes My daughter will put a movie to be watched on our big TV.

12) Would you say that your TV consumption habits have changed in the past 5 years? if yes, how so?
   a) Yes. It has reduced substantially due to biased inaccurate news reporting by the major medias. I feel that this has really turned me away from watching TV, or at least I feel that I’ve had to be more selective with where I go for my news.

13) Do you currently have a subscription to any entertainment provider(s) ? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
   a) Currently I have subscribed to Netflix for about 3 years now. But it was this year that I canceled my TV cable subscription. I used to have satellite TV.
      i) Why?
   b) We cut it because of what I like to call value.
      i) Can you elaborate?
   c) We (my family and I) had a package that gave about 350 channels. We had only 3-5 channels which we really used and were very satisfied with but we are accustomed to replying on watch TV for news. But we were just so frustrated with what the news channels were reporting that we decided to cancel our subscription. I guess to summarize; you could say that for us it was inadequate price for value. We paid for something that we weren’t using because we were not happy with it.

14) Are you familiar with Netflix?
   a) Yes

15) Are you currently or have you ever been subscribed to Netflix?
   a) Yes I’m currently subscribed to Netflix

16) If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content
   a) I use my Netflix account for documentaries and old school movies. I love the classics since they were from my time. And I watch them through the Apple TV which is connected to our flat screen.
17) Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
   a) I have a joint family account, but I do not share my password.

18) Are your needs as a customer fulfilled with Streaming video on demand providers?
   Please describe
   a) Yes. I can watch anytime I want. There is a wide selection, there are so many movies in there that I will never get through all of them. There is major thing as well is that there is no interruption, there are no commercials (advertisements).

19) Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a) No. Like I said before, we canceled our Cable TV because of the price per value. Paying for something that you are not happy with doesn't seem like a smart investment.

20) Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a) No, not really. I think it adequate for what I need right now.

21) Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a) Yes. because in the past I didn't watch very many movies or documentaries. Its definitely changed in terms of movies. Maybe watching documentaries is somewhat similar.
   i) Why didn't you watch it in the past?
   b) Because when I had satellite TV I would have interruption from advertisements and I found it very distracting. So now with out distractions I am able to sit and watch my entire movie and enjoy not being interrupted.

22) Do you prefer a linear TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a) I prefer to have many episodes available.
   i) Does that mean that you watch them all in the same day? So you prefer binge watching?
   b) No, no. I just like to know they are available to be watched. I will typically watch 1-2
and take a break for the day.

23) Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a) I think it already has changed, because of this thing about watching once a week its now available as desired.
      i) what do you mean by "as desired"?
   b) you can watch multiple episodes.
      i) But what about in the future? lets say 10 years form now?
   c) There will be more and more individual type of things where you watch yours and I watch mine. I still remember in the old days when TV came out that shows, and TV programs, were only showed at a certain time and everyone had to be present. You didn't want to miss it, because that's just too bad! You wouldn't get another chance to watch it and you would feel left out. In terms of entertainment its going to depend on what the individual person wants to watch, its not a group decision being made, you won't consult or discuss with friends and neighbors what you will watch. You are the sole decision maker, so you just choose what you want and you get what you want. I call it individual instant entertainment on demand. So that comes back to the TV living room, because that's where people would come to gather to sit around. My days we would make coffee and cakes and prepare to sit together and have a joint experience of the TV program. That is already gone. The advancement in technology and availability of internet connection it has and will enable individuals to be entertained anywhere, anytime.

Participant C

November 10, 2016

1. Age
   a. 55

2. Sex
   a. Female

3. Occupation
   a. Lawyer

4. Where are you currently residing? (country)
   a. US
5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. House and with my spouse
6. How often do you go out for a movie?
   a. twice a year
7. How often do you watch movies at home?
   a. once a week
8. How often do you attend live events (sports, music, theatre, etc..)
   a. three times a year
9. do you watch TV?
   a. Not really
10. How often would you say you watch TV (TV shows, the news, live sports events, and/or films)
    a. 4 times a month
11. How do you watch entertainment content ? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
    a. Laptop
12. would you say that your TV consumption habits have changed in the past 5 years?
    if yes, how so?
    a. Yes. I watch less TV because I find what I want on my computer via online.
13. Do you currently have a subscription to any entertainment provider(s) ? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
    a. I only have a subscription to Netflix. My daughter convinced me to finally subscribe and I’ve had it for 2 years now.
14. Are you familiar with Netflix?
    a. Yes
15. Are you currently or have you ever been subscribed to Netflix?
    a. Yes.
16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
    a. Through my laptop or my Apple TV
17. Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
18. Are your needs as a customer fulfilled with Streaming video on demand providers? Please describe
   a. Yes. I like that I can select the movies I want to watch and not be interrupted by advertisement. That has always been a big plus for me. It has a variety of international movies, I really enjoy international films, because everyone produces movies and entertainment so differently.

19. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a. No. I thought that the cost and benefits from cable TV were not worth it anymore, compared to the price of a Netflix subscription.

20. Do you mind if I ask you how much you used to pay for cable?
   a. around $100 USD a month. And now I pay $7.99 for Netflix.

21. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a. Not really. I think as of now its perfect. But if I had more free time I would watch more...so I guess a little extra time would be great.

22. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. Oh absolutely, yes. Well, before I used to fight with my husband over the remote control. We only have one TV and we would try to simultaneously watch two shows at the same time. Overtime my show would have a commercial break, we would switch the channel for his show, and we did this back and forth. We not I don’t fight over whose turn is it to have the remote control. I do miss watching things together as a family, as a group, but at the same time, its so stress free to watch what I want on my own.

23. Do you prefer a liner TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. I prefer binge watching. Because its very hard for me to watch something that I like very much, that I get so engaged with the story, and I have to stop
because I have to wait for the new episode next week. I don’t like the anxiety feeling, the waiting, waiting, and waiting.

24. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. I don’t really think too much about it. But I don’t think it will change that much. I can’t imagine any other way of doing this (the way we consume now). The only change that I can see it would be…it would not be to benefit the subscriber, but to benefit the creators.

   i. Could you explain?
   b. Well I guess we, as subscribers, would have to have many subscriptions to many different providers. Because I know that HBO does not sell to Netflix, and Netflix does not sell to Amazon.

Participant D  
November 20, 2016

1. Age
   a. 28

2. Sex
   a. Male

3. Occupation
   a. Safety inspector

4. Where are you currently residing? (country)
   a. US

5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. Apartment and alone

6. How often do you go out for a movie?
   a. 1-2 times a month

7. How often do you watch movies at home?
   a. 3 times a week

8. How often do you attend live events (sports, music, theatre, etc..)
   a. 1 every 4 months

9. Do you watch TV?
a. Yes

10. How often would you say you watch TV (Tv shows, the news, live sports events, and/or films)
a. daily

11. How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
a. phone, laptop, gaming console and TV

12. Would you say that your TV consumption habits have changed in the past 5 years?
   if yes, how so?
a. No, nothing has changed.

13. Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
a. Yes, Cable TV (Comcast) and Netflix

14. Are you familiar with Netflix?
a. Yes

15. Are you currently or have you ever been subscribed to Netflix?
a. Yes, for about 6-7 months

16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
a. Gaming console and TV

17. Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
a. No

18. Are your needs as a customer fulfilled with Streaming video on demand providers?
   Please describe
   a. Yes but I don’t watch it the often.

19. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
a. Yes, I have both subscriptions. So that I can watch sports since I can not access that on Netflix.

20. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
a. I wish I had more time in the day to watch and finish the programming. For example, the football game the other day I was not able to stay up late, due to my early job in the morning, so I missed the end of the game. But this is only a problem with watching live TV. I wish I had a TV/movie buddy.

21. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. No, I don’t use Netflix as often...so it hasn’t drastically impacted me.

22. Do you prefer a liner tv model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. I prefer the liner model. I don’t have the time to binge watch as it is, so I don’t mind having 1 episode a week.

23. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. Yes, it will. Its changing for the better for me i a positive manner because I will be watching less. But I believe that SVOD platforms will eventually merge into one large streaming platform.

Participant E

1. Age
   a. 32

2. Sex
   a. Male

3. Occupation
   a. Sales

4. Where are you currently residing? (country)
   a. US

5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. House with roommates

6. How often do you go out for a movie?
   a. 1 to 2 times a year

7. How often do you watch movies at home?
8. how often do you attend live events (sports, music, theatre, etc..)
   a. 1 to 3 times a month
9. do you watch TV?
   a. yes
10. How often would you say you watch TV (TV shows, the news, live sports events, and/or films)
    a. Daily, I would say around 1 to 6 hours a day.
11. How do you watch entertainment content ? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
    a. TV and PS4 (gaming console)
12. would you say that your TV consumption habits have changed in the past 5 years?
    if yes, how so?
    a. Not really. Besides the fact that I have easier access to more content, my actual everyday habits have not changed. I still rely on Cable TV for live TV, and go online for everything else.
13. Do you currently have a subscription to any entertainment provider(s) ? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
    a. Cable TV (Comcast) and Netflix.
14. Are you familiar with Netflix?
    a. Yes
15. Are you currently or have you ever been subscribed to Netflix?
    a. I have been with Netflix for around 5 years or more.
16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
    a. Generally, through my gaming console
17. Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
    a. I keep the account logged in so that my roommates can watch it in the other room, but I do not share the password. I do not share the password because I do not want people using it outside of my house since it's my account. I don't want the password being changed or shared with other people who I did not expect it to be shared with either. Also I don't want my
account settings being changed I ONLY STREAM.

18. Are your needs as a customer fulfilled with Streaming video on demand providers? Please describe
   a. I am content. My plan is grandfathered and while it has still gone up a few bucks over the year, I would not cancel it because it would cost me more to go back. I tried a trial of Hulu? I liked Netflix more.

19. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a. Yes, I have both actually but mainly for sports honestly. I don’t want to miss out on the Rockets (local basketball team) and multiple football channels. If sports were on Netflix, I would probably cancel my Cable. BUT I would still need internet....so I might just keep both. I am not sure...

20. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a. A lot of it is background noise since I like to keep the TV on while I’m home. I like my habits though. I enjoy watching with people. I am content unless something different comes up. I have money and I am an impulse buyer. I will try things out, but I have to be convinced that they are a good idea and I have to see the logic if that makes sense.

21. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. No, I don’t feel that they have changed. I’ve always have been a big fan of watching movies and TV shows...and that has remained the same.

22. Do you prefer a liner TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. Yes, I have so much flexibility. I can watch what I want when I want. Half of the time I just have some kind of TV show just playing in the background.

23. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. I think it has gotten worse, though I like it more now. I liked the social aspect of what we used to have. For awhile there, pirating shows was a thing and
they cracked down on that, since then I feel like it has been stabilized. I don't think things are going to change much more and I can't see how they will if they do….but I don't think that theaters will disappear, but they have taken a hit and I don't think they will blow up again either. They do have the 3d goggles now but I think it's a niche market type of thing. I do not see things changing much more. I just can't see it. There will always be awkward first dates at the movie theatres, there will always be groups of kids getting freedom at the movies, and as we get older, we will stay at home more. I don't think Netflix can acquire enough licensing to do away with cable in all markets.

Participant F

1. Age
   a. 23

2. Sex
   a. Female

3. Occupation
   a. Student

4. Where are you currently residing? (country)
   a. Denmark

5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. Studio apartment and alone

6. How often do you go out for a movie?
   a. 1-2 times a year

7. How often do you watch movies at home?
   a. 2-3 times a month

8. how often do you attend live events (sports, music, theatre, etc..)
   a. 2 times a month

9. do you watch TV?
   a. No

10. How often would you say you watch TV (Tv shows, the news, live sports events, and/or films)
    a. 3 days a week for only an hour or so
11. How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc.)
   a. On my laptop

12. Would you say that your TV consumption habits have changed in the past 5 years?
   if yes, how so?
   a. I suppose I watch less TV shows now, I’m always busy with my studies. And I watch it on my computer as opposed to TV.

13. Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
   a. No.

14. Are you familiar with Netflix?
   a. Yes

15. Are you currently or have you ever been subscribed to Netflix?
   a. No, never.

16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
   a. I’m not subscribed to anything.

17. If you don’t watch TV, and you do not have a subscription, how do you watch your content?
   a. On, occasion, I pirate content via streaming. Or I have a friend who shares their Netflix account password with me.

18. Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
   a. I do not have an account.

19. Are your needs as a customer fulfilled with Streaming video on demand providers?
   Please describe
   a. I am not currently subscribed to anything.

20. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a. N/A

21. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
a. Well I wish I had more time to relax and catch up on TV shows or to just enjoy watching a movie. But my schedule does not really leave any time.

22. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. N/A

23. Do you prefer a liner tv model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. Well I don’t mind a linear model, right now for my lifestyle benefits from binge watching. I must take the opportunity that I have time to watch when I can. And having all the episode or all the movies available to binge watch works for me.

24. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. I think that now more than ever, and in the up coming years, the living room has already changed and will continue to. In my everyday life I barely have time to watch TV or entertainment, and since live alone, when I do have time I watch it by myself. If I had a roommate, I don’t think that would change at all. So I believe that in general we are all moving towards a separate but shared experience, because people are watching more and more content, but by themselves.

25. Could you clarify what you mean by “separate but shared”?
   a. I mean that, we still have the need that we have always had: to be entertained and to have it as a shared experience. From the beginning of TV, even from the beginning of theatre, it was something that you did for the social aspects....to be able to discuss the latest thing you have seen. But now we all have our own schedules and individual devices...technology has really individualized us while keeping us together, so we still have the shared and joint experience of watch the content, but we do it alone. Come to the living room to watch something starts to feel a little outdated.

Participant G

December 13, 2016
1. Age
   a. 25
2. Sex
   a. Female
3. Occupation
   a. Nurse
4. Where are you currently residing? (country)
   a. US
5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. Apartment by myself
6. How often do you go out for a movie?
   a. 2-3 times a year
7. How often do you watch movies at home?
   a. 4 times a week
8. How often do you attend live events (sports, music, theatre, etc..)
   a. 2-4 times a year
9. Do you watch TV?
   a. yes
10. How often would you say you watch TV (Tv shows, the news, live sports events, and/or films)
    a. daily, at least 2 hours a day
11. How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
    a. On my TV
12. Would you say that your TV consumption habits have changed in the past 5 years?
    a. Yes, I watch less TV due to my job. I also just have the TV on in the background but I won't actually be watching it.
13. Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
    a. Cable TV
14. Are you familiar with Netflix?
15. Are you currently or have you ever been subscribed to Netflix?
   a. Yes

16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
   a. I'm not subscribed

17. Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
   a. No I don't.

18. Are your needs as a customer fulfilled with Streaming video on demand providers?
   Please describe
   a. N/A

19. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a. N/A

20. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a. Not at all.

21. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. N/A

22. Do you prefer a linear TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. I don't mind either. It's nice that binge watching I get to catch up on TV shows, since I work long hours as a nurse. But I rarely binge watch. I just watch whatever is on the TV.

23. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. I don't think so. How else could it possibly change? Please will still watch TV, and movies, and we will fight over what to watch and discuss all the options.
we have. What happened over the last years is that we have more and more options. So maybe we will have even more options.

**Participant H**

December 13, 2016

1) Age
   a) 20

2) Sex
   a) Female

3) Occupation
   a) Student

4) Where are you currently residing? (country)
   a) US

5) Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a) House with my parents

6) How often do you go out for a movie?
   a) 6 times a year

7) How often do you watch movies at home?
   a) 3 times a week

8) How often do you attend live events (sports, music, theatre, etc..)
   a) 2 times a year

9) do you watch TV?
   a) Yes

10) How often would you say you watch TV (Tv shows, the news, live sports events, and/or films)
    a) daily at least an hour or two

11) How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc..)
    a) TV, Laptop and cellphone

12) would you say that your TV consumption habits have changed in the past 5 years? if yes, how so?
    a) Yes. I watch more content on my cellphone and laptop.
13) Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
   a) Yes, Cable TV and Netflix

14) Are you familiar with Netflix?
   a) Yes

15) Are you currently or have you ever been subscribed to Netflix?
   a) Yes. I ordered Netflix DVD service years ago when I used to rent movies from the movie rental store, but now I only use their streaming services.

16) If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
   a) Through my laptop or cellphone

17) Do you share your subscription account with anyone? Please specify if you share your password with others or if you have a joint account with someone else.
   a) Well my Netflix account is shared with my parents, we have a joint family account which they pay for.

18) Are your needs as a customer fulfilled with Streaming video on demand providers?
   Please describe
   a) Yes, its nice specially since my family still watches TV so when I do not want to participate in what they are watching I can always go to my room and access my shows or movies through my laptop.

19) Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a) Yes, my parents keep a subscription with the cable TV provider and a subscription to Netflix

20) Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a) No not at all. I like that I don’t have to struggle over the TV with my family.

21) Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a) I watch more shows and movies alone.

22) Do you prefer a linear tv model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
a) Binge watching! I binge whenever I can...but I do feel guilty when I do it too often.

23) Do you feel that the living room and how you consume entertainment content will change in the future? How?

a) Well, as I said before....at least in my personal experience, my family and I don’t have to argue about what we want to watch, or, at least we take turns watching our TV shows on our TV. Witch means we watch things together when we want to and we watch things separately when we can’t agree. I suppose now a days we have so many options of what to watch...which is probably why we can never agree on what to see...anyway. I think in the future the options of what we can watch will be more and more, and perhaps our subscriptions will be more and more personalized, you know? By genre that we like, or director, we will have the ultimate personalized accounts.

Participant I

December 15, 2016

1. Age
   a. 23

2. Sex
   a. Male

3. Occupation
   a. Student

4. Where are you currently residing? (country)
   a. United Kingdom

5. Current living accommodation? (i.e.- house, apartment, tent, tree house AND living alone, with a roommate, my parents)
   a. apartment; alone

6. How often do you go out for a movie?
   a. 3 times a year

7. How often do you watch movies at home?
   a. twice a week at home

8. How often do you attend live events (sports, music, theatre, etc..)
   a. Twice a week

9. Do you watch TV?
   a. No
10. How often would you say you watch TV (TV shows, the news, live sports events, and/or films)
   a. 3 times a week

11. How do you watch entertainment content? (i.e.- TV, personal computer, laptop, gaming console, cellphone, etc.)
   a. Laptop

12. would you say that your TV consumption habits have changed in the past 5 years?
   if yes, how so?
   a. Yea I got passionate for the NFL... A lot thanks to app too like BBC I player, NFL etc...its easier to access from devices, Bigger access to content easier

13. Do you currently have a subscription to any entertainment provider(s)? (i.e.- cable TV, online subscription for TV and films, ) if so which ones?
   a. Amazon Prime and NFL

14. Are you familiar with Netflix?
   a. Yes

15. Are you currently or have you ever been subscribed to Netflix?
   a. Yes for the six months you get for free.

16. If you are currently subscribed to Netflix or any other form of Streaming Video on Demand provider, how do you access your content?
   a. laptop and phone

17. Do you share your subscription account with anyone? Please specify if you share you password with others or if you have a joint account with someone else.
   a. I’m planning on sharing with Denise my Amazon so we can watch the same TV shows and she will share her HBO. we don’t share anything yet, we are planning so we can watch the same shows by paying less and make lists etc

18. Are your needs as a customer fulfilled with Streaming video on demand providers? Please describe
   a. Not really, I always want more and they all have exclusive content so you must subscribe to another one and so on. On demand makes you want always more

19. Since subscribing to a Streaming video on demand provider, do you currently have a cable TV subscription? Why or why not?
   a. no, I don’t feel the need. You have TV shows and movies online, same with
sports and you get the news online (even from Facebook with FB live etc)

20. Whether you watch TV via cable subscription, or also have a SVOD subscription, is there anything that you would like to improve in your entertainment consumption habits?
   a. I wish I could centralize my subscriptions to one place so it is easier to track what I have access to and how much it costs me per month…that could actually be a pretty cool startup idea

21. Since subscribing to SVOD, Would you say that your entertainment consumption habits have changed? How so?
   a. I watch more movies and TV shows and I visit less illegal website. Because I have access to most of the content legally and I feel proud… And yes I visit less because I still visit some for some content I do not have access to

22. Do you prefer a liner TV model, where episodes are released once a week, or do you prefer to binge watch, where you consume many episodes in one sitting? And why?
   a. I am a big binge watcher otherwise I lose interest. We live in a very fast moving world where we have many things to think about and do and movies and TV shows are not my priority, they are only an entertainment so I do not have the habit to putting the date the next episode would be released etc…does that make sense?

23. Do you feel that the living room and how you consumer entertainment content will change in the future? How?
   a. I do not have any attractiveness towards TV as a product…I think we should go more often to the cinema and that movies and TV shows deserve the best equipment to be watched, the rest we can get it online Netflix etc…they are definitely interesting when you travel so on your phone. People watching Netflix from their phone when they are on the go and more and more people going to cinema thanks to technological improvement (sound system etc that would require people to go there to enjoy the full potential of the content