

Dynamic Aspects of Business Model Development

Authors

Ludvig Ekelund (40089)

Gustaf Sundlöf (21174)

Tutor

Christopher Rosenqvist

Abstract

Little research has been done concerning the dynamic process of how business models develop, change and evolve. Hence, what affect how business models develop, changed and evolve? And what principles and practices are employed by firms in this process?

In order to begin bridging this gap in existing business model literature a qualitative study was conducted of how the business models of seven actors within the Swedish TV-industry have developed. The study captures aspects of how business models are developed over time, as well as in relation to other market actors.

Within observed cases the development of the firms' business models seem to evolve as activity systems in which a key principle is the purposeful utilization of complementarities between different offerings and platforms. Our findings also show that a business model development may be significantly facilitated by the use of *business model triggers*. In addition, the dominant logic of a firm significantly affects what routes for business model development are chosen. Responsive behavior due to direct and indirect interdependencies between actors is also prominent in this process. Further, by engaging in actions as to shape existing market practices actors engage in indirect business model development. The usage of existing technological assets in new, originally unintended ways, have also been an important source of business model development.

Keywords: Business models; Business model development; Business development

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1 Introduction

1.1 Introduction and purpose

During the last decade, the business model (BM) concept has emerged and gained significant interest as a strategic tool/concept. It has been widely discussed among practitioners, and gained an increasing interest in academic research on strategy and business as well (Zott, et al., 2011). Most of the literature on the topic of BMs has concerned ‘what are business models?’, ‘what are its main components?’ and ‘what is the difference between strategy and business models?’. Further, the notion of the BM has been used by authors for issues ranging from how the firm generates money to issues such as general industry structure and industry dynamics. That is, the concept has been used for many interrelated and overlapping, but different, things (Zott, et al., 2011).

However, what the BM concept entails, and what the use of the concept is, has in much of existing research been concerned with finding the *best* definition of the concept (hence the focus on ‘what are business models?’), rather than developing an understanding of how to employ and work with this strategic tool/perspective. In this process the BM concept has often been reduced to a generic set of components of all main parts for top executives to think about when managing a company (e.g. Yip, 2004), rather than developing the concept as a strategic logic for how the firm should conduct its business (cf. Linder and Cantrell, 2000; Chesbrough and Rosenbloom, 2002; Casadesus-Masanell and Ricart, 2010).

This somewhat skewed emphasis in existing research is unfortunate as managers and companies frequently find it difficult to peruse BM development. It was already identified in early research on the BM concept by Chesbrough and Rosenbloom (2002) that incumbent firms typically find it difficult to develop new BMs when technological developments make it necessary. Similarly, Johnson, et al. (2008) report that studies have shown that executives at incumbent firms perceive the development of new BMs as something that is of increasing importance for future success, at the same time as they report that executives find the development of new BMs as something that is very difficult to succeed with. Moreover, Yip (2004) also states that companies attempting to make substantial changes of their BM are often unsuccessful – explained by that this is a maneuver rarely done and therefore naturally something most managers have little experience of/knowledge about.

Mason and Spring (2011, p.1032) argue that the BM concept “has become reduced to a rather static concept” and most of the research on BMs depicts the BMs (and empirical examples)

predominantly as snap-shots in time. However, while recognizing the importance of *not* seeing the BMs as a static concept, the study by Mason and Spring (2011) provide little insights into the dynamic aspects of how BMs develop that can guide companies in the development of their BMs. Similarly Johnson, et al. (2008, p.52) state that, “Very little formal study has been done into the dynamics and processes of business model development”, and Chesbrough and Rosenbloom (2002, p.552) argue that “We need to learn more about the forces that facilitate and impede the search for constructive adaptation in the elements of an extant business model”. In recent research Casadesus-Masanell and Ricart (2010) also conclude that the process of how companies design new BMs is poorly understood. Thus, it is not surprising that Mason and Spring (2011, p.1040) conclude that “We need in-depth [...] studies to help us understand how managers develop, represent, translate and transform business models through situated management practice”.

In response to this, *the purpose of this thesis will seek to start to bridge this gap in the existing literature and pursue research on the topic of the dynamic process of how BMs develop and change.*

Furthermore, in contrast to previous research which typically has been concerned either with the analysis of individual success cases (e.g. Johnson, et al., 2008), or with studying BMs from an aggregated industry level perspective (e.g. Mason and Spring, 2011) we believe it to be fruitful to bridge the two approaches in order to develop a more comprehensive understanding *of the dynamic process of how BMs develop and change.* This can be done by conducting a more in-depth study with a firm level perspective while at the same time accounting for the network perspective with the use of empirical data from several actors connected by the same industry network context. As such this thesis will also be a contribution to the field of BM research as it will provide for a more nuanced and dynamic picture of how BMs develop and change over time within the same context.

Hence, a suitable context for studying how BMs develop is the Swedish TV-industry, which together with complementary value chain has changed dramatically and with astonishing speed the last 25 years. In 1987/1988 the first *commercial* TV-channel, TV3, started its broadcasts in addition to the government controlled SVT1 and SVT2. Now there are a multitude of companies offering all kinds of TV which can be consumed via TV, computer, mobile phone, tablets etc. TV is also, distributed in multiple ways, such as terrestrial distribution (Swedish: marknätet), cable, satellite or via the Internet.

In light of this we pose the following research question(s): *What can we learn from the development of the Swedish TV-industry – over time and in-between market actors – regarding the principles and practices of BM development?* That is, what affect how BMs have developed, changed and evolved in this context; and what principles and practices are employed by firms in this process?

This thesis provides important insights for managers and academics into the dynamic process of how BMs develop and change; how it can be analyzed and understood. Within the empirical setting of our research we will see how BM development can fruitfully be thought of as the development of complex activity systems; and we highlight principles and practices that seem to be particularly pertinent when undertaking BM development in this empirical context. In addition, we also propose a research model/synthesis of four adjacent streams of research (the firm's dominant logic; conflict and stability in business networks; aspects of technological development; and the utilization of market shaping practices), which together with existing BM research forms an analytical framework that is utilized for a comprehensive understanding of how BMs develop and change in the empirical context of investigation. This thesis account for a more comprehensive understanding of the dynamic process of how BMs develop and change which can be utilized to facilitate more effective BM development in the future.

1.2 Delimitations

This study will primarily take a firm perspective, and not an industry perspective. That is, our research concerns what can be learnt from how different actors have developed their BMs. However, in order to develop a comprehensive understanding for how BMs develop one need to account for that actors and their BMs are embedded in a business context together with other actors (cf. Mason and Spring, 2011). As such, we will aim to cover the process of BM development of several actors within the same business network/industry context; and with necessity (due to the time limitations of this thesis) delimit the depth of study within each organization. Our focus will be on incumbent commercial actors in the Swedish TV-industry; primarily TV-channel companies and TV-distributors. Further, as the BM concept is not the same as industry analysis we cannot disregard important dimensions of the studied cases' BMs because it wouldn't meet a strict TV-definition.

Finally, it is worth noting that although the research questions may be perceived as broad this is an inherent consequence of the broad nature of the BM concept. That is, it follows as a consequence of studying BMs that a broad range of aspects need to be taken into account.

1.3 Disposition and overview

In chapter 2 we account for how the research was conducted, trade-offs made, as well as the research's limitations. In terms of research strategy a qualitative approach with an abductive relation to theory was employed. The research design selected was a multiple case study approach.

In chapter 3 we present a theoretical overview of the BM concept and formulate a research model/synthesis of previous research taking into account adjacent theory that may facilitate understanding of the dynamic aspects of how BMs develop. The related streams of research utilized concerns the firm's dominant logic, conflict and stability in business networks, technological development, and market shaping practices.

In chapter 4 we present our empirical findings from the cases studied after a brief introduction of the Swedish TV-industry. The cases studied are Kinnevik/MTG, Com Hem AB, TeliaSonera, Boxer TV-Access AB, Canal Digital, Kanal 5 and TV4. This is followed by the analysis of the cases in chapter 5.

In chapter 6 we present the main conclusions of our research concerning how these case-organization's BMs have developed, as well as principles and practices employed. For instance, within observed cases the firms' BMs seem to evolve as activity systems in which a key principle is the purposeful utilization of complementarities between different offerings and platforms. Another key finding is that the dominant logic of a firm seems to significantly affect what routes for BM development are acted upon.

In chapter 7, we discuss the thesis's main contributions and implications for practice, academic research, and education. Suggestions for further research are also provided.

2 Methodology

2.1 Research strategy

In this section we discuss and explain our epistemological and ontological viewpoints. We then connect these viewpoints to how we see knowledge being created.

2.1.1 Epistemological considerations

Even before we started to develop our problem formulation, we took a hermeneutic approach to our study – by which we searched for a deeper understanding of how BMs work.

The positivistic approach seeks explanation while the hermeneutic approach seeks understanding (Andersson, 1979, p.31). To understand the difference between explanation and

understanding, the former refers to cause and effect (Andersson, 1979) while the latter refers to a contextual understanding rather than to seek explanations to generalize.

As researches we seek a deeper understanding of how BMs work from a dynamic perspective. And since our epistemological approach is hermeneutic we find it natural to focus on *how* and *why* questions rather than formulating a hypothesis to test and verify/falsify. Furthermore, our epistemological approach to this study is also intertwined with our ontological approach and our choice of research strategy.

2.1.2 **Ontological considerations**

Questions about social ontology refers to “...whether social entities can and should be considered objective entities that have a reality external to social factors, or whether they can and should be considered as social constructions built up from the perceptions and actors of social actors” (Bryman and Bell, 2007, p.22). There are two main social ontological positions to consider *objectivism* or *constructionism*. The former refers to that social phenomena and meanings can be separated from the social actors, the latter refers to that social phenomena and meanings are interrelated (Bryman and Bell, 2007, pp.22-23).

With an hermeneutic approach to epistemology it is natural to acknowledge that the world around us is not just only constructed by physical things but rather a world where the physical things are a part of our existence. Within the hermeneutic approach there are arguments that scholars within the positivistic approach are using one of the natural sciences terminology of matter, physical things, in a way that they neglect the so called socio-matter (Andersson, 1979, p.35). Socio-matter can be described as the acknowledgment of physical things but also the acknowledgment of social phenomena (Andersson, 1979, p.36). In other words, within the positivistic approach the researcher searches for general explanations without considering the social construction of reality. Furthermore a positivistic approach works in studies where no human has made any social influence, such as areas in the natural sciences, the hermeneutic approach advocates that the world is socially constructed.

By the above arguments this study adopts an ontological approach of constructionism that implies that the world is socially constructed.

2.1.3 **Deduction, induction or abduction**

There are different perspectives on how knowledge is created “induction starts from facts and deduction from theory”. (Abnor and Bjerke, 2009, p.92) In other words a deductive study starts from the theoretical world and the inductive study starts from the empirical world.

Apart from deduction and induction there is a third way of how theory is generated – abduction. “The analysis of facts may very well be combined with, or preceded by, studies of existing theory in the literature, not as a mechanical application to single cases, but as a source of inspiration to discover patterns for further explanations” (Abnor and Bjerke, 2009, p.92). Abduction recognizes that induction and deduction are intertwined in the way that a study works in practice.

Given the above reasoning together with our approach of constructionism and hermeneutics this study will have abduction as its perspective on theory and knowledge creation.

2.1.4 Qualitative or quantitative

Qualitative studies have a tendency to come from hermeneutic approach (Bryman and Bell, 2007, p.626). On the other hand, as researchers we must consider the best way to answer our research question and what alternatives we have.

Our research questions relate to processes, that is, the dynamic perspective of some sort of change and what affects that change in BMs used by actors within the Swedish television industry.

To do a quantitative study about a processes in change in such a broad concept as BMs would be very difficult since quantitative research puts an “...emphasis on relationships between variables. Change and connections between events over time tend not to surface...” (Bryman and Bell, 2007, p.426). Qualitative research on the other hand is adjusted to reveal changes over time and the “...interconnections between the actions between the participants of social settings” (Bryman and Bell, 2007, p.426). This also relates to that the quantitative research has difficulty of capturing the socio-matter described in the paragraph of ontological considerations above. Another aspect relating to the process of change is that quantitative researchers are striving towards *objectivism* (Bryman and Bell, 2007, p.14) which creates a contrived and therefore artificial setting (Bryman and Bell, 2007, p.426). This creates problems of understanding the process of change since the quantitative researcher does not fully understand the process in beforehand. The qualitative research on the other hand “...investigate[s] people in natural environments” (Bryman and Bell, 2007, p.426) which gives the informant the possibility to answer the questions, in an interview, from their perspective and not the researchers perspective.

To conclude this chapter about our research strategy, we find it natural to take a qualitative approach to this thesis, both from a methodological point of view and also because of our subject of investigation.

2.2 Research design

In this section we discuss and conclude our research design – that is our logical plan to answer our research questions.

2.2.1 Case study

With a qualitative research strategy and research questions that focus on an in-depth understanding rather than confirmation of a hypothesis our choice of research design became a natural choice to be a case study. As Yin so well pointed out that “... case studies are the preferred strategy when “how or “why” questions are being posed...” (Yin, 2003, p.1).

Considering our research questions from a research strategic perspective our focus is to understand how BMs are dynamic and therefore we seek a deeper understanding. That depth can only be understood from the participants and their reality of which the concept of BMs are a part of.

An abstract way of looking at BMs would be to compare it to a company organization culture – you cannot touch it, it is in the walls of the organization. Like organization culture, BMs are *in the walls* but it is in many ways attached to the company in terms of legally owned property as building blocks. Taking such reasoning into consideration we need to investigate companies and representatives for the company’s BMs. Our choices of units for investigation are companies and suitable representatives for BMs in the television industry. This also relates to Abnor and Bjerkes perspective on “The Actors View” that refers to a methodological view “...in the actors view, social science, unlike natural science, studies phenomena that consist of concepts – the actors’ conceptions of their experiences” (2009, p.69). In other words different actors may experience things in different ways. What a BM is and how it is dynamic may be viewed in different ways depending on what actor that experiences it. To get a deep and rich understanding we need to investigate several actors and their representatives.

We have chosen to do a multiple case study since our aim is an in-depth understanding. However there is a two-folded perspective on depth in this thesis. First we want to understand the depth in how the particular case views the process of change in the scope of our inquiry. Second how the cases relate to each other since they are in the same industry. Multiple case studies “...allow the researchers to compare and contrast the findings deriving from each of the

cases. This in turn encourages researches to consider what is unique and what is common across cases, and frequently promotes theoretical reflection on the findings” (Bryman and Bell, 2007, p.64). Since our research questions focus on how and why change expresses itself, in other words the process of change, we have taken a retrospective approach with longitudinal elements in our research method. The retrospective approach relates to our both perspectives of depth - that we want to understand the BMs development by time.

There are two alternatives to design a multiple case study. Either you can choose a holistic or an embedded design. With the former design you treat each case individually and with the latter you treat certain cases embedded with each other. (Yin, 2003, p.41) Our choice is to treat each case individually first because the time to cover the whole industry is not sufficient and second many of the actors have owner interests over the entire value chain and therefore the density of the study would be too fragmented into details choosing an embedded design.

According to Yin, “Each case should serve a specific purpose within the overall scope of inquiry” (2003, p.47). The logic of how we have selected our multiple cases is strongly connected to our two-folded perspective on depth. To obtain a holistic perspective on the BMs of chosen actors within the television industry we need to understand how the actors are connected with each other in terms of their BMs and how they individually have changed their BMs. This argument follows the logic that cases must be carefully selected to predict “...contrasting results but for predictable reasons (a theoretical replication)” (Yin, 2003, p.47). We see the predictions, stated in each case selection below, as an initiating reason for case selection rather than a positivistic approach of its deductive nature to confirm these predictions.

2.2.2 Selection of cases and case representatives

The empirical context for this thesis, that will be presented in the empirical chapter, is the Swedish commercial television industry. To make the case selection more understandable for the reader of this thesis, the cases are categorized by the type of actor, according to television channels and according to television distributors. In short it could be said that the former buys and produces TV-program content and put together these programs into a schedule. The distributors then buy the aggregated packages of TV-program content and distribute it to the consumer.

2.2.2.1 Television channels

Case 1: Modern Times Group, (MTG), former Scansat Broadcasting and incorporated by Kinnevik. This case was selected due to that MTG was/is the owner and initiator of the first Swedish commercial television channel, TV3. In other words a new type of BM was shaped.

The first case representative, Mr. Jan Steinmann, was selected by recommendation of MTG since Mr. Steinmann was CEO for Scansat Broadcasting – the company that started TV3. The second representative, Mr. Pelle Törnberg, former CEO of MTG was selected since Mr. Törnberg has a broad understanding of MTG and the initial phase of TV3 and MTG in general.

Case 2: TV4-Gruppen AB. This case was selected due to that the television channel TV4 was one of the first commercial Swedish television channels to launch an online TV-service, TV4 Play, for its viewers. The second reason was that TV4 was the first so called free-TV in Swedish commercial television, third TV4 seemed to have a clear divided organization between its broadcasting and online TV-services – which we learned when Ms. Cecilia Beck-Friis, Head of TV4 Play and Digital Media, lectured in the course Media Management at Stockholm School of Economics in the spring of 2011. All three predictions give us indications of a BM change. As for case representatives we interview three persons. To cover TV4 Play and the Digital Media department of TV4 Ms. Cecilia Beck-Friis was asked and participated. To get a retrospective view on TV4 Play we contacted Mr. Mattias Fyrenius who also participated. The third representative we interviewed chose to give contribution anonymously.

Case 3: Kanal 5 AB. The case of Kanal 5 was selected since, in contrast to TV4, Kanal 5 is a television channel in the segment for pay-TV in Sweden. Kanal 5 is also one of the largest pay-TV channels in Sweden that makes Kanal 5 a suitable case. Furthermore, comparably with TV4 a change is predictable since Kanal 5 also offers online TV-services today. We contacted Mr. Jonas Sjögren, CEO of Kanal 5 AB who agreed to participate. In terms of retrospective considerations we concluded that one interview would be sufficient due to Mr. Sjögrens long and extensive history at Kanal 5.

2.2.2.2 *Television distributors*

Case 4: Com Hem AB (Com Hem) is a cable operator which means Com Hem distributes television through cable. The reason we selected this case was mainly because they used to be owned by Telia, the former fully governmental owned telecommunication company, and after being sold they launched new services. As representatives for this case current CEO Mr. Tomas Franzén participated. For retrospective considerations Mr. Thomas von Koch, current senior advisor at EQT (former owner of Com Hem) participated.

Case 5: TeliaSonera. This case was selected since TeliaSonera has gone from selling the cable operator Com Hem to start distributing television again, this predicts a change suitable for our inquiry. Additionally this case is interesting due to TeliaSonera's successful market penetration

as a distributor of television. As case representative we contacted Mr. Stefan Trampus, the current Head of Broadband Services, who agreed to participate as a case representative. We concluded that Mr. Trampus would be able to answer to our retrospective consideration due to his long career within TeliaSonera.

Case 6: Boxer TV-Access AB (Boxer). This case was selected due to that Boxer basically offers the entire numbers of households in Sweden television access via the terrestrial net (Swedish: marksänd TV). Although government owned by Teracom Group, Boxer competes and act as a commercial actor. Boxer has also more recently offered telecom and broadband services to their customers which predict a change in BM. As case representatives we asked the former CEO Mr. Per Norman, and current CEO Ms. Andrea Gisle Joosen. Both participated as case representatives.

Case 7: Canal Digital Sverige AB (Canal Digital). This case was selected due to Canal Digital's broad offering of television distribution services. Canal Digital offers customers TV-services via several platforms, mainly satellite which contrasts the case of Boxer. Additionally, Canal Digital sold¹ its cable operation, a fact that indicates a change in their BM. As a case representative Mr. Mats Almgren, CEO of Canal Digital, was contacted and participated, as for our retrospective perspective we concluded that Mr. Almgren could answer to that since he had been with the company at the time they sold their cable distribution.

2.2.3 Empirical data collection and analysis

2.2.3.1 Data collection

In this section we discuss what methods we used to collect our empirical data and how it has been analyzed.

Because our research questions focused on the process of change we concluded that interviews would serve our purpose best. Since a company's BM is a concept rather than a mechanical framework, we wanted to understand the interviewee's point of view of the companies, corresponding with our ontological approach of constructionism.

In qualitative studies you can either do unstructured or semi-structured interviewing. The former refers to when the researcher starts with one single question and continues the interview by following up interesting points as time goes by. The latter, semi-structured, the researcher have questions on specific topics to cover during the interview. (Bryman and Bell, 2007, p.474) Our interviews are all semi-structured because of two practical reasons. First, we

¹ The cable operation is currently owned by the parent company Telenor. See the attached case summary for further details.

believe that conducting an unstructured interview takes more time than we have and are difficult for a not professional researcher. Second, we want to focus on certain aspects of a very wide question: ‘what business is about’, therefore having an unstructured interview could easily led us into other aspects of that question.

Before we conducted our interviews we had a broad understanding of what the academic literature had to say about BMs. From that understanding we found certain topics for investigation that we used to construct our interview guide (attachment 2). However, these categories were merely a checklist of “fairly specific topics” (Bryman and Bell, 2007, p.484) to ask the case representative and not direct questions. This interview technique is referred to as a semi structured interview. (Bryman and Bell, 2007, p.484) We had a flexible perspective on the interview session, meaning that we accepted if the interviewee wanted to discuss a certain topic for a long time and in a detailed way. With a flexibility of letting the interviewee elaborate with a certain topic we could later determine what the interviewee considered to be the important aspects of the topics that was brought up for discussion. Additionally the interviews had similar aspects of a normal discussion, for instance if we asked about topic X the interviewee would elaborate on that and also mention topic Y, after topic X was finished we would ask the interviewee to talk about Y from the perspective of X and so on. Furthermore, to get a deep and detailed data we focused on *how* and *why* questions and when it was appropriate we asked about the change from one point in time to another.

Our way to get the interviewees in a *right mood* for the session was to:

- Let them decide where the interview would take place so the setting would be as natural for them as possible.
- Inform them that they may speak freely since they would later on have a chance to add or withdraw information from the interview summary (which would be published in the thesis). Additionally we informed them of our intentions of deleting all tape recordings and transcriptions after we had made a summary that they could verify to be accurate in order to ensure that confidential information and similar potentially sensitive issues would be protected.
- Inform them that they could talk about anything that they thought were important for the specific topic and that they should discuss both operational and strategic issues in a broad and holistic sense with a focus on change.

All our interviews were recorded due to our choice of data analysis, then transcribed word by word, codified into themes, and finally summarized. It is therefore only the information in the

summaries published in this thesis that constitutes the empirical support for our claims and conclusions. Thus, any other researcher has the possibility to draw their own conclusions and evaluate the reliability and validity of our findings.

2.2.3.2 Data analysis

All our interviews were transcribed and our empirical research amounted to approximately 200 pages. The raw data was analyzed and summarized based on the analytical framework used in Grounded Theory where "...data collection, analysis and eventual theory stand in close relationship to one another" (Straus and Corbin 1998 in Bryman and Bell, 2007, p.585). The first step in analyzing data according to Grounded Theory is coding (Bryman and Bell, 2007, p.585). In line with our abductive approach, a selective coding (Bryman and Bell, 2007, p.586) of categories based on our topics used in the interview guide were done. Our perspective on those categories was that they would work as core categories. From those core categories, we constructed sub categories of processes describing the dynamics of the main categories. In those cases when a category could not be established from our topics, we constructed new categories simply based on the subject of discussion. To finalize the analysis we compared and contrasted the different categories, within each individual case, to evaluate if our categorization was reasonable, after that we put together the summary of each case representative.

The summaries of each case representative were distributed to the informants interviewed via e-mail in a MS Word document, in which the informant could make comments. Those comments were analyzed and if the comments were unclear we contacted the informants via telephone to get additional comments. In all cases the comments were in the end reasonable and actually made the summaries even deeper in terms of understanding.

There were two reasons for such a rough coding. First, we wanted our informants, the case representatives, to verify what had been discussed and that we had understood them correctly. Second, due to the criticism "...of losing the context of what being said" (Bryman and Bell, 2007, p.597) we did not want to erode our data to be used in the analysis of comparing the different case representatives within each case or/and the academic theory with our empirical findings.

As a finalizing part of the analysis, we put together the case representative's summaries into each individual case and made a summary for each case. The summaries of the cases are found as attachments while the empirical chapter is constructed of extracts that were used in the analysis. We recommend the reader to review the full summaries if a more complete picture of the cases is desirable.

2.2.4 Literature review

In this section we discuss how we have collected our theoretical data and how we have put together our theoretical framework.

The literature review and our theoretical framework were done parallel as we conducted our study in the empirical setting. Our first objective with the literature review was to obtain a broad understanding of the relevant theory about BMs and adjacent theories. The reason for such was that we were in need to understand the concept of BMs from all theoretical angles to be prepared for our empirical study. Our second objective was to identify which concepts and theories would be relevant to include in our theoretical framework.

Our starting point for the theoretical framework was to obtain a clear picture of established theory. To do so we searched the abstract and citation database Scopus for “business models”, ‘business development’ and “business model innovation”. As you can imagine the results of such searches became quite large. To narrow it down we included only “business management and accounting” as prefixed subject area, chose English as language and “journals” as source type. After we had done that we downloaded approximately 370 abstracts. We read all and we also looked up all relevant references mentioned in the articles. This analysis of article abstracts and abstracts of referenced articles resulted in an MS Excel list containing nearly 300 articles. As time went by we identified certain authors to be mentioned and quoted frequently, so together with this quantifiable way of determine the quality of the article we established a sense of what articles that were considered to be most relevant.

As time, and the research, went on we found new perspectives on the dynamics of the BMs from the case representatives’ point of view. In such cases we simply discussed what theories that possible could explain those new perspectives. In other words our theoretical framework and our initial empirical analysis were at an intuitive level done simultaneously in accordance and as predicted by our abductive approach.

The result of our literature review resulted in a theoretical framework which we later on would use to analyze our empirical findings in the chapter of analysis.

2.3 Limitations

During the process of conducting this study two main limitations have been observed. First, the case representatives are all on a managerial level: CEOs or business area managers. We may only assume that the picture they communicated to us constituted the whole picture of the BM concept. Second, the cases do not fully overlap each other in a time perspective. In other

words, the points of time within the case discussed with the representatives and the points of time within the industry discussed are not fully covered.

Although not possible, due to the limitations of this project, it would have been interesting to cover each organization more in depth as to give a more comprehensive view of their BM development. Similarly, by using cases that more fully overlap during a longer period of time would have provided us with a more nuanced view of the interrelationship between different actors.

2.4 Research quality

In line with Guba and Lincoln (1985, 1994 cited in Bryman and Bell, 2007, p.411) the quality of the qualitative research may be assessed by trustworthiness and authenticity. The former refers to credibility, transferability, dependability and conformability. The latter refers to aspects of whether the research “fairly represents different viewpoints among members of the social setting” and whether the research helps the members to understand their social milieu. (Bryman and Bell, 2007, p.414) Additionally there are aspects within the concept authenticity that concerns with whether the research empowered or stimulated members of the study to act upon “actions to change their circumstances” (Bryman and Bell, 2007, p.414).

Credibility answers to the question whether the findings are believable. (Bryman and Bell, 2007, p.43) In terms of credibility all the interviews of this study were validated by two techniques mentioned previously in this chapter. First, the summary of the transcribed interview is confirmed to be true by each informant. Second a credibility aspect also lays in the comparison, in our data analysis, between all the interviews that confirm many of the events from different angles. For a critical perspective the credibility could be questioned based on whether we succeeded to capture the ‘whole picture’ of our inquiry. The answer is ‘probably not’. The reduced credibility is grounded in the limitation of time and resources for this study, both from our perspective and from the informants’ perspective. To increase the credibility of the responses, a technique would be to validate all our findings and analysis in co-operation with the informants and by that get even closer to the truth.

Transferability answers to the question whether the findings apply in other contexts. (Bryman and Bell, 2007, p.43) In line with our ontological and epistemological approach we see our study as a “thick description” (Geertz, 1973 cited in Bryman and Bell, 2007, p.413) what others can use “as a database for making judgments about the possible transferability of findings to other milieux” (Lincoln and Guba, 1985 cited in Bryman and Bell, 2007, p.413).

Dependability refers to whether the findings of the study have a constant approach to the process of research in practice. In other words are “the findings likely to apply at other times” (Bryman and Bell, 2007, p.43). To increase the possibilities of peers being able to revise the research process we have presented a detailed research method and included summaries of the interviews as attachments. During the entire research process we kept versions of all text materials produced to be able to revise different aspects in the process. Additionally all interviews were transcribed and therefore we could go back to verify aspects in uncertain times. This documentation also helped us in times when our personal assumptions of the actors reality got a hold of our perception, then we could go back to verify whether it was right or not – answering to the issues of confirmability.

Searching for answers our study stretched over various types of actors within the television industry which has given us fairly different sets of viewpoints of the context of our case representatives. During the process of interviewing the quality and disclosure of the actors seemed to be at the same level. With this we can conclude that the authenticity level is high.

3 Theoretical overview

In the following sections we will present an overview of the business model (BM) literature as well as adjacent streams of research that will help us analyze our empirical findings (presented in the next chapter of the thesis). The theoretical overview is structured into five main sections. Section 3.1 and 3.2 will provide an introduction to the BM concept, respectively an account for the predominant description of the BM as more or less a (static) set of generic components. In section 3.3 we will account for research that advocates for a more dynamic perspective of BMs and in section 3.4 we will elaborate on four theoretical areas that will allow us to develop a more comprehensive understanding of the dynamic process of how BMs develop and change. Finally, in section 3.5 a synthesized research model based on the previous research on BMs and the four related theoretical areas will be presented that is used to approach our empirical investigation (as described in the method section).

3.1 Introduction to the BM concept

The interest in the BM concept was triggered during the dot.com boom (Zott, et al., 2011; Chesbrough and Rosenbloom, 2002). This view is shared by Mason and Spring (2011) who state that the BM concept emerged as a response to the need of explaining for investors how previously unfamiliar forms of making business, following the advent of the Internet and the dot.com boom, would actually generate money.

However, the concept is not limited to Internet start-ups. In fact “Every successful company already operates according to an effective business model” (Johnson, et al., 2008, p.54) and Chesbrough and Rosenbloom (2002) illustrate that developing new BMs are equally important for the continued success of established companies.

3.1.1 The BM concept is not one, but many concepts

There is a lack of agreement within the literature of what BMs actually are, or rather what we mean when using the label. For instance, Professor Alf Westelius (2012) noted that it seems like the concept has been more or less used as a “buzz word” in recent years and that in “most of the times that it [the term business model] is used, it probably just means important something”. Similarly, Andersson, et al. (2007, p.56) state that “The frequent use of the concept in combination with the many practical and theoretical definitions of the concept makes it difficult to create one coherent view of what it means, what is included in the concept and, what the purpose is of applying it”. Based on their extensive review of present BM literature Zott, et al. (2011, p.1020) conclude that “scholars do not agree on what a business model is ... [and that the] ... literature is developing largely in silos, according to the phenomena of interest of the respective researchers”. “the term *business model* in its current use is not one concept; it is many concepts” (Zott, et al., 2011, pp.1034-1036). In addition to being applied at the level of the firm it has also been applied by some on the industry level as well (McPhilips and Merlo, 2008; Giesen, et al., 2007). The next section will elaborate on the conceptual idea(s) of the BM concept, followed by a section on the link between strategy and BMs.

3.1.2 The conceptual idea of BMs – what it aims to reflect

In essence, the BM can be said to consist of a logic composed of two central activities; value creation and value capture (Chesbrough and Rosenbloom, 2002; Casadesus-Masanell and Ricart, 2010; Svejnova, et al. 2010); that is, a BM consists of a set of parts, mechanisms and strategies to create value and a corresponding set of parts, mechanisms and strategies aimed at capturing (parts of) the value created. Others have defined the BM as “the organization’s core logic for creating value” (Linder and Cantrell, 2000, p.1); and as “the logic of the firm, the way it operates and how it creates value for its stakeholders” (Casadesus-Masanell and Ricart, 2010, p.196). Similar definitions are also found in other articles (cf. Yunus, et al., 2010). Chesbrough and Rosenbloom (2002, p.530) have also defined a firm’s BM as “the architecture of the revenue”.

3.1.3 The link between strategy and BMs

Previous research concludes that the concept of the BM should be distinguished from a firm's strategy. Santos, et al. (2009, p.6) state "A business strategy is specified by the answers to three questions: *what* is the offer, *who* are the customers, and *how* is the offer produced and delivered to the customers? It is the *how* question that subsumes the firm's choice of business model. Organizations can have essentially the same product or service offer (the *what*), aim for the same market segment (the *who*), and so with different business models (the *how*)". According to Casadesus-Masanell and Ricart (2010) all companies have a BM, but perhaps not a strategy; as strategy should be seen as the set of contingency plans for how the firm's BM could, and should be (re)configured.

Worth highlighting is that in contrast to other areas within the domain of strategy, the BM concept differs distinctively with a much stronger emphasis on the value proposition/customer offering; "on the role of the customer, which appears to be less pronounced elsewhere in the strategy literature" (Zott, et al., 2011, p.2031).

3.1.4 A note on BM development

The recognition that changes in a firm's BM can lead to great success has been accounted for in several articles (e.g. Johnson, et al., 2008). Many articles label these success cases as *business model innovation*; however, this easily steers the attention to individual and isolated success cases rather than to research that comprehensively depicts the dynamic process of how BMs develop in the context in which they are embedded. Consequently we find the label *BM development* as more appropriate. This notion reflects a more relaxed view on the process of innovation, in line with Schumpeter's (1947) discussion of innovation and *creative response* of companies [when companies do "something that is outside of the range of existing practice" (Schumpeter, 1947, p.150)]. Schumpeter (1947, p.151) defines innovation as "the doing of new things or the doing of things that are already being done in a new way", which to a large extent corresponds to the now classical definition of competitive advantage – "strategic positioning means performing *different* activities from rivals or performing similar activities in *different* ways" (Porter, 1996, p.62). As such, BM development is clearly linked to the pursuit of competitive advantage – and thus *need to recognize any type of action taken by a company as to improve its competitive situation*. As Schumpeter (1947, p.151) puts it: "It should be observed at once that the "new thing" need not be spectacular or of historical importance".

3.2 The model of the BM: definitions and components

Much of the literature on BMs refers to the BM as a model consisting of a set of generic components/building blocks; as presented below. Although very useful to the extent that it may provide a good aggregated picture of the firm's business, it easily becomes little more than a static representation of generic parts of a business. That is, it gives insight into what you can work with, but little insight regarding how.

Early research on BMs was often conducted in the context of e-business. According to Zott, et al. (2011), in this context, the three main parts/areas that together build up the BM concept are 1) value, customer value and value proposition; 2) revenue and cost models and 3) the network architecture (logistics and distribution, exchange relationships etc.).

In the more general company setting, Chesbrough and Rosenbloom (2002) state that a BM consist of six main parts (below divided into seven parts); which should “justify the financial capital needed to realize the model and to define a path to scale up the business” (Chesbrough and Rosenbloom, 2002, p.534): (1) *Value proposition* – What value the offering creates for its users, (2a) *Market segment* – Who is the offering for, and how, (2b) *Revenue generation mechanisms* – relating to a market segment, (3) *Internal value chain* – What is required for the firm to create and deliver the offering, as well as stating what complementary assets are needed to support the firm in doing this, (4) *Cost structure and profit potential* – Given the value proposition and chosen structure of the internal value chain (e.g. margins and financial assets required), (5) *Value network* – The position of the firm within the network of suppliers, customers, competitors and potential complementors, (6) *Competitive strategy* – How to achieve and sustain competitive advantage in relation to competitors/rivals.

Many other articles have later been published with variants on the above (e.g Yip, 2004; Johnson, et al., 2008; Yunus, et al., 2010). Interestingly, Yip (2004) states that most of what is commonly listed as central parts of the BM concept resembles much what Porter (1996) calls *strategic positioning*. However, Yip never elaborates on the implications of this insight (we will however do this in a subsequent chapter).

Regarding insights into how BMs should be developed Chesbrough and Rosenbloom (2002) note that the process of creating a BM should start with a market/customer oriented focus and with the formulation of the value proposition. They emphasize that this is important as the amount of value attributed to an offering will differ among different customers. In a similar vein, Johnson, et al. (2008) prescribe that a company should reinvent their BM through the

process of 1) develop a customer value proposition that solves a real customer need/problem, followed by 2) devising a profit formula that will allow the company to create and capture value from the customer value proposition, and finally 3) comparing whether it can be implemented within the existing organization or should be organized into a stand-alone unit (depending on if existing rules, metrics and norms hamper the new business).

As seen, this perspective provide relative little insight and understanding into the dynamic process of BM development and change.

3.3 Toward a more dynamic perspective on BMs

It has started to emerge research that moves towards a more dynamic approach to the BM concept which to a greater extent recognizes and tries to account for the complex reality of BMs. This approach to BMs tries to capture how different parts of a company's operation is interrelated and together contribute to the firms overall performance and success. This view is supported by Mason and Spring (2011, p.1039) who remark that the BM can be "Seen as a bundle of practices [...]". In the sections that follows we will see how, in line with this more dynamic perspective, Santos, et al. (2009), Casadesus-Masanell and Ricart (2010) and Porter (1996) frame the BM as a set of practices and principles that tie the BM together as a coherent whole; rather than framing the BM as a model of the business.

3.3.1 BMs as complex systems of interrelated activities

Contrary to viewing a firm's BM as a 'model', Santos, et al. (2009, p.11) frame the BM as "*a configuration of activities and of the organizational units that perform those activities*". According to Santos, et al. (2009) activities performed by others outside the organization (such as suppliers or customers) should also be considered as part of the firm's BM. In addition they also emphasize that it is important to recognize the intra-firm linkages as a BM concept should take into account the constraints (and opportunities) given by the present organizational system of the company.

Santos, et al. (2009, p.13) further define the BM as consisting of four types of BM building blocks: (1) *activities*, (2) *organizational units* (internal or external), (3) *linkages* between activities, (4) *governance mechanisms* controlling organizational units and linkages (cf. Casadesus-Masanell and Richart, 2010; Zott and Amit, 2010).

According to Casadesus-Masanell and Ricart (2010) the BM is to be seen as an *activity system* – defining how a firm competes. The BM is "composed of two different sets of elements: (a) the concrete *choices* made by management about how the organization must operate, and (b)

the *consequences* of these choices” (Casadesus-Masanell and Ricart, 2010, p.198) (which all can be represented by the use of *causal loop diagrams*). The (strategy) choices, and the resulting BM (consequences of choices) give rise to *constraints* on what tactics the firm can employ in its attempts to create and capture value. (Casadesus-Masanell and Ricart, 2010)

Although Casadesus-Masanell and Ricart (2010, p.199) argue that it’s not part of the BM per se, they state that “Business models often generate *virtuous cycles*, feedback loops that strengthen some components of the business model at every iteration” and that these can indeed be important factors in explaining the success of different firms’ BMs.

As introduced earlier, Yip (2004) stated that much of the literature on BMs share significant commonalities with the concept of *strategic positioning* as presented by Porter (1996) (this is also evident when comparing Porter’s work with Casadesus-Masanell and Ricart, 2010). This is also in line with the arguments by Santos, et al. (2009), as presented earlier, regarding the link between strategy and BMs (*what, who* and *how*).

According to Porter (1996), the fundamental of strategic positioning is that competitive advantage is created by a tailored set of activities. Porter (1996) states that

Positioning choices determine not only which activities a company will perform and how it will configure individual activities but also how activities relate to one another. [...] strategy is about *combining* activities. [...] The importance of fit among functional policies is one of the oldest ideas in strategy. Gradually, however, it has been supplanted on the management agenda. Rather than seeing the company as a whole, managers have turned to “core” competencies, “critical” resources, and “key” success factors. In fact, fit is far more central component of competitive advantage than most realize. [...] Fit is important because discrete activities often affect [and reinforce] one another. [...] Such complementarities are pervasive in strategy.

(Porter, 1996, p.70)

Seen in this light, Porter (1996) implicitly recommends that development of a firm’s BM in terms of aims for growth, should be aimed at enhancing the strategic positioning through adding extensions that reinforce and benefits from (through fit) the existing system. That is, “Competitive advantage grows out of the *entire system* of activities [...and as such...] it can be misleading to explain success by specifying individual strengths, core competencies, or critical resources” (Porter, 1996, p.73).

In addition, Markides and Charitou (2004) point out that the launch/development of a new additional BM is not so much launching just a new BM as developing the existing business from a coherent/overarching perspective with the purpose of leveraging their existing competencies. Similarly, Johnson, et al. (2008) state that BM development does not need to result in changing the existing BM but rather that the existing BM is complemented. Also worth noting is that later research on BMs as activity systems recognize that the activity system

spans the boundaries of the firm [which is not explicit in Porter, (1996)] (Zott and Amit, 2010; Zott, et al., 2011).

Zott and Amit (2010) take an activity system approach to the creation and development of BMs. The ‘activity system’s architecture’, as the authors call it, consist of interdependent organizational activities to serve the objectives of *exploiting* business opportunities. The exploiting of such does not exclude the value creation for its partners but focus remains firm-centric.

Zott and Amit (2010) propose two sets of design parameters that conceptualize the main issues of firm centric development of activity systems and therefore BMs – elements and themes. The *design elements* relate to the choices of activities regarding elements in terms of *content* (what type activities should be performed), *structure* (how the activities are linked to each other in terms of sequencing and whether they are supporting the core of the BM or of a peripheral nature) and *governance* (who performs the activity additionally it should answer *where* the activity is done). All three elements are something that managers need to consider as the activities may or may not be interdependent. *Design themes* should be viewed as the configurations of the elements in the original BM. Zott and Amit (2010) have discovered four different design themes: *novelty* (refers to adopting new and innovating elements into the BM), *lock in* (the activity system is designed to keep third parties involved in the BM), *complementarities* (bundling of activities results in a greater value compared to running them separately), *efficiency* (refers to how a firm design its activity system to find some sort of efficiency in terms of lowering the transaction costs by reorganizing activities). However, although being recognized as key in BM development Chesbrough (2010, p.358), states that these principles (novelty, lock-in, complementarities and efficiency) “... may often conflict with the more traditional configurations of firm assets, whose managers are likely to resist experiments that might threaten their ongoing value to the company”.

There is an indication in previous research that BM design principles might have higher explanatory power than one might initially think regarding what makes a certain BM more successful. In a discussion concerning the advent that an economy becomes locked-in with the use of an inferior technology in the case of competition between two competing alternative technologies Arthur (1989, p.127) concludes that “Under increasing returns, by contrast many outcomes are possible. *Insignificant circumstances become magnified by positive feedbacks to 'tip' the system into the actual outcome 'selected'*. The small events of history become

important” (emphasis added). That is, there is a possibility that the success of a BM hinges upon relatively ‘insignificant’ BM design principles and tactics.

3.3.1.1 *Related principles for driving growth*

Concerning how a firm develops its business Stern and El-Ansary’s (1982) discuss that as different flows/activities are likely to have different cost curves, the development of a firm’s business might be guided, in less evident ways, by principles of scale economies. It will affect if the company chooses to perform the activity themselves or “convince others to accept responsibility for these flows. As market size expands, it becomes increasingly economical [...] to perform it in house [...] which is a pattern of behavior...” (Stern and El-Ansary’s, 1982, p.27). As Santos, et al. (2009) exemplify with the example of Lufthansa, a company might likewise shift its perspective and develop a more peripheral activity into a real source of profits, by selling its services to other airlines as well.

Furthermore, Sawhney (1998) introduced the notion of *Platform Thinking* and argues that instead of thinking of a firm as a portfolio of offerings, the firm should approach its business in terms of a set of platforms with a common underlying logic – which all can be extended and act as a platform for further growth. Sawhney (1998) states that the five most important platforms are: 1) the product platform (including underlying technologies, standards etc.), 2) the customer platform, 3) the brand platform, 4) the process platform and 5) the global platform. The main purpose of platform thinking is thus to exploit the fit among the firm’s platform and leverage upon these (cf. Porter, 1996).

Sawhney, et al. (2004) further address the issue of how firms can develop their business by seeking growth along customer-activity chains, which more or less is a method of identifying additional consumer needs that the business can profit on. Instead of thinking in terms of offerings; (1) “Customers seek particular outcomes, and they engage in activities to achieve them” (Sawhney, et al., 2004, p.34), (2) “These activities can be mapped along a customer activity chain” (Sawhney, et al., 2004, p.34), (3) companies can develop their business by adding new activities, or reconfiguring existing activities, along these primary or adjacent/related activity chains (Sawhney, et al., 2004). These opportunities for BM development are also consistent with Normann and Ramírez’s (1993) ideas of value constellations and the reconfiguration of these. Among other things they also state that “only two assets really matter: knowledge and relationships [...] companies don’t profit from customers. They profit from customers’ value-creating activities” (Normann and Ramírez’s 1993, p.74).

3.4 Four related areas affecting how BMs evolve

Up to this point, we have reviewed the characteristics of BMs, the following sections will discuss the development and change of BMs in relation to four areas. However, as an introductory to this we will first discuss the importance of context. Then follows 1) the dominant logic of the firm, 2) conflict and stability in business networks, 3) the impact of new technologies and innovations, and finally 4) practices involved in the shaping of markets.

In line with our abductive approach, each of these theoretical perspectives/areas were to greater or lesser extent identified during the initial literature review to be of potential importance in explaining how BMs develop and change, but also emerged/grew in emphasis in parallel with the data collection process as explained in the method section. The research drawn upon within each of the four broad theoretical areas were selected either based on that they were referred to in other BM literature, and/or that the theories could explain the actions/approaches to BM development on a firm-level perspective, in line with the purpose and delimitations of this thesis.

3.4.1 The importance of context

Research made by Chesbrough and Rosenbloom (2002) indicate that the development process of a firm's BM often is triggered by events in the firm's context; often in one of several business units. As such the BM that one can observe "results less from a carefully calculated choice from a diverse menu of well-understood alternatives, and more from a process of sequential adaptation to new information and possibilities" (Chesbrough and Rosenbloom, 2002, p.550); a view also supported by Yip (2004). Consider that ...

... most firms' business models are under constant pressure to change. Innovations in technology, changes in the law, competitive moves, or shifts in consumer tastes can sap an operating model's profitability. In response, firms tweak, twist and totally revamp their business models in a wide variety of ways

(Linder and Cantrell, 2000, p.10)

The importance to emphasize the interaction between BM development and the firm's context were indicated by Mason and Spring (2011) in their study of the historical developments of the recorded music industry. Important in this historical development was "the complex interplay between innovations in business model technologies, market offerings, and the network architectures" (Mason and Spring, 2011, p.1037) and that BMs of different actors developed and affected by interactions with other actors (Mason and Spring, 2011).

Similarly, according to Stern and El-Ansary (1982) the development of a channel system is affected/influenced and constrained by factors such as geographic market, physical, social,

cultural, political & legal and competitive channel systems and technological factors. “The main point to be remembered here, however, is that explanations of channel structure in terms of economic variables alone are obviously insufficient” (Stern and El-Ansary, 1982, p.29).

3.4.2 **The dominant logic**

Very few articles on the topic of BMs account for the cognitive characteristics of BMs, although it seems to be of profound importance – especially a company’s “dominant logic”. This concept was introduced by Prahalad and Bettis (1986), but linked to the BM concept by Chesbrough and Rosenbloom (2002).

3.4.2.1 ***The concept of dominant logic***

The cognitive dimension/bias within a company is likely to be important in understanding and explaining the developments of a firm’s strategy and BM (Chesbrough and Rosenbloom, 2002; Prahalad and Bettis, 1986). Prahalad and Bettis (1986) introduced the notion of the *dominant logic* of companies (or rather, the management teams; *dominant general management logic*) as an important explanatory factor regarding firm performance and diversification into new business (i.e. connected to BM development). Prahalad and Bettis (1986, p.491) define the dominant logic of a firm’s top management as “a mind set or a world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business. It is stored as a shared cognitive map (or a set of schemas) among the dominant coalition”. The dominant logic evolves based on learnings from previous events. These cognitive “Schemas permit managers to categorize an event, assess its consequences, and consider appropriate actions (*including doing nothing*), and to do so rapidly and often efficiently” (Prahalad and Bettis, 1986, p.489, emphasis added).

That is, the dominant logic “implicitly filters out ideas and behaviors that do not comport with the dominant logic” (Chesbrough and Rosenbloom, 2002, p.531). Described as a hidden cost, “top managers are less likely to ‘respond appropriately’ to situations where the dominant logic is different, as well as respond quick enough, as they may be unable to interpret the meaning of information regarding unfamiliar businesses” (Prahalad and Bettis, 1986, p.497).

Santos, et al. (2009) emphasize that BM development (innovation) in individual business units may be constrained by not being perceived to be in the parent company’s interest in three ways (cf. the parent company’s dominant logic) 1) it could change the scope (activities and/or geographical etc.) of the overall business, 2) it could potentially pose strategic implications for

other business units and affect their performance, and 3) it might affect the risk exposure for the overall organization.

Prahalad and Bettis (1986) state that when a firm develop or acquire a new business it is very likely that this business will be steered and managed in accordance with the existing dominant logic valid for the company's existing business and previous ventures – although this might be highly inappropriate for the new business. The firm's dominant logic (or sets of dominant logics) determines how well, and in what way, the company handles *strategic variety*. Prahalad and Bettis (1986) argue that of central importance is not e.g. the number of different business units within the firm, but rather the complexity and relatedness in-between the different businesses; constituting the strategic variety.

That is, compared to a start-up, an established company will most likely be more constrained in its screening of new configurations and developments of the firm's BM due to its dominant logic resulting from previous events (Chesbrough and Rosenbloom, 2002).

Markides and Charitou (2004) address the issue of how companies could fend off emergent competition by launching and operating two different strategies and BMs simultaneously – an identified problem area partly explaining why companies find it hard to develop their BM (Markides and Charitou, 2004). Markides and Charitou (2004) state that according to Porter, the core of the problem lies in the risk of conflict between the old BM and the new development – partly from a sales cannibalization/rivalry perspective, and partly as it might lead to conflict and hampered business relationships with the existing business network (e.g. suppliers or resellers). The rationale is that “The presence of conflicts means that the existing organization and its managers will often find that the new BM is growing at their expense. They will therefore have incentives to constrain it or even kill it” (Markides and Charitou, 2004, p.23).

According to Markides and Charitou (2004) this issue is connected to the Christensen's and co-writers work on disruptive innovation, where they have concluded that the solution is to manage the two BMs as two separate companies/organizations (different corporate identities), each with its own value chain and separate network of relationships. However, by developing the business into two separate businesses with their respective BMs might lead the firm into missing out on profits as well as strategic opportunities from not taking advantage of potential synergies (Markides and Charitou, 2004). As such, Markides and Charitou (2004) argue (similar to Prahalad and Bettis, 1986) that what should govern how this issue is handled is 1) the degree of conflict that is likely to occur between the two BMs and 2) how strategically

similar/related the markets (segments) are (have implication for how much benefits can be derived from synergies).

3.4.3 Business networks – conflict and stability affecting BM development

According to Mason and Spring (2011), a firm and its BM is embedded in the network of actors within which it operates. Casadesus-Masanell and Ricart (2010) argue that changes to a firm's strategy and BM frequently depend on different contingencies in the firm's environment, *outside its direct control*. Such contingencies might include different aspects of the general state of the economy, but may also encompass reactions to the actions, or in fear of potential actions, made by other industry actors (not limited to moves by direct competitors). Casadesus-Masanell and Ricart (2010, p.208) also state that different actors' BMs are intertwined and interconnected; "tactical actions by one firm would affect how well the other firm's business model worked". Stern and El-Ansary (1982) also emphasize the importance of understanding that there are considerable interdependencies between actors and institutions within marketing channels/business networks. That is, it can be viewed as a system of "*interrelated and interdependent* components" (Stern and El-Ansary, 1982, p.16).

Furthermore, Stern and El-Ansary (1982) highlights the impact of social and behavioral dimensions within business that affect channel structures. For instance, regarding firm's possibilities to conduct business in a new or different way Stern and El-Ansary (1982) refer to the concept of *countervailing power* developed by Galbraith. In essence this notion of conflict means that whenever a firm wants to advance its positions, it will face counter actions by other (groups of) actors. This can sometimes render certain strategic advances/moves impossible and result in that a firm, to greater or lesser extent, is locked into its current position, entrenched by threats or fear of negative counteractions by its existing business relationships. In turn, this might hinder, or delimit, some firms' options for BM development.

Similarly, Ford (2002) also states that the direct and indirect interdependencies between actors in business networks² make change more complex than it may seem, as any change imposed by an actor does not only affect direct business relationships, but other firms in the network as well (competitors, suppliers, complementors, distributors etc.). Significant investments – money, time and effort – often make actors reluctant to deviate from existing business relationships; and as such, although advocating the dynamic nature of business networks, Ford

² Business networks can be divided and analyzed in terms of *actors* with different sets of *resources* performing different *activities* (Ford, 2002). This perspective thus shares similarities with the activity system perspective of business models; but of course, on a much more aggregated level.

(2002) states that changes in firms' businesses are still characterized by rigidity and problems in changing established structures. As such, it might be almost impossible to make any changes without the acceptance of other network actors; especially if it is to break industry norms and conventions of how business is done. To protect an existing network structure/competitive situation several network actors may jointly take action toward firms imposing changes to the competitive situation with methods ranging from political lobbying to direct competitive moves with a "political" agenda such as refusing to make business with industry-rule breakers (or actors who do business with them). Hence, the perspective of conflict and stability in business networks may provide valuable insights into the dynamic process of how BMs develop and change.

3.4.4 The impact of new technologies and innovation

Technological innovation has been shown to trigger changes in companies' BMs (Zott, et al., 2011). "The business model [...] complements technology, but technology is seen as an *enabler* of the business model rather than as a part of the concept per se" (Zott, et al., p.1034, emphasis added). BM development can also be seen as a learning process where the firm itself creates opportunities to "discover new mappings between technical potential and economic value" (Chesbrough and Rosenbloom, 2002, p.551) through the deliberate search and experimentation for new opportunities (Chesbrough and Rosenbloom, 2002). Further, Mason and Spring (2011) recognize that technologies and their utilization are the result of purposeful action and investments.

When technologies and markets change new industries emerge, and as Bower and Christensen (1995, p.43) point out, "One of the most consistent patterns in business is the failure of leading companies to stay at the top of their industries when technologies or markets change". Explanation for this, is in part, provided by Schumpeter (1947, p.157) who states that invested capital is not transformed and cannot assume new shapes; capital doesn't migrate "from declining to rising industries", it "is being incessantly destroyed and re-created". That is, as technologies and markets change leading companies fail being part of the development and emergence of new markets and industries that in time tend to better/or less costly fulfill the needs of (some of) the established industries core customer segments (Bower and Christensen, 1995).

According to Chesbrough and Rosenbloom (2002) the problem of incumbent firms in an industry is not technological change per se, but rather they have problems spotting and working out new BMs that fit the circumstances that new technology imposes. That is, one can interpret

it as that changes in technology is not only about changes in technology – it’s about likely changes in how the firm does business – and that unawareness of this leads the firm to use/exploit the technology in the ‘wrong’ way, and hence the difficulty of managing these innovations. Chesbrough and Rosenbloom (2002) “argue that firms need to understand the cognitive role of the business model, in order to [...] capture value from their technology investments, when opportunities presented by its technologies do not fit well with the firm’s current business model” (Chesbrough and Rosenbloom, 2002, p.532). That is, the same underlying technology can be packed and commercialized in different BMs; and consequently it is very important to find the right BM for what you want to bring to market as different BMs will let the company capture different amounts of value (Chesbrough and Rosenbloom, 2002). “The inherent value of a technology remains latent until it is commercialized in some way” (Chesbrough and Rosenbloom, 2002, p.530).

Similarly, Koen, et al. (2011) argue that the problem is not whether a technology is of incremental type or radically new, but to succeed with BM innovation that is based either on generating much lower financial hurdle rate (low cost BM) or based on a new value network (especially addressed towards new customers or previous non-consumers).

Bower and Christensen (1995) have investigated how incumbent companies’ business tends to be disrupted and outperformed by competitors (often new entrants) although being leading companies within their industries. It is also often the case that the established companies have been fully aware of them, but have rejected them – often as they don’t fit with the existing BM/logic of doing business. In essence,

The technological changes that damage established companies are usually not radically new or difficult from a *technological* point of view. They do, however, have two important characteristics: First, they typically present a different package of performance attributes - ones that, at least at the outset, are not valued by existing customers. Second, the performance attributes that existing customers do value improve at such a rapid rate that the new technology can later invade those established markets. Only at this point will mainstream customers want the technology. Unfortunately for the established suppliers, by then it is often too late: the pioneers of the new technology dominate the market.

(Bower and Christensen, 1995, p.44)

According to Bower and Christensen (1995) established companies tend to fail to develop their BM to encompass disruptive technologies due to existing company logic and established organizational processes. For instance, existing cost structures and revenue/sales situation might provide little or no incentives to invest in or promote the development of these new offerings, as the company perceive it to be more profitable to sell existing offerings to existing customers (due to higher margins and volumes on existing products and lower often little

demand for new type of offering). That is, in relation to existing customers and markets disruptive technologies are rarely seen/framed by incumbents as a viable market opportunity.

Similarly, Bower and Christensen (1995) note that inherent in the characteristics of disruptive technologies lie that, due to their differentiating performance attributes, companies must engage in the commercialization of the technology targeted to new groups of customers; and as such engage in the development of new markets.

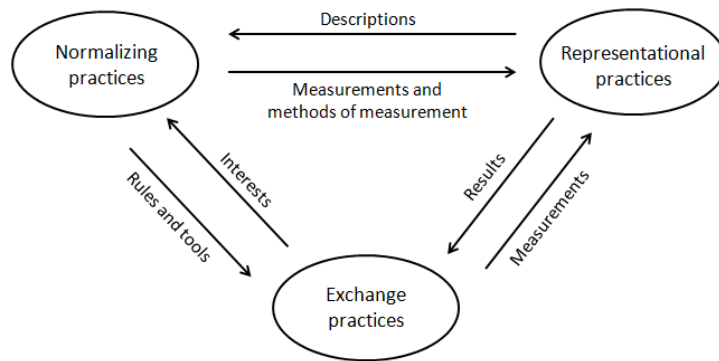
3.4.5 Practices involved in the shaping of markets

The development of new BMs have been claimed to have the ability to shape markets (Johnson, et al., 2008; MSI, 2010-2012). Furthermore, concerning how BMs are created, developed and practiced Mason and Spring (2011, p.103) suggest that “the value of business models lies in their ability to frame [and direct] action and reveal connections between those actions, across multiple levels of analysis [...] positioning them as a constituent part of any business *that iteratively influences and is influenced by firm, inter-firm and market practices* (Hagberg & Kjellberg, 2010)” (emphasis added). As such, our understanding of how BMs develop may be facilitated by drawing upon research about practices and processes involved in the shaping of markets.

Kjellberg and Helgesson (2007) belong to the stream of research concerning the shaping of markets that recognize that markets are shaped through a process of activities and practices in which actors strive to shape markets to their advantage. Kjellberg and Helgesson’s (2007, p.140) theory centered on market practice³ is likely to be fruitful to consider, as it concerns with “the processes that lead to these outcomes; i.e. *how* is a certain market being shaped?”.

Kjellberg and Helgesson (2007) divide market practices into three, highly interrelated and overlapping practices that affect each other through translations; *exchange practices*, *representational practices* and *normalizing practices*; where translations are the social processes by which e.g. ideas and technologies etc. “spreads across time and place” (Kjellberg and Helgesson, 2007, p.144) and are “transformed into something else” (Kjellberg and Helgesson, 2007, p.144). By actively working with these practices (as further explained below) different actors have the possibility to actively affect ‘the market’ to their business’ advantage. Consider the image below.

³ Kjellberg and Helgesson (2007, p.141) define market practice as “*all activities that contribute to constitute markets*”.



Model 1: Source: Adapted from Kjellberg and Helgesson (2007, p. 151)

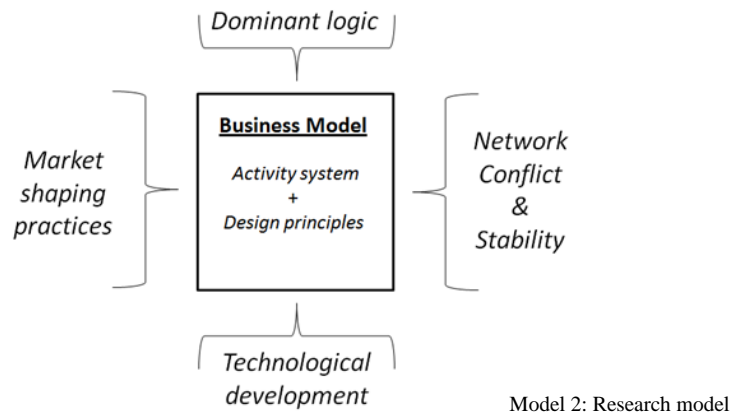
Exchange practices refer to activities undertaken in making specific economic exchanges take place (e.g. negotiations, advertising, distribution etc.). *Representational practices* refer to activities undertaken as to describe or ‘make sense’ of how markets work. Representational practices are employed by actors as to convey perceptions of what the market looks like. Consider for instance how any industry can be described using different industry definitions and levels of aggregation, which in turn will affect how different actors look upon the competition. Consequently, representations are performative in that they will contribute “to shape the phenomena they represent” (Kjellberg and Helgesson, 2007, p.143). *Normalizing practices* refer to activities undertaken as to establish formal rules (law or self-regulation), or informal rules (e.g. industry norms), stipulating “how a market should be (re)shaped or work according to some (group of) actor(s)” (Kjellberg and Helgesson, 2007, p.143). These practices are interrelated through translation as follows.

Normalizing practices may produce *rules* that subsequently become translated into *tools* that partake in exchange practices, altering the agency of a seller or buyer. The implicated change in the behaviour of the seller may affect its offers to, and subsequent exchanges with, potential buyers. Based on norms concerning what to measure (*measures*) and how to measure (*methods of measurement*), representational practices may translate altered exchanges into *measurements* of an altered market. Such *descriptions* may in turn be used as part of efforts to alter norms, or feed back as *results* that act directly upon exchange practice, for example in the shape of costing calculations and evaluations of marketing activities. Finally, *interests* rising from the exchange situations may feed back into and influence normalizing practices

(Kjellberg and Helgesson, 2007, pp. 149-150)

3.5 Research model – a literature synthesis

The above presented literature on BMs, their characteristics and related areas that can help us understand important aspects of how BMs develop and change can be synthesized as in our research model below. As introduced in the method chapter, given our abductive approach this research model has both been used to identify starting points in our empirical research (see following sections, and the interview guide in attachment 2), and as leverage in the analysis of our empirical findings.



In the box, lies the central building block of the BM – activities and building principles and practices. Along each side of the box each of the four main areas that are assumed to be important to consider for a comprehensive understanding of the dynamic nature of BM development and change. Each of the four areas can be assumed to have significant impact on the *opportunity set* a firm perceives as viable options for BM development/change; that either can open up new possibilities and opportunities, or act as constraining forces upon the opportunities a firm sees as possible options for action.

This synthesis, with its five dimensions for analysis will, as stated, serve as our theoretical ground in our pursuit of finding a better understanding of the dynamics of how BMs develop and change. In the next chapter follows our empirical findings.

4 Empirical findings

This first chapter of empirical findings has the objective to put our cases into a context. The Swedish commercial television industry could briefly be understood by taking a traditional value chain perspective. However such a perspective will not reveal the full complexity of today’s television industry. The second part of this chapter will present all the cases in terms of an introduction of the case/company that will put them in the context of the industry of television related to our value chain perspective (visualized in model 3 below). *The complete case-summaries are found as attachment to this thesis.*

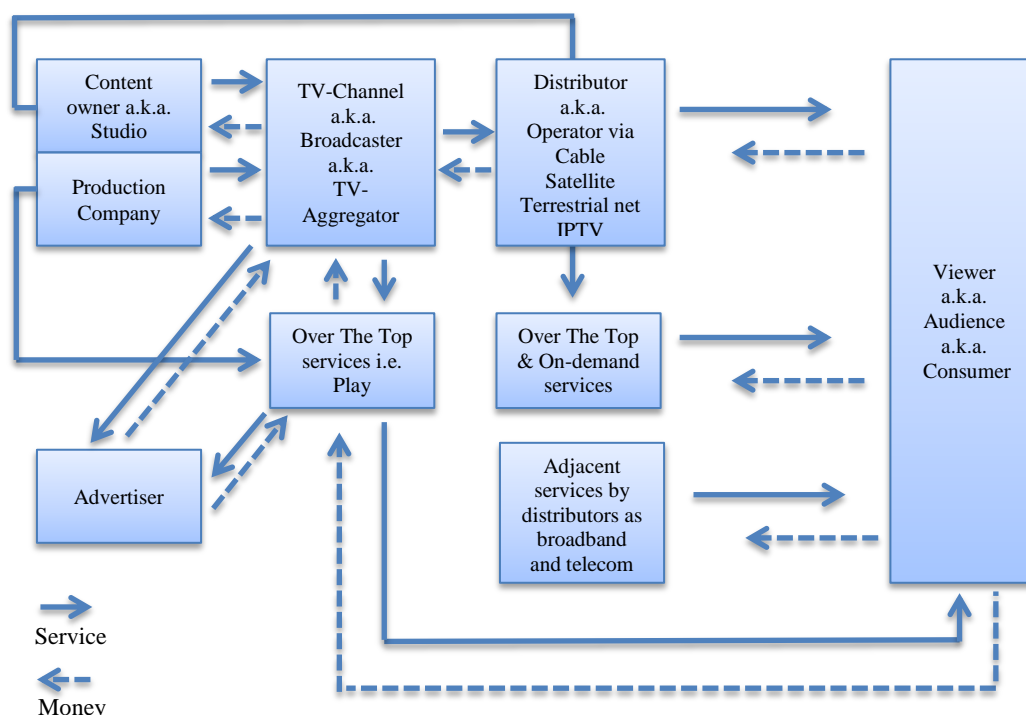
4.1 The introduction of commercial TV in Sweden

The broadcasting of Swedish television started in the middle of 1950’s, initiated by the Swedish government with the public service company as we know today as Sveriges Television (SVT). In 1987, TV3 was introduced as the first commercial television channel in Sweden with the ground-breaking advertiser funded business model. The London based TV3 distributed their broadcasting via satellite while SVT used the terrestrial network (Swedish:

marknätet). In 1991 the Swedish government decided to grant one license for commercial television to operate in the terrestrial network, this later became TV4. (Sundin, 2011, p.25) As of today, 2012, there are over 50 channels broadcasting television through the terrestrial network. (Myndigheten för Radio och TV, 2012)

4.1.1 The actors of commercial television from a value chain perspective

In general terms TV can be divided into two types – linear or non-linear. These two types refer to how TV is consumed. In linear TV the programs are consumed according to a daily predetermined schedule and non-linear TV is consumed on-demand by the viewer. (Konkurrensverket, 2009, p.9) Since the development of technology has made the boundaries between *who does what* in the television industry a bit unclear, the following model offers the reader an overview for reference in considering the data. This is a general picture of our understanding of how the industry looks like today in terms of the direction of services and money, based on all our interviews. Note that some services are not always exchanged for money due to ownerships aspects, different market offerings and different deals between actors in the industry.



Model 3: TV-industry overview

Content owners, such as owners of film rights and production companies are those actors that provide the value chain with audiovisual content. The content is either done by request of aggregators, such as TV-channels, or sold on speculation to either TV-channels or distributors.

The TV-channels package the audiovisual content into either linear or non-linear distribution. The linear content goes through the distributor and then reaches the viewer. The non-linear content aggregated by TV-channels is distributed via their own OTT-service⁴ and in some cases via the OTT-service of distributor. There are basically three types of TV-channels, those financed by advertisers, those financed by subscription fees paid by the viewer (via the distributor) or a hybrid of both variants.

The distributors package the linear content of TV-channels and distribute it to the viewer with different technologies. Some distributors also have OTT-services and on-demand services of non-linear content. Additionally some distributors also offer adjacent services as broadband connection and telecommunications, this phenomenon is called *Triple-play*.

4.2 Case: Kinnevik/Scansat Broadcasting/MTG/TV3

Referring to our value chain perspective, a commercial television industry did not exist in Sweden when Kinnevik via Scansat Broadcasting (later Modern Times Group - MTG) started the first commercial television channel in Sweden.

As for today, in terms of television, MTG has several TV-channels and offers free-TV and pay-TV in both Sweden and in international markets. Within the business group of Kinnevik they also own and distribute television via the distributor Viasat (satellite operator) and produce content via the production company Strix. TV3 is today one of the five largest TV-channels in Sweden. (Sundin, 2011, p.66) Furthermore Viasat owns Viaplay.se (an OTT-service of TV).

4.2.1 MTG's business 1987-2000 – the evolution of commercial Swedish television

With the launch of the advertising based TV3 in 1987 Kinnevik/MTG was able to introduce commercial TV in Sweden, surpassing the government ban, through the use of satellite distribution. According to Mr. Törnberg, it all started when Mr. Jan Stenbeck (head of Kinnevik) participated with investments in the Astra satellite SES; which originally was intended to be used to take pictures for city planning etc. However, Kinnevik's plans for the use of their part of the satellite capacity changed when Murdock and Maxwell in the UK started MTV with the same technology. (Törnberg, 2012)

Now the plan was to get other Swedish media companies, such as Bonnier, to start commercial TV channels, while they charged for the satellite capacity. However, none of the established actors were interested (probably as commercial TV was prohibited). This forced Mr. Stenbeck

⁴ OTT – Over The Top; is a widely used industry term which refers to services distributed via the 'public' Internet. In other words the traffic generated of such a service is not earmarked to be distributed in a certain network.

to start what would become TV3; and the start of the commercial TV-industry in Sweden. To do this Mr. Stenbeck hired skilled people from the US TV-industry to copy American business models. (Törnberg, 2012)

“The underlying business idea might seem drastic, but it was to dissolve the monopoly and to prove to the government that what we were doing was not against the law. The business idea was to make money”. (Steinmann, 2012)

Mr. Steinmann says that “When we sat in our business model we thought – what else can be developed here?” With TV3 in the middle, things started to develop around and by them. “...there was basically no production industry in Sweden by that time...” Within the business group they started the production company Strix to be a supplier of content. (Steinmann, 2012)

TV3 was originally one channel broadcasting to Sweden, Norway and Denmark. When MTG later divided it into three more channels MTG couldn't get the capacity needed, so MTG managed to move to another satellite instead; Sirius, five degrees east and to Telenors satellite position 1 degree west. This was also done to avoid being dependent on only one satellite capacity supplier. Thereafter MTG launched a number of pay-TV channels. (Törnberg, 2012)

The launch of TV3 was neither welcomed by politicians nor established media/newspaper companies, who feared MTG would steal their advertising money. Mr. Törnberg notes that some politicians from the social democratic party even considered banning parabolic antennas. The general debate also became quite lively when MTG/TV3 bought the TV rights to the Ice Hockey World Championship in 1989, which the previous TV monopoly holder SVT just assumed that they would get. Now, only 25% of the population could receive it live, instead of 100% as usual. According to Mr. Törnberg, this move was a conscious plan by Mr. Stenbeck (which succeeded) to drive the sales and penetration of parabolic antennas. (Törnberg, 2012)

4.2.2 The relationship with the advertiser and the creation of 'currency'

“By that time, fortunately, there were no statistics over the consumption of television”. “The offering presented for the advertisers was basically an offering of advertisement in the new commercial television. [...] It was very much like the Wild West”. On the first day of broadcasting TV3 had two clients – Juice Fruit and Pentax. “I believe that no advertiser have paid that much per thousand viewers since that day”. According to Mr. Steinmann Unilever triggered Procter and Gamble into buying the offering as well. (Steinmann, 2012)

As time went along TV3 got more viewers and advertisers demanded ratings of the viewers. According to Mr. Steinmann, they took the initiative for a discussion with Sveriges Television

regarding rating. This resulted in an establishment of the organization ‘Mediamätning i Sverige’ (MMS) which activity became to measure ratings to establish the ‘currency’ for advertisers. (Steinmann, 2012)

4.2.3 The invention of the second-pay-TV-window

When the competitor Canal Plus/Filmnet was bought by Nethold, one of the dominating pay-TV companies in the world, Nethold tried to buy all movie rights in MTG’s geographical region. However, MTG realized that “pay-TV was something that people bought but not necessarily used [...] So when we realized that: ‘OK – then it is a marketing issue’. So we went to Hollywood and [...] after the pay-TV window that lasted about a year, we managed to push through a new window for an additional pay-TV period, which was TV1000 before they went out on DVD”. When Canal Plus advertised for a movie, “we could advertise the same content, but ours had one year’s delay; so it wasn’t that nice/clean, but it worked”. (Törnberg, 2012)

4.2.4 Business logics

Mr. Törnberg states that MTG was probably quite unique in that “we decided very early [...] took a strategic decision that we were not a media company, but we were a sales company. It might sound a bit corny, but it was essential at this point in time as most media companies were governed by people that gave rise to costs but did not generate revenues, that is, journalists, writers, producers and others. And we wanted to turn that around, so instead of honoring all the journalists every year, we honored all sales people [...]. And [we] became a very successful sales company [...] it was an essential, so to say conceptual, change of how one manage a media company”. Similarly, in a study of free-TV-channels (ad-based) they also could conclude that “the most successful channels were not those with the largest amount of viewers, but those with the best sales team”. Furthermore, when working with the sales of advertising space they also learned that the most important thing is to get hold of “role models”, Mr. Törnberg explains. That is, if you get Unilever to advertise, you get Procter and Gamble, if you get ICA you get KF etc. (Törnberg, 2012)

Mr. Törnberg also explains that they within MTG were inspired by the “buy through” concept/approach used by Murdoch and Sky TV in the UK. “It all is based on that ‘you give away something for free in order to build the universe’. In essence, TV3 was free, in theory. If you have built this universe, you can then promote pay-TV channels within those who have the technological possibility to receive them. It was, it is much more cost effective for TV1000 to

advertise in TV3 than to advertise in Dagens Nyheter⁵”. However, while Sky TV only was based on pay-TV channels, MTG got a unique combination of free-TV channels and pay-TV channels. As an example of this, with the plan to sell pay-TV, MTG tried the concept of Sverigeparabolen (the Sweden-parabolic-antenna) in the middle of 1990s, sold via Statoil gas-stations with unencrypted broadcasting of the free-TV channels. However, as they discovered that they didn’t have the required rights for it, they had to shut it down. (Törnberg, 2012)

Another aspect of building the universe was the use of cross promotion within MTG. Mr. Törnberg explains that, if you want to profit optimize a TV-channel the amount of paid advertising will be a little less than 100% of capacity utilization. That is, you have capacity left for other things. “We did it with much discipline and sat at the top and determined exactly how we were to allocate these. When we built up CDON for example, we could do this by stealing time from TV3 and Metro [...] our advantage was that we owned almost 100% of all these companies, so we could put on ourselves a MTG-hat [and do what was best for MTG]”. Similarly, when MTG bought the movie production company Sonet, they reasoned (in addition to the favorable price) that “if we only manage to make movies that are good enough we will be able to get the money back via third parties; cinema distribution, and movie and DVD and such. From a group perspective we could then almost get the movies in TV3 and TV1000 for free”. (Törnberg, 2012)

Regarding the purchase of content/rights, Mr. Törnberg highlights the complexity involved in assessing e.g. how the purchase of Premier League would affect the business. “How much more can I get paid by advertisers? and “how many more subscriptions can I sell due to that I have this unique content?”. “In addition you have to think about [...] how much it weakens Canal Plus and the TV4 Gruppen. And think about that now they on the other hand saves X hundred millions, and what can they buy for that money? [...] Then they might make it much harder for TV3”. (Törnberg, 2012)

As Kinnevik developed, 22 internal rules emerged that became “the foundation of the whole company”. Today, these have been somewhat compressed into “twelve simple rules” (see attached interview with Mr. Jan Steinmann). They mirror how Mr. Törnberg would describe the development of MTG, – “Behind all this that can be described as a bit messy/unstructured, there existed very stringent ideas ‘this is how we do business’”. (Törnberg, 2012)

⁵ Dagens Nyheter (DN) is one of the established daily newspapers in Sweden. DN is not owned by MTG.

4.3 Case: Com Hem AB (CH)

CH is a cable operator, a distributor of television. CH's customers are also offered broadband and telecommunication services – Triple-play. CH delivers TV to approximately 40% of the Swedish households. (Sundin, 2011, p.55) CH also offers on-demand services for their customers. (Franzén, 2012)

According to Mr. Franzén the business idea of CH is quite simple. CH targets the end customer and the apartment building owners (ABO) and offers them access to CH's products and services via their technological infrastructure – the cable net. In total CH delivers more than 140 TV-channels to their customers (Franzén, 2012)

4.3.1 From cable-TV distributor to telecom company – the new beginning of CH

EQT bought the cable-TV company CH from Telia in 2003 and sold it in 2006. From originally being analog cable-TV, EQT introduced the Triple-play offering consisting of digital-TV, broadband and telephony; and increased yearly profits from 50 million SEK, to 1.15 billion SEK in three years. However, it all started already in 1997/1998 when EQT bought Stockholm's cable-TV network company, Stjärn-TV, and made it the first company in Sweden offering broadband services to customers. With insights from the US (Cable Vision, Long Island), EQT realized that the cable-TV-net had superior bandwidth compared to the copper-net used for telephony and dialup-modems (and later ADSL). Furthermore, "The need/demand for broadband was infinite". Mr. von Koch notes that "we launched broadband in Stockholm in February 1999 [...] in two weeks we had got 10% penetration!". This spurred EQT's interest in CH – a much bigger cable-TV company, owned by the telecom company Telia. With Telia's merger with Sonera, competition law required the sale of CH, and EQT bought it. (von Koch, 2012)

When Telia owned CH it was only used as a distributor of cable-TV. It was never developed and allowed to compete with Telia's other business. "So, in a Com Hem house it was Telia who sold ADSL instead of trying to sell a better service over the cable-net that they also owned". Mr. von Koch notes that when they had taken over CH they declared internally that they would now start to compete with Telia on broadband and telephony; "from being a[n analog] TV-distributor to becoming a communication-operator"⁶. (von Koch, 2012)

In 2003 CH's main customers were the property holders of apartment buildings. The cable net was connected to the buildings internal net to respective apartment. The property holders

⁶ There were some digital-TV and broad band as well, but not in any significant way, according to Mr. von Koch.

bought the analog TV-offering from CH, and end-customers got it for “free” included in the apartment’s rent. The process of developing Triple-play started with major investments and upgrades in the cable-net (of more or less of the same amount as they had bought the company) in order to ensure quality of service of broadband and voice over IP. Mr. von Koch states that they began the process by raising the prices of the existing analog TV-offering to property holders by 25-30% in exchange for installing the broadband enabling improvements in their property. This increased the value of their property with subsequent opportunities for increasing apartment rents. (von Koch, 2012)

4.3.1.1 *The Triple-play bundle and the competition*

After the upgrade of the cable-TV-net CH could launch its Triple-play offering to 25% of all Swedish households. CH started selling digital-TV, broadband and telephony as a bundle at a substantial “discount”. “We took a calculated risk [...] the Swede wanted better broadband services [...] and so we launched a [...] ‘buy three, pay for two’, if you buy broadband and TV from us you get telephony for free”. According to Mr. von Koch, “no one of the competitors could match us”. Competitors at most had two of the three services when Triple-play was launched. EQT also knew that as long as the discount was substantial enough, people would leave their old operators. Compared to any other combination of offerings at that time, a household would save 2 500 SEK per year - in addition to get superior bandwidth. Furthermore, “our customer base was in the rental apartment buildings, so they were even more price sensitive, so it got a tremendous effect”. (von Koch, 2012)

Mr. von Koch explains that what made this possible was the insight that the margin on the last ad-on service was about 85-90%, “voice over IP didn’t cost anything”. “People misunderstand it in general, they talk about revenue per service, but that is actually irrelevant if you have 85-90% margin on the service you deliver [...] thus it is revenue per customer we are supposed to maximize, and then if it is three services or one service; we always want to have three services as it is harder for them [customers] to leave us [...] to just switch tele-operator, that doesn’t probably require that much effort [...] this is a different logic than most have”. (von Koch, 2012)

A substantial amount of households left their old operators in favor of CH. Mr. von Koch notes that Telia with their monopoly position had nothing to put against CH – “should they lower the fixed access, fixed price on the telephony on 100% on their customer base when we only threatened them on 25%? No, they will never do that”. Mr. von Koch also notes that this was what drove Telia to later launch IPTV and Triple-play via their copper/tele-net, and give away

IPTV for free. It “became very tough for satellite and for Boxer” who only can broadcast one-way TV signals through space and the air, respectively. However, as Telia’s net had lower bandwidth, CH got the apartment building market while Telia had to target the house market. The move into digital-TV based on IP is also what has enabled CH to deliver on-demand TV-services today. (von Koch, 2012)

4.3.1.2 *Software switch*

When EQT/CH planned to add telephony to the cable-net an established actor estimated that it was not really reasonable, it would at least cost CH one billion SEK to buy the equipment, such as telephony switch etc. However, through the US contacts with Cable Vision, CH came in contact with Siemens “and invested 500 000 SEK, not 500 000 000 SEK, in a soft switch and so suddenly we had telephony in our net. And people didn’t understand that it was so easy, but [...] we had seen it live in the US”. Using software, the soft switch dedicated a frequency in the cable for telephony, and CH became the first company to offer voice of IP (IP-telephony) in Sweden notes Mr. von Koch. (von Koch, 2012)

4.3.2 **On demand and time shifting – business development of today**

Since 2009 CH offers services such as on-demand and time shifting within the home of the consumer, in other words the consumer can use the services via the digital box within the home. The next step of this is to offer consumers the abilities to use the services via any device i.e. computer or phone – making it “..in the home but also outside the home”. The goal is to make the experience for the consumer more “seamless” over all devices, conceptualized as “TV Everywhere”. Additionally to make the time shifting as the only product where the consumer chooses to either watch in a linear way or time shift as he/she pleases. This vision is a way to meet the new demands of the consumers within the frame that CH distribute today. (Franzén, 2012)

Mr. Franzén points out that the vision of “TV Everywhere” and a “seamless” experience is technologically feasible today. However, another aspect is the legal rights in terms of the right to distribute content. Some content suppliers have strict agreements where the distribution only concerns linear TV while others have a more generous way of handling legal issues. “Distribution on several infrastructures in different situations puts the content suppliers in a new situation with greater demands and this is something that is under constant development [...] but all the content suppliers have their own way of dealing with it”. (Franzén, 2012)

4.3.2.1 *Where ideas for product development are born today*

Mr. Franzén says that CH has one very simple logic and that is that they want to fill their access to the cable net as much as possible. The reasoning behind this logic is the possibility to capitalize on something that is already up and running and therefore be able to offer other products for reasonable prices. (Franzén, 2012)

Besides looking at the consumers behaviour and how new needs can be satisfied, Mr. Franzén says: “Many of the ideas are born in other markets [...] why reinvent the wheel...” Mr. Franzén does not consider Sweden to be a front runner in product development regarding cable TV distribution. However he sees other markets as USA and England as a source for inventing new products. Furthermore to distribute cable-TV may differ from market to market so it is important to evaluate new ideas from the perspective of CH’s business model. So it is not a matter of ‘copy and paste’. (Franzén, 2012)

A constraint in business and product development is the legacy. Mr. Franzén describes the legacy of CH that they have many consumers and that they, as all customers in general, have a history with the product and therefore are used to certain behavior. This behavior must be taken in consideration when product developing. “...you are much freer and start from scratch [...] if you do not need to consider the history and therefore legacy” says Mr. Franzén. (Franzén, 2012)

4.4 Case: TeliaSonera (TS)

TS is Europe’s 5th largest telecom operator (TeliaSonera, 2012a) and they are a result of two government owed telecommunication companies merging, Telia from Sweden and Sonera from Finland. (TeliaSonera, 2012b) In this case TS is considered as an IPTV distributor. TS is the largest actor as a distributor of IPTV in Sweden with a total of 473 000 subscribers. (Myndigheten för Radio och TV, 2011, p.11)

TS’s core business is in telecommunications and a distributor of information in terms of data, sound and image. According to Mr. Trampus TV is about distribution and a complement to the total experience of broadband and telecommunication. Compared with satellite, TS offers IPTV which in practicality means that the system can send and receive signals in the same cable. (Trampus, 2012)

Along with the linear offering TS has an on-demand service where the customers can choose among approximately 3 000 movie titles. The on-demand service is a “transaction video on-demand” (TVOD) which means that each film accessed is rented individually. Last year, 2011,

TS 'sold' 2.2 million films via TVOD. Additionally TS offers a "catch-up" service which gives the customers access to a library of recorded TV-programs. Further on, 2010 TS was the first TV-distributor in the world that offered Spotify (music service) via the digital box. (Trampus, 2012)

4.4.1 **Business development of TV**

The development of IPTV emerged from an entity within Telia called "Telia Research" in the late 1990s. This period Mr. Trampus refers to be the "...research era of Telia [...] it was a real hype in the world at that time, everybody wanted to earn money on digital portals and so on..." By this time Telia sent live sports via the broadband, it was a trial and error period. By this time TS owned the cable operator company today called Com Hem. The development of IPTV was a complement to the linear TV distributed via Com Hem. (Trampus, 2012)

"TV services were something that we saw as an opportunity and within that we saw a possibility to do something else other than traditional and linear television. The opportunity laid in what we could do with our technical net infrastructure". (Trampus, 2012)

TS developed the IPTV platform internally and the offering of IPTV was introduced in 2005. It grew strong in 2007 parallel with the digitalization of TV-broadcasts. During 2007 TS saw an opportunity to gain market shares. The viewers had to, by that time, buy digital boxes to see digital TV. TS took the strategic choice of giving away boxes for free and by that they earned market shares. (Trampus, 2012)

Contrasting the research era, nowadays TS depends on their partners to develop offerings and technology together with TS. Since the industry and business climate has changed over the years it requires more collaborations than before. For instance the partners do not offer suitable turnkey solutions but rather components into a bigger business system. (Trampus, 2012)

4.4.2 **The issues of content rights**

Mr. Trampus says that buying and distributing content is a complex system with many limitations. First the legal rights to show content vary depending on the supplier, the nonexistence of a complete logic makes business development of services complicated. Second, due to the legislation of TV distribution TS pays copyright fees when distributing Sveriges Television (SVT) without possibility to know what they are paying for. "...we haven't got a clue how the costs for the content rights are constituted and they can't tell us either". "The public is paying a license fee to Radiotjänst to see SVT programs and we have to send the SVT programs for these customers. So we are forced to pay the copyright costs for

SVT. Along with this, satellite distributors don't have to pay the copyright costs for SVT so we also in fact have a discriminating legislation". To deal with these issues TS together with other actors drive the questions of copyright issues in media and by lobbyism. (Trampus, 2012)

4.4.3 The capacity of the net and double sided BMs

According to Mr. Trampus the OTT solutions, that are distributing TV via the public net, that many of the channels and distributors are offering can in the future create problems. For instance cable/telecom operators distribute their content via cable and partially in the same cables as OTT is distributed. Some cables are divided among many some are not. The cable/telecom operators either rent or own their own cables. If the OTT distribution will increase it will in the end not fit in the cables, this will create a demand of more cable capacity. Due to that TS is a infrastructural owner of cables an overload of capacity will drive them to develop a double sided business model – where they keep the fee for the consumer to access but will also charge the OTT content distributor as well. "...as today it is still possible to distribute the OTT but Internet and the capacity is not endless [...] someone needs to pay for the traffic cost". (Trampus, 2012)

4.5 Case: Boxer TV-Access AB (Boxer)

Boxer is a fully owned company by Teracom Group (TCG). From a value chain perspective, Boxer is a distributor of TV. The parent company of Boxer, TCG, owns the technological infrastructure while Boxer buys and packages the content from broadcasters (Swedish: programbolag) such as TV4, and thereafter they sell it to subscribers (viewers). (Gisle Joosen, 2012). Boxer is an operator in the terrestrial net and by the beginning of 2011 they had approximately 636 000 subscribers of their services. (Myndigheten för Radio och TV, 2011, p.11) "...Boxer's signals via the terrestrial net cover over 99% of Sweden's population". (Gisle Joosen, 2012)

Along with linear TV Boxer provides its customers with Triple-play services and access to on-demand services via OTT. (Boxer, 2012)

4.5.1 The business idea of Boxer 2008-2010

"Boxer had a business idea that was built from the perspective to develop new products and services that was driven from a consumer's perspective". (Norman, 2012)

4.5.2 The development of product and services 2008-2010

When Mr. Norman started as CEO at Boxer they only provided their customers linear TV by terrestrial broadcasting. During his time at Boxer a strategic plan including two lines of

strategic issues was formed. First Mr. Norman had a vision of expanding the concept of Boxer to other countries mainly because Boxer and Sweden were early within the development of the digitalization of television. By copying the concept and implementing it in other geographical markets, mainly the Nordic market, Boxer would be able to use the advantages of economies of scale in terms of buying content, system and development of new products. (Norman, 2012)

The second strategic issue concerned to expand the product line. Mr. Norman says that "...the viewer does not care how the signal is received...and if you should sell a TV-experience you need to be independent of the way you distribute". This was the initial reason why Boxer introduced IPTV and by that they took an offensive way of learning more about IPTV and a defensive approach not to lose customers if customers would leave Boxer for other offerings. The IPTV was later on after Mr. Normans time as CEO, cancelled. (Norman, 2012)

A second approach to the expansion of the product line was to create a Triple-play product – TV, Broadband and Telecommunication. This approach was a defensive action since TS had entered the TV-market again and aggressively launched an offering in which they basically gave away the TV-subscription. When TS had launched their offering it affected the number of subscribers at Boxer. (Norman, 2012)

The third action concerning the expansion of the product line was to start the development of OTT. According to Mr. Norman this was more of an offensive strategy seeking to capture new behaviors of the viewer that are believed to occur combined with how other actors developed their products. These behaviors of the consumers were predicted due to the debate of piracy of film online and trend spotting relating to audio visual downloading and the trends in the music industry. (Norman, 2012)

4.5.3 The business idea of Boxer current 2012

According to Ms. Gisle Joosen the business model of Boxer "...is to fully use our possibilities as a business group [...] to maximize our assets [...] and to use the terrestrial net for content that the consumers want to watch and to pay for". In terms of assets Ms. Gisle Joosen points out that it refers to the subscribers and the terrestrial net that the business group owns. (Gisle Joosen, 2012)

4.6 Case: Canal Digital (CD)

CD is a one of two satellite operators in Sweden. (Myndigheten för Radio och TV, 2011, p.61) CD is owned by Telenor. Within Telenor the business of television broadcast, "Telenor Broadcast", is divided into four entities whereas CD is one of those four entities. In the Nordic

area CD has approximately 3 million customers. The customers are both B2C and B2B. The B2B business consists of two parts, selling to retailers that sell the product to consumers and selling to i.e. restaurants and events that are showing TV on their premises. The B2B segment of companies showing TV to their customers answers to approximately 15% of the sales whereas the rest is consumer based. Along with linear TV CD provides its customers with on-demand services. (Almgren, 2012)

4.6.1 Focus strategy

Last year, 2011, CD sold their cable operations to Com Hem. Due to restrictions by Swedish competition law the ‘Swedish Competition Authority’ did not approve the business deal. CD and the parent company Telenor decided therefore to keep the cable operations but as a part of Telenor Sweden and not as part of CD. The decision to exclude the cable operations from CD is a strategic decision based on CD focusing on air transmissions and not on wire transmissions. According to Mr. Almgren the strategy is to isolate certain areas of distribution to certain entities in order to be able to focus on market penetration. (Almgren, 2012)

4.6.2 Aspects of the offering

One highly important aspect in the construction of the offering is the content in terms of channels. The channels have one key ingredient, sports, that is crucial for attracting customers. “...live sports is something that is incredible important in this market”. In 2010 CD lost a deal with Canal+ (channel) to its competitor Viasat which resulted in an increased churn rate for CD. (Almgren, 2012)

Satellite broadcast is basically a one-way communication. However CD offers its customers subscription VOD, transaction VOD and Pay-Per View. The latter is distributed via satellite and the VOD services are distributed via OTT either via computer or via the digital box. The OTT-service is called “Canal Digital Go” and was developed due to other competitors successfulness of attracting consumers with this type of service. These are “...necessary from a consumer perspective...” according to Mr. Almgren. The service is only available for customers to CD and much content via OTT is included in the price of satellite subscriptions. (Almgren, 2012)

4.6.3 Card sharing and right issues

A problem in TV-distribution is piracy. There are two main aspects of piracy for CD’s business. First, the content owners want to increase the barriers of copying the content distributed via TV-distributors. For CD’s business this means that certain copy protection should be applied to the digital box and their OTT-service. Second, CD has the problem of

‘card sharing’ which means that criminals hack into the system with fake subscriptions. (Almgren, 2012)

To deal with the card sharing problem, CD and other actors in the TV-industry, have a joint force called STOP (Nordic Content Protection). This is a non-profit organization that works legally to prevent piracy of TV by lobbying and mapping out criminal activities. There are a couple of hundred thousand of total 4 million households watching TV illegally. (Almgren, 2012)

4.7 Case: KANAL 5

From a traditional value chain perspective Mr. Sjögren considers Kanal 5 to be an aggregator of TV. They either choose or develop ideas for TV-programming that external production companies supplies to Kanal 5. The aggregation, to put together TV-programs, is delivered to the distributors as Boxer, Com Hem etc. “As for two three years ago we also work as a distributor with our online services [...] that is the first and initial direct contact we ever had with viewers”. (Sjögren, 2012)

Kanal 5 belongs to “The big five”, a definition of the largest TV-channels in Sweden by the number of viewers. By 2010 Kanal 5 was number 4 of 5 with a total of 6.8% of the viewers. (Myndigheten för Radio och TV, 2011, p.20)

4.7.1 The business idea of Kanal 5

The business idea of Kanal 5 can simply be explained as “To attract as many viewers as possible to be able to sell as much advertising as possible”. (Sjögren, 2012)

4.7.2 Value chain considerations

“During the last two years all of the actors asked themselves ‘what is our role in this value chain?’[...] so for the time being there is a little bit of drifting in terms of roles”. Mr. Sjögren says that if Kanal 5 would release all of its TV-programming online for free there would be no purpose for i.e. Boxer to buy the services as aggregation from Kanal 5 – “...that is not what we want to happen”. (Sjögren, 2012)

4.7.3 The online business of Kanal 5

The success of turning a loss into profit due to four main factors: (1) “The main reason was the view of it [...] this is not just a fun thing but we need to make money out of it”. Mr. Sjögren points out that this general view was a basic view of how the staff of Kanal 5 worked with it and that the staff had concrete responsibilities to generate profits. (2) Another highly important issue was to lower the cost of online distribution by renegotiating the contracts of distribution.

(3) The consumer behavior of consuming audiovisual content increased and therefore Kanal 5's webpage got more hits, resulting in a possibility to penetrate the ad market with an offer.

(4) And finally the possibilities of expanding the traditional ad sales of TV-spots in combination with a more receivable market of ad buyers. (Sjögren, 2012)

4.7.4 Changes in the relationship and offering to the advertiser

The relationship with the advertiser is generally handled via media agencies (Swedish: mediabyråer), however since the online distribution via Kanal 5's webpage started this relationship has expanded. TV ads are generally negotiated in terms of volume and price but the webpage has open up for more conceptual offerings that have resulted in an organizational restructuring. This reconstruction has mainly been about connecting the creative department of Kanal 5 with the sales department which has given a better ability for Kanal 5 to deliver more conceptual offerings to the advertiser. The conceptual offering consists of a combination between ads in the TV and on Kanal 5's webpage. (Sjögren, 2012)

The conceptual offerings are not only negotiated via media agencies but also via ad agencies and directly via the advertiser. Due to the validity of measure impact of traditional TV advertising and not conceptual offerings Mr. Sjögren says "...it might be a company that wants to try out new and creative things, they tend to be less risk averse [...] so when you cannot prove everything in detail it takes courage from us and the advertiser". (Sjögren, 2012)

"To be able to make more money in the future we cannot only rely on the classical 30-second spot [...] it will become more important with other creative solutions with the advertiser". (Sjögren, 2012)

4.8 Case: TV4

TV4 is the second largest television channel in Sweden after the Swedish public service channel SVT1, however they are the largest of all commercial channels in Sweden. (Myndigheten för Radio och TV, 2011, p.11). TV4 is a free-TV channel that offers linear TV via distributors but they also have OTT-services where they distribute non-linear content.

4.8.1 The business idea and BM of TV4

The first part of TV4's business idea is to, through attracting large groups of viewers, sell advertising. The second part is to sell pay-TV channels through TV distributor subscriptions. As of some years ago TV4 also has a new digital business, TV4 Play (VOD), with both an advertising based version and an ad-free, subscription based version. "It's a new and exciting, technologically driven combination of the two business models; ad-TV and pay-TV" the TV4

representative states. With this new digital business TV4 is developing direct relations with its viewers (in contrast to distributing the TV-channels via distributors). (Representative of TV4, 2012)

4.8.2 Important developments and new viewing habits

Before 2003, TV4 consisted of mainly one business, one channel: TV4. Since then TV4 has grown to 42 channels (ad-TV, mini-pay-TV and premium-pay-TV). According to the TV4 representative, it has been a relatively successful strategy to “take care of the more niched, diversified, viewer needs” themselves. In 2011 TV4 Gruppen had the highest share of viewing-time ever; however the TV4 representative notes that there is a big difference in revenue per viewer in TV4 and in their other niche channels. Similarly, today viewers demand that they can consume TV4’s shows in other ways than through classical linear TV. One can see it on other actors in the business and, primarily, on more early/developed markets in the US and Europe. (Representative of TV4, 2012)

According to the TV4 representative TV4 has, alike many other media companies, had a quite groping and ambivalent digital strategy. However, as of half a year ago TV4 has focused and redefined their digital efforts to moving pictures; that is, TV4 does TV programs. Two years ago TV4 had about 15-20 different websites, as different business projects. Today, more or less all of them are gone. TV4 wants to be “TV-programs on the Internet”. As such the TV4 representative states that TV4 Play is another way to consume TV “where you can experience and enjoy TV4-products that you might have got to know linearly but missed when it was broadcasted, or that you want to see again at another time”. In addition, TV4.se serves both as a promotional tool for TV4, and as a tool to drive consumption of TV4 Play. It also acts as a place for more in-depth consumption of additional content, and as a tool for extending the linear and digital TV-offerings – for instance, via “second screen” (see interview with Ms. Beck-Friis). In the future it is also expected that the advertising showed on TV4 Play will be more tailored to the viewers. (Representative of TV4, 2012)

4.8.3 Cannibalization

Both when TV4 started launching additional niche-channels and when they started their OTT/VOD business, TV4 Play, issues were raised concerning the risk of cannibalization. “You even put trailers in ‘the big four’ [the main channel TV4] and encourage people to leave ‘the big four’ to watch channels where you get paid considerably less for ads?!” some complained. However, experience has shown TV4 that it works and that the cannibalization effects are less than one would think. The TV4 representative refers to the logic behind this development

(primarily the addition of new channels) as the add-on-theory; the different parts do not cancel out each other – but add to each other. This development was also due to defensive thinking; “If we don’t do this, somebody else will – and then the viewers definitely will be gone from our system” the TV4 representative notes. (Representative of TV4, 2012)

4.8.4 Unexpected benefits from TV4’s heritage

Compared to its competitors TV4 can sell its advertising space at a price premium due to the fact that advertisers perceive their advertising to be shown in a more favorable “editorial context”. The TV4 representative explains; TV4’s editorial idea is a “central part of TV4’s business idea” – breadth, quality and diversity – which is close to that of the public service broadcaster Sveriges Television (SVT). However, this today beneficial composition of TV4’s business model is actually a heritage that has been kept from the now expired concession based “quality requirements” that the government imposed on TV4 to allow the start of its operations in the early 1990s; including, local-TV broadcasts, news coverage, culture and children’s programs etc. (Representative of TV4, 2012)

Furthermore, the heritage of having been forced to incorporate local broadcasting of news have today developed in to a fast growing business for local advertising, where TV4 on any national program can break down the advertising on its 30 local broadcasting stations. As such, local companies can pay for local advertising even during the biggest national TV shows. Due to better targeting, TV4 can charge a price premium for this. In addition, the TV4 representative notes that this has become a good way to “recruit” new customers, and this has started to take significant market shares from the “newspaper monopoly” on the market for local advertising. While the TV advertising business traditionally has been mediated via media agencies as buyers, TV4 now gets a growing number of direct customer relationships on a local level. (Representative of TV4, 2012)

4.8.5 Technology related developments

For TV4, the strategic priorities during the next three years will be to nurture the core business (ad-TV and pay-TV) and to become the market leader for moving pictures (“TV”) on all new device platforms (smartphones, tablets etc.); these should “coexist side by side and be integrated seamlessly” according to the TV4 representative. As such, TV4 will offer linear TV also digitally, so you can consume it on all devices. An important aspect is mobility. The TV4 representative further emphasizes the importance of technological development, and states that new technology gives new opportunities; however, an insight within media is that, as history has shown, a new media technology rarely replaces an old; rather, it adds on, with new

possibilities. That is, one can express it as TV4 is not trying to replace the old with the new, but adapt “TV” in accordance with the new possibilities. The TV4 representative states that “... it is connected to the linear power and the enormous reach and not least the fact that you can share the experience and hear about it from others, what we call “the campfire”, you sit together with others and see an Idol-final, you can’t beat that”. (Representative of TV4, 2012)

4.8.6 Other revenue related developments

In addition to normal advertising, a more recent source of revenue is product placement in TV4’s programs that now is allowed to some extent. According to the TV4 representative, “there are collaborations between our editorial colleagues, program department and our commercial colleagues. It has [previously] been sensitive and complicated, but works well today. [...] However, there are some ‘islands’ that we never, in any event, want to involve in this, such as the news operations”. (Representative of TV4, 2012)

Related to this is that, due to the fact that TV4 is broadcasted from Sweden, while its competitors TV3 and Kanal 5 are broadcasted from the UK, TV4 is limited by stricter rules. An example is that TV4 was forced to stop showing the imported US program Oprah Winfrey because it included too much product placement, while TV3 was allowed to show it, as TV3 follows UK law. The TV4 representative states that in general one could say that all rules should harmonize towards EU regulations, so that all actors need to follow the same rules. However, at the moment this is not the case, and TV4 is actively working for this to happen. (Representative of TV4, 2012)

4.8.7 A new competitive landscape

Regarding the developments of the Internet with new consumption possibilities and patterns emerging and with new actors offering content (legal, as well as illegal) TV4 has been forced to review both content and distribution issues. For instance, TV4 has moved more towards local, Swedish, and sometimes self-produced, programs. This content is not really possible to “steal” from other Internet resources, as is done with e.g. American movies or TV series. Furthermore, the TV4 representative also notes that another benefit with local productions is that “these are the programs that work best – which also is illustrated by that we have fewer international productions on prime time today than we had before”. Today TV4 has one American purchase in the TV4 channel on prime time, while they had maybe 10 such purchases five years ago. Similarly, TV4’s (local) sports rights is a key asset in generating large viewership’s and is also “impossible” to steal. Another benefit with local and self-produced content is that the legal rights issue becomes easier. TV4 can more easily decide what

to do with the content, in contrast to e.g. foreign TV series and movies where they often are more restricted in what they can do with the content. The drawback with local content and sports rights is, however, that program costs increase as local productions are more expensive as such, and that competition also increases the prices, as “the whole international broadcasting industry is moving towards local content”. (Representative of TV4, 2012)

4.8.8 Early perspective of the department of New Media

4.8.8.1 *The shaping of TV4’s online business*

Between the years 2005-2006 the streaming costs of online TV distribution were very high in relation to the revenues of advertising. “...it was theoretically impossible to finance it with only advertisement, the cost to distribute a program was 5 times higher than what we could generate in revenue of advertisement”. However the management was well aware of this but since the cost constantly was decreasing it was more a question of timing when to penetrate the online market of audio-visual content. (Fyrenius, 2012)

Before services as TV4 Play emerged there was a period of ‘trial and error’ to find the right path for development in ‘New Media’. Mr. Fyrenius primary task, was to “...extend the TV-programs into ‘360’-productions...” which meant that the TV-programs were showed in TV and then via ‘New Media’ became products to further develop in different concepts. For instance the show “Idol” came close to generate 50% of its revenues from other products as CD’s and other events “It wasn’t only a TV-program anymore – it had become a brand”. (Fyrenius, 2012)

Due to the strength and coverage of the traditional television Mr. Fyrenius and his colleagues saw other opportunities by using the traditional broadcasting as a marketing tool for other online services as Recept.nu, Fotbollskanalen, a weather site and so forth. (Fyrenius, 2012)

4.8.8.2 *The shaping of TV4 Play*

The single and most important event of the development of the phenomena of Play in general was that Sveriges Television (SVT) had started SVT Play, says Mr. Fyrenius. SVT Play indicated that people actually watched TV that way and that lead to TV4 Gruppen’s decision to take a position in the world of play. The vision the positioning was crucial and needed bravery of finding the right spot in the market with the method of trial and error. (Fyrenius, 2012)

One thing that kept TV4-Anytime (see full case-summary attached, related to TV4 Play) from developing as fast as TV4 wanted was the technological demands from the Hollywood Studios. Since the Studios were afraid of piracy they had strict rules of how the content would be distributed – this resulted in difficulties for the viewers to use the service. (Fyrenius, 2012)

4.8.8.3 *Revenue streams from advertisers in the beginning*

Mr. Fyrenius says that the measurement of how many viewers they had at TV4 Play was a problem in the beginning. For instance they knew how many starting streams they had but not how many minutes each viewer had spent watching the content. However many advertisers accepted this problem mainly due to the relatively low cost of their total budgets and a curiosity of trying new ways of advertising. (Fyrenius, 2012)

4.8.8.4 *Business in change*

Mr. Fyrenius points out that there will always be steps in wrong direction but to be able to succeed there is a need for a vision of what direction the development is going. (Fyrenius, 2012)

4.8.9 Present perspective of the department of New Media

4.8.9.1 *TV4's offerings*

TV4 has many channels, but only one channel that is free-TV; TV4. The rest is pay-TV channels. In addition, “TV4 Play is the hub in our digital business” Ms. Beck-Friis states. It is TV4’s distribution platform for TV content on-demand online. Viewers can (depending on ad-version or pay-version) consume content on demand, if they have missed a program, or even see whole seasons or live events. What TV4 is doing online is very much in line with TV4’s core business. It builds upon an “ad-business” and a “pay-business”. However, in contrast to the core business TV4 has chosen to combine the two revenue models in the form of a “freemium-model”. The idea behind it is to have as low threshold as possible for consumers to start consuming the online offering; “to make it as simple as possible to find and consume our content really. And, when one is finally within our service offering, our world, it should be easy to convert over to pay”. (Beck-Friis, 2012)

In addition to TV4 Play, there are four more parts within the digital area. 1) TV4.se is a place for more in-depth and extension of TV4’s content; “one can let content live on somewhere else”. It also works as a “display window for [TV4] Play”. 2) Fotbollskanalen.se (the soccer channel), “which in its segment is extremely strong”. 3) Recept.nu (recipes) “which also is a site that we have succeeded to build ‘brand awareness’ for, and a business around it. It is one of our service-offerings that is not driving moving content as it is a recipe data base. It constitutes

an extension of our quite large assortment of food related content in [the linear] TV”. Recept.nu gives rise to a considerable value in engagement and loyalty for our food programs [...] the revenue model is banners”. 4) TVplaneten.se “which is a TV-table service”. (Beck-Friis, 2012)

TV4 strives to work according to/towards a platform neutral strategy. Within digital media they also work according to three areas in order to drive engagement, loyalty and consumption; 1) Personalization – of content and advertising, 2) Second screen – “between 50-80% of all who watch TV have another screen in their lap during 50-80% of the time”. Themselves, or in corporation with advertisers/sponsors, TV4 creates concepts as to utilize this and engage the viewers. Ms. Beck-Friis notes that a lot of what people talk about on social media is TV-driven. 3) Gratification – activities designed so that the more you consume and are engaged, the more you get back. It’s a way to increase consumption in a more “playful way”. For instance, on BigBrother.se one can register with one’s Facebook address and get access to different assignments and achievements, and one can share it with friends etc. TV4 Play is regulated alike linear TV, and “for the advertiser, for us, and for the user’s sake it is important to keep a balance between advertising and content”. TV4 has set up clear targets and operational drivers linking the consumption to the business use of it. (Beck-Friis, 2012)

Furthermore, during the years TV4 has developed their operations regarding concept sales relating to the use of their content in sponsorships, in-store association etc. Ms. Beck-Friis states that TV4 is quite used to develop and dare testing new advertising formats. That is, TV4 has different “products” in their “portfolio” towards advertisers and media agencies. (Beck-Friis, 2012)

4.8.9.2 A changed definition of TV

During 2011 TV4 reduced its number of websites and brands within the digital business, in order for the company to focus more on moving pictures/”TV”. TV4 feels that the definition of TV is changing; from having been TV (physical thing), TV now denotes the content. “Internet actually becomes more or less a new type of distribution of our TV content. And then there are a whole lot of different opportunities – interactivity, new advertising solutions, and the possibility to tie it all together between platforms; it is cell phones, tablets etc”. (Beck-Friis, 2012)

Regarding TV4 Play, Ms. Beck-Friis further explains that “we have gone from have been quite much on demand, that is, watch whenever you want, to becoming more TV-service-offering

consisting of channels, live and so forth. It becomes a full TV-service-offering within TV4's world". (Beck-Friis, 2012)

"...There are challenges, but also TV4's opportunity to be in this development, in contrast from perhaps once in time when all that were on the web, here, was more or less text based and extensive articles, based on a business model that was not really from where we come from, and where I would say there is an even greater competition". (Beck-Friis, 2012)

Today "TV4 can be seen as channel-company, distributor and rights holder. The TV-distributors are good partners to us, we distribute our channels via them, and they make our on-demand content available". Ms. Beck-Friis emphasizes that the distributors are very important to them. (Beck-Friis, 2012)

4.8.9.3 *The development of the digital media business*

Regarding the development within the digital business Ms. Beck-Friis notes that "the consumption usually comes before the ad-business [...] is it enough who are interested [...] then it becomes more interesting for the advertisers". Ms. Beck-Friis explains that there is a lot of experimentation and learning in the process; for TV4 and to some extent also for the advertisers. "It requires a bit more commitment and it requires another type of sales process". Digitala Medier has their own sales team with "specialists" and responsibility to drive these areas of sales-development, which she believes is very important before it is handled by the central sales department. Many advertisers have been curious and willing to experiment with the new offerings. (Beck-Friis, 2012)

When TV4 started TV4 Play the big question was if it was even possible to have advertising on TV4 Play. The consensus view in the industry was that it wouldn't work. Ms. Beck-Friis notes, "but as a commercial market leader within the TV segment it should arguably be our responsibility to educate the consumer that on our service there is advertising, professionally produced content". It worked. When launching TV4 Play Premium 1.5 year ago it was almost the same thing; nobody in the industry charged for Play content. Once again it worked. Ms. Beck-Friis refers to that "our business model, its foundation consists of two parts [ad-TV and pay-TV], we can see great opportunities approaching the end customer in this case. Then we have to dare, and do it, and then we believe in this combined, advertising and pay, that is, get them in to us, consume freely and then having some conversion keys ". These conversion keys can be e.g. that there is no advertising; you get much more content; live event and sports (live); better quality and you can get it on all platforms. When the TV4 Play Premium was launched,

it was done simultaneously with the beginning of a new season of *Solsidan*⁷, where one could watch episodes ahead in time compared to the linear TV, “which gave rise to a spiral of positive effects everywhere”. This drove some of the initial growth of the service. (Beck-Friis, 2012)

5 Analysis

In this chapter we will present the analysis of the empirical findings that were presented in the previous chapter. In line with the purpose of this thesis the analysis will seek to provide a better understanding of how BMs develop/evolve and what principles and practices are employed by firms in this process. The analysis is conducted in accordance with our research model in section 3.5.

5.1 Developing BMs as activity systems

5.1.1 Capitalizing on platforms

An initial understanding of the process of BM development can be developed by utilizing the ideas of *platform thinking* (Sawhney, 1998). A general theme identified in several of the cases is that BM development occurs through the extension and capitalization of one or more platforms. In turn, platforms and their subsequent extensions tend to be developed into more or less complex activity systems (e.g. Zott and Amit, 2010).

Consider, for instance, how Com Hem/EQT used the cable-TV-net as a platform and extended it into a Triple-play offering with broadband and telephony. Com Hem/EQT did not only capitalize on the cable-net; they also extended their BM with adjacent offerings along these customers’ customer activity chain (Sawhney, et al., 2004). Com Hem/EQT could thus enhance their strategic positioning and competitive advantage by developing the BM in terms of an activity system. By extending the cable-TV-net platform and simultaneously capitalizing on their customer platform (maximizing revenue per customer) they developed significant complementarities/*virtuous cycles* within their activity system and offered a unique combination of offerings at a price level that could not be matched by competitors at that time (Porter, 1996; Casadesus-Masanell and Ricart, 2010; Zott and Amit, 2010). The Triple-play offering also created complementarities in the form of increased switching costs for consumers and thus created lock-in effects (Zott and Amit, 2010). The more recent developments in Com Hem’s BM can be understood in a similar way. By further capitalizing on the cable-TV-net and utilizing the possibilities of IP-technology and adding additional offerings for devices such as

⁷ A very popular Swedish comedy series.

cell phones and pads they create further complementarities and enhance their strategic positioning (Porter, 1996).

Similarly, TeliaSonera developed their TV business as a complement (cf. Johnson, et al., 2008) to the total experience of broadband and telecommunications in order to further capitalize on their net; while at the same time becoming a platform for further extension and capitalization in terms of different TV-offerings. Furthermore, Boxer capitalized on their experiences from the early digitalization of the terrestrial net in Sweden by extending their BM into other Nordic countries; creating further complementarities of economies of scale in buying content/TV-channels. And, Kinnevik invested in satellite capacity before they decided to capitalize upon it in the form of commercial TV-broadcasts.

→ *We seem to be able to understand the process of BM development in our observed cases as the development of activity systems; and the development and capitalization of platforms and subsequent extensions (Zott and Amit, 2010; Sawhney, 1998). This is also in accordance with Markides and Caritou's (2004) findings regarding the leveraging of existing assets and competencies.*

5.1.2 Developing complex activity systems

When analyzing the development of TV4, Kanal 5 and MTG, the activity system perspective of BMs become even more fruitful. Based on our analysis, we argue that the development of TV4's BM could be understood in terms of the development and extension of platforms, as to create increasing virtuous cycles along the customer activity chains of end-customers and business customers (more or less) simultaneously. That is, TV4 has developed into platforms constituting an array of different contact points with both end-customers and advertisers. First, TV4 (as a channel) can be seen as one platform capitalized upon to expand TV4 to a system of channels, additionally TV4.se and TV4 Play have in turn been used as platforms for extending the TV experience. In this way TV4 has developed into an activity system of multiple contact points with end-consumers, via multiple media-technologies and devices. For instance, food shows are extended with the recipe site, and with a device-neutral strategy and Internet based services one can consume different TV4 offerings throughout the day. In turn, this development creates complementarities between different platforms and offerings, and is further capitalized upon by promoting viewer traffic among different parts of the activity system. Furthermore, by zooming in on TV4 Play, one can observe that this platform in turn has developed into a sub-system of both an ad-based free version and a subscription based version, where their sub-system is designed (cf. Zott and Amit, 2010) to reach as many viewers

as possible and allow for conversion to the pay-version. TV4 also engages in new-media projects in order to keep viewers engaged and keep them within the activity system.

Partly in parallel to this development, TV4's activity system has developed along the activity chains of advertisers, and created new contact points for advertisers. TV4's offering has developed, from TV-ads, into a multitude of offerings; from licensing and concept sales, to product placement and advertising extensions in relation to new-media activities. TV4 has also been able to develop offerings for local advertising by capitalizing on their local broadcasting system, that they originally were legally bound to have.

The development of Kanal 5's activity system resembles that of TV4's, where the linear TV broadcasting is used to drive viewers to its web-site and Play-service. In turn, the web-site and Play-service have enhanced Kanal 5's activity system in that their offering towards advertisers has developed from slots for TV-ads, into more or less the sale of advertising solutions.

Concerning the development of the BM of Kinnevik/MTG's TV business during the 1990s, they developed from TV3 as a platform, into adjacent businesses (as they attained additional satellite capacity), and extended their business into pay-TV channels and additional free-TV channels. In addition, three aspects in the empirical findings are especially interesting. First, the "buy through" concept and the business logic to "build the universe" are well in line with the activity system perspective on BMs (Törnberg, 2012). By developing the unique combination of having both ad-based and subscription channels Kinnevik/MTG built an activity system with beneficial complementarities; by more or less giving away TV3 for free they could capitalize on viewers and sell additional subscriptions for pay-TV-channels. Second, with the insight that profit optimizing an ad-based TV-channel generates spare capacity in ad time, Kinnevik/MTG could further use their ad-based channels as platforms to drive the growth of other consumer related businesses (e.g. TV-Shop and CDON.com) and develop the activity system even further. The third aspect relates to how Kinnevik/MTG developed their business in terms of activities such as content production, subtitling etc. In addition to being necessary in order to establish an industry, additional insights of how BMs develop can be generated by drawing upon Stern and El-Ansary's (1982) discussion on economies of scale and Santos, et al.'s (2009) example of how Lufthansa developed (see the theory chapter). By treating activities that supported the core-business as profit-making entities instead of costs, Kinnevik/MTG could utilize economies of scale and capitalize on these activities by selling these services to competitors as well. In analogy with the work of

Sawhney, et al. (2004), we could refer to this as that Kinnevik/MTG developed their activity system along the *business activity chain* (related/adjacent activities of the business).

However, an important aspect which made the development of the BM and activity system of Kinnevik/MTG possible was that the business group owned more or less 100% of each business included in the activity system. This governance structure of the activity system allowed for the freedom to develop the system as they regarded best for Kinnevik/MTG as a whole (cf. Santos, et al., 2009; Casadesus-Masanell and Ricart, 2010; Zott and Amit, 2010).

→ *Central in the development of BMs seem to be the development and utilization of complementarities (Porter, 1996; Casadesus-Masanell and Ricart; 2010). However, in contrast to Casadesus-Masanell and Ricart (2010), this, according to the above, should probably be regarded as part of the BM per se. Furthermore, in addition to developing the BM in relation to end-customers along the customer activity chain, BM development along the business activity chain may also be an important source of development opportunities.*

5.1.3 BM triggers

An interesting theme discovered in the empirical findings, and to our knowledge not mentioned in the existing literature on BMs, is what could be labeled as *business model triggers* (which perhaps can be thought of as ‘tactics’; cf. Casadesus-Masanell and Ricart, 2010). In the empirical findings there are at least four instances where the success of the development of a BM has been facilitated by specific events. Consider, (1) TV3’s purchase of the rights to Ice Hockey World Championship in 1989 was an important and conscious decision to increase the penetration of parabolic antennas, (2) In the beginning TV3 used some advertising clients to attract other ones (example: Unilever triggered Procter & Gamble to advertise), (3) TeliaSonera gave away IPTV in 2007 to significantly increase their market share, and (4) TV4 utilized the very popular TV-show *Solsidan* to drive penetration of TV4 Play Premium when it was launched. In accordance with Arthur (1989, p.127) it seems to be that even “small events of history become important”.

→ *The roll out of a development of a firm’s BM may be facilitated by, and its success (partly) related to, the use of business model triggers.*

5.2 Dominant logic

5.2.1 Strategic decisions grounded in dominant logic

As mentioned in the theoretical overview the BM can be viewed as a reflection of *strategy* since strategy entails choosing BM. (Casadesus-Masanell and Ricart, 2010, p.204) Dominant

logic can be viewed as “a mindset or a world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business” (Prahalad and Bettis, 1986, p.491). The concept of *dominant logic* has therefore a clear link to *strategy* since choosing strategy and therefore BM involves a direct or indirect conceptualization of what is best for the company.

In the case of Com Hem, when EQT had bought Com Hem from Telia, a distinct change of dominant logic directly changed the BM of Com Hem. When Telia owned Com Hem they had a logic of capitalizing on the cable net, owned by Com Hem, rather than “...of trying to sell a better service over the cable-net that they also owned” (von Koch, 2012). However when EQT bought Com Hem the management communicated internally that they should compete with Telia and therefore they went “from being a[n analog] TV-distributor to becoming a communication-operator” (von Koch, 2012).

Similarly, most likely MTG’s dominant logic provides significant insights into why MTG’s BM developed the way it did. While others would have defined MTG as a media company, MTG created an advantage in that they did not define themselves as such; that is, as stated by Mr. Törnberg “we were not a media company, but we were a sales company. [...] it was essential at this point in time as most media companies was governed by people that gave rise to costs but did not generate revenues”.

→ *This shows two aspects of dominant logic. As we see it, before Telia sold Com Hem they had a dominant logic that ensured them that Com Hem would not compete internally within other telecommunication services, in other words they fended off a cannibalization. Furthermore this issue of cannibalization is in line with problems that partly explain why companies find it hard to develop their BM (Markides and Charitou, 2004). Both cases show that changing identity of the company, and therefore the dominant logic, significantly affects strategic decisions and therefore the BM.*

5.2.2 Dominant logic change grounded in maturity of the activity system

In the case of Boxer there are two dominant logics. The first refers to the time when Mr. Norman was CEO: “Boxer had a business idea that was built from the perspective to develop new products and services that was driven from a consumer’s perspective”. This was a time when Boxer had two main strategic issues: first to expand the concept of Boxer in other countries and second to expand the product line. “... if you should sell a TV-experience you need to be independent of the way you distribute” (Norman, 2012). As we see it this period was a time for expansion, to grow in the possibilities of the activity system and the dominant

logic was to expand the concept in all directions. The second dominant logic refers to the perspective Boxer has today with Ms. Gisle Joosen as CEO. The business idea “...is to fully use our possibilities as a business group [...] to maximize our assets [...] and to use the terrestrial net for content that the consumers want to watch and to pay for” (Gisle Joosen, 2012) Further on all developments, according to Ms Gisle Joosen, have a foothold in the core of Boxer - that is, the terrestrial net owned by the business group of Boxer. The current dominant logic could be viewed as less aggressive contrasting the one in the expansion period during Mr. Norman’s time. The consumer perspective is still there but it is rather logic of withholding the positioning and to capitalize on current activity system compared with expanding the possibilities as in the expansion period.

Similar to the case of Boxer, TeliaSonera also has a distinct difference in dominant logic in different time periods. In terms of TeliaSonera’s business operations of television in the beginning of 1990s, their dominant logic could be seen as a logic with associations to the “...research era of Telia... [...] ... it was a real hype in the world at that time, everybody wanted to earn money on digital portals and so on...”. (Trampus, 2012) During this period, TeliaSonera tried different approaches to expand their activity system, for instance sending live sports events via IPTV and in-house development of their own IPTV platform. However, contrasting the research era TeliaSonera nowadays depends more on partners supplying them with components of what has come to be a bigger and more complex system.

The statements “...as today it is still possible to distribute the OTT but Internet and the capacity is not endless [...] someone needs to pay for the traffic cost” (Trampus, 2012) indicate a change of dominant logic contrasting the research era. These statements indicate that TeliaSonera would rather act as an infrastructural system maintainer than a system developer in terms of TV-distribution.

→ *Regarding the reasoning of TeliaSonera’s and Boxers dominant logic there are several implications above that the dominant logic has changed. As we see it they have gone towards a perspective of seeing themselves more as a system maintainer from the perspective of a system developer. Additionally the dominant logic seems to have changed depending on the maturity of the BM. Both TeliaSonera and Boxer, in different times, were in the first suggested dominant logics in the state of penetrating the market and develop their businesses. Parallel with success of market penetration and finding their market position the dominant logic changed from an era of development to an era of capitalization on the developed system.*

5.2.3 Dominant logic as a filter for management

Another aspect of dominant logic is that it seems to “implicitly filter out ideas and behaviors that do not comport with the dominant logic” (Chesbrough and Rosenbloom, 2002, p.531).

In the case of Kanal 5 there was a rather clear dominant logic “To attract as many viewers as possible to be able to sell as much advertising as possible” (Sjögren, 2012). One might say that statements like these may be applied on doing business in general. However we see this mindset and principle as something that permeates Kanal 5’s business as whole. For instance the staff of Kanal 5 has concrete responsibilities to generate profits of the rather new activity of online publishing since it is “...not just a fun thing but we need to make money out of it” (Sjögren, 2012).

→ *Taking this statement in consideration with the active choice of delegating concrete profit responsibilities it is clear that a dominant logic has implications for tactical choices. Therefore it could be said that in this case the dominant logic has a link to the BM. Furthermore the statement that online publishing should be profitable gives us clues of how management filters out ideas that has not a clear profitability.*

5.2.4 Strategic variety

The dominant logic and the strategic variety in terms of complexity and relatedness in between different BMs described by Prahalad and Bettis (1986) can be exemplified by the case of TV4.

According to Ms. Beck-Friis, “Internet actually becomes more or less a new type of distribution of our TV content. And then there are a whole lot of different opportunities – interactivity, new advertising solutions, and the possibility to tie it all together between platforms; it is cell phones, tablets etc”. In a TV4 perspective the definition of TV is something that is changing from audiovisual content distributed via a physical TV to denote the actual content independent of distribution form. This perspective, as we see it, has actually decreased the complexity and increased the relatedness of TV4’s business. And as Ms. Beck-Friis points out TV4 has increased the focus of TV independently of distribution rather than develop new sorts of business.

→ *TV4 handles the strategic variety of the activity system by simply filter out BMs that do not fit their definition of TV (a part of their dominant logic).*

5.3 Network and conflict

Ford (2002) states that actors within a business network have direct or indirect interdependencies. In line with Ford (as well as Zott and Amit, 2011) we argue that an actor’s

BM is larger than the actor itself and that a network perspective should be taken in consideration to understand the BM. In all the cases, other actors within the business network have been mentioned or discussed, which gives us an empirical verification that BMs in the TV-industry are interconnected in a way that are described below.

5.3.1 Indirect interdependencies – actor responsive behavior

In general most of the actors in the different cases have pointed out that they keep track of each other's developments and learn from how other actors do business. However in some cases certain actions were more direct answers to what others did or what they believed that others would do. In the case of TV4, they stated that the launch of additional channels, and TV4 Play, was partly a defensive strategy "If we don't do this, somebody else will – and then the viewers definitely will be gone from our system" (Representative of TV4, 2012). An example of an offensive strategy can be understood by the case of Boxer when they expanded with the development of OTT solutions to capture new consumer behaviors. A very clear example of how BMs are indirectly interconnected is in the case of Boxer, where Boxer launched the service Triple-play as a defensive action to TeliaSoneras offering of basically free TV. TeliaSonera's offensive action to gain market shares lead to a defensive action of Boxer.

→ *BMs of different actors within a business network are indirect interdependent by either defensive or offensive actions of the actors.*

5.3.2 Indirect interdependencies – beyond incumbent business network

The responsiveness of doing what other does can go beyond the business network. For instance in the case of Com Hem Mr. Franzén points out that they get insights abroad "Many of the ideas are born in other markets [...] why reinvent the wheel...". This perspective of gathering knowledge is shared in other cases. The implication for such perspective gives us an understanding of how actors gather knowledge to reinforce their BM. A more distinct example is when EQT, at the time owner of Com Hem, went abroad to learn about how to implement a soft switch instead of using the typical solution which was said by local actors to cost three digits more than it did.

→ *Interdependencies can go beyond the incumbent business network.*

5.3.3 Indirect interdependencies – countervailing power

Stern and El-Ansary (1982) refer to the concept of countervailing power which in short means that if an actor wants to advance its position in the business network it will face counter actions by other actors. In turn, the initiating actor could find themselves in a locked in position. An

example of what could become an example of countervailing power is noted in the case of TeliaSonera. "...as today it is still possible to distribute the OTT but Internet and the capacity is not endless [...] someone needs to pay for the traffic cost" (Trampus, 2012). Additionally Mr. Trampus says that if or when the OTT-traffic exceeds its limit, TeliaSonera has to put a price tag on the traffic that OTT content distributors use and therefore price both the consumer and the OTT distributor of content. As we see it, such double sided revenue model could put actors that distribute content via OTT in a locked position due to a drastic change in the cost structure of distribution.

→ *Countervailing power issues could affect BMs and to be more exact in this case – the cost structure.*

5.3.4 Direct interdependencies – sharing value and content restrictions

The different actors within the value chain are interdependent of each other due to different sets of resources and activities which need to be taken in consideration when analyzing a BM. Beyond that, we found two examples that were of particular interest for the scope of our inquiry.

In the case of Com Hem, after it was sold to EQT by Telia, the main customers were property holders of apartment buildings. For Com Hem to reach the end user with additional services they needed to reconfigure the technological infrastructure in the apartment buildings. To do so Com Hem needed to convince the property holders to agree to higher prices with the main argument of increasing the value of the property.

→ *The forward and vertical integration in a value chain do not necessarily mean to surpass an actor in the value chain (in this case the property owners). By adding value to the property owners it opened up a new market for Com Hem. This example also shows us that Com Hem and the property owner's BMs are directly interdependent in terms of sharing value parallel to each other.*

It is a clear debate regarding content legal rights in most of the cases. This debate can be summarized in two aspects. First, content legal rights prevent or make business development limited. For instance TV4 notes that international programs have more, compared with locally produced programs, restrictions of what the channel can do with the content. Problems like this create domino effects since content rights for linear TV are not matched to how distributors sometimes intend to develop their OTT-services. The second aspect concerns issues connected to cannibalization of the value created in the value chain. For instance Kanal 5 raises concerns

about the boundaries of each actor within the business network “During the last two years all of the actors asked themselves ‘what is our role in this value chain?’[...] so for the time being there is a little bit of drifting in terms of roles” (Sjögren, 2012). This statement refers to *who should do what* in the business network and that new activities such as OTT distribution enabled by new technology can cannibalize on the joint value generated by the business network.

→ *The legal rights issues and the perspective of unclear roles in the business network give us a strong argument that actors BMs are interdependent of each other.*

5.4 Market shaping practices involved in the development of BMs

Our understanding of how BMs develop, and the principles and practices involved in this process can be facilitated by analyzing our empirical observation in terms of how different actors affect, and are being affected by, different interrelated market practices (see Kjellberg and Helgesson, 2007, in the theory chapter).

Beginning our analysis in *representational practices*, two events are of special interest. First, by creating the Triple-play bundle, Com Hem/EQT seemed to change the description of the industry, from TV-distributors to communication operators; which in turn changed exchange practices of other companies within the more separate industries of TV and telecom. That is, Com Hem/EQT did not only shape their own BM, but affected other actors in the market as well. Second, when actors such as TV4, Kanal 5 and others label their OTT-services as “Play”, they partake in the shaping of the market in that they create common descriptions and representations, which help to create normalizing practices of how the market operates.

Moving on, two events illustrate how the development of BMs is connected to actively developing *exchange practices*. First, pressured by competitors and with insights regarding consumption patterns of movies/pay-TV-channels, MTG realized that their BM could work even if they could not attain the latest movies at the same time as competitors. They managed to negotiate the establishment of a second pay-TV content right window (cf. it was primarily “a marketing issue” as Mr. Törnberg noted). This also came to change the normalizing practices of how movie rights were negotiated as this was in the right-holders own interest as well. Second, as Ms. Beck-Friis noted, TV4 needed to, step by step, educate consumers that there would be advertising on TV4 Play, and thereby TV4 was actively developing the new exchange practices for the TV-offering online. This is linked to utilizing representational practices to convey acceptance for ad-based media online.

In the empirical findings there are a number of events where actors have engaged in activities as to shape *normalizing practices* in the market (e.g. norms and regulations). To begin with, a classical example of this is how Kinnevik/TV3 could surpass the restrictions of commercial TV in Sweden by broadcasting via satellite from London (hence why some politicians wanted a ban on parabolic antennas). Furthermore, as TeliaSonera and other actors have to pay certain copyright fees for distributing SVT that satellite distributors do not have to pay. Therefore TeliaSonera tries to affect existing regulation through driving these issues in media and through lobbyism. Similarly, but regarding product placement rules, TV4 lobbies for rules further harmonized in accordance with EU legislation to be allowed to compete under the same conditions as competitors such as Kanal 5 and TV3. In addition Canal Digital and other actors in the TV-industry work to prevent chard-charing/piracy through the non-profit organization STOP (which works with lobbyism and mapping out criminal activities). However, there are also examples where normalizing practices have significantly affected the direction of certain BM developments. Consider for instance how Canal Digital was hindered to sell their cable-TV-net to Com Hem, and therefore forced to change their plans. Similarly, EQT's acquisition of Com Hem was helped by the fact that Telia was forced to sell Com Hem at the time of the merger with Sonera.

→ *In line with Kjellberg and Helgesson (2007), the above illustrates how different actors indirectly engage in the development of their BMs through market shaping practices. The outcome of these actions (may) affect the performance of the BMs; on "the architecture of the revenue" (Chesbrough and Rosenbloom, 2002, p. 530).*

5.5 The impact of technological development on market practices and BMs

In our empirical observations we have seen that there are linkages between technological development and existing market practices (cf. Kjellberg and Helgesson, 2007). For instance, both channel companies such as TV4 and Kanal 5, and distributors such as TeliaSonera and Com Hem indicated that the development of new offerings is restricted by content-rights (*normalizing practices*; Kjellberg and Helgesson, 2007). That is, while a certain development is technologically feasible, some (often international) content providers limit how Kanal 5, TeliaSonera etc. are allowed to use/distribute the content in new offerings. In part due to this, TV4 has moved towards local content as to more easily develop their BM. Another example is associated with concerns that, in contrast to linear TV, it does not exist equivalent measures of viewer statistics for Play-channels. As exemplified in the case of TV4 as well as Kanal 5, the development of new advertising solutions (online and Play), is associated with the

development of new exchange practices in collaboration with clients. That is, the development of new exchange practices will be required when a development of a BM doesn't fit with existing market norms and representations. This is similar to the early development of TV3; which led to the establishing of MMS (viewer statistics).

→ *Although technologically possible, development of firms' BMs may be hampered or require adjustments when existing normalizing practices prevent new exchange practices to develop, or when there exist uncertainties concerning descriptions or measurements of the market/business situation (Kjellberg and Helgesson, 2007).*

5.6 The impact of technological development on the development of BMs

As seen in our empirical observations, and in line with previous research, technology can be viewed as an important enabler of BM development (cf. Zott and Amit, 2011). Especially interesting is the theme of using existing technologies for uses not originally intended. Consider for instance that Com Hem/EQT used the net for cable-TV to deliver broadband and telephony (using IP-technology); TV4 building a local advertising business based on their local broadcasting system, which they initially were required to have due to regulations; and it was first after Kinnevik had started to invest in satellite capacity they decided to use it for TV-broadcasting. That is, significant opportunities for development of firm's BMs stem from "new mappings between technological potential and economic value" (Chesbrough and Rosenbloom, 2002, p. 551). This also illustrates that one and the same technology can be exploited differently in different BMs (cf. Chesbrough and Rosenbloom, 2002). In addition to the technological aspects, all these examples were based on an insight and a vision of a *future* market situation. Com Hem/EQT saw early indications of the significant demand for broadband when working with Stjärn-TV; Kinnevik launched TV3 based on insights from commercial television in the UK and USA; and TV4 could target the already existing market for local advertising. Similarly, TV4 Play was developed based on seeing that viewers already started to emerge. In line with Bower and Christensen (1995) and Koen, et al. (2011) these developments were targeted to new customers and usages.

Furthermore, the soft switch used by Com Hem/EQT to deliver telephony with IP-technology at almost no cost at all, and the current development of Play-channels (OTT distribution of TV) can be seen as disruptive technological developments (cf. Bower and Christensen, 1995). However, in addition to that these technologies incorporates "a different package of performance attributes" (Bower and Christensen, 1995, p.44), we find it even more interesting that these technology based developments have been used *in combination* with existing BMs as

add-ons, enhancing it through complementarities between the old and the new (cf. Porter, 1996; Johnson, et al., 2008).

A final interesting theme observed is the response of actors to other actors' use of disruptive technologies/developments of BMs. As exemplified by e.g. Boxer and Canal Digital, their BMs have developed by complementing their main technology upon which their BMs are built (terrestrial, respective satellite broadcast), with additional technological solutions as to 'patch the wholes' in their BM to meet the competition from e.g. Triple-play offerings created with the use of IP-technology, respective Play channels distributed via Internet to cell phones etc. As Mr. Franzén at Com Hem expressed, it is important to extend one's BM with new offerings before competing offerings grow too strong. In light of Schumpeter's (1947) work, we can understand this as (more or less) defensive action in order to prevent that capital tied up in respective distribution form is being destroyed by, decreasing competing actors' and technologies' competitive advantage; hence keeping customers within one's activity system.

→ *Technological development constitutes an important source/catalyst for the development of BMs within the TV-industry. Important to note, however, is that important BM development can be created by using existing technological assets in new ways, in order to target new potential markets. In addition, BMs can be developed with the purpose of decreasing the competitive advantage of others by patching the holes in their own BM.*

5.7 Revisiting the research model

To sum up our analysis we return to our research model (Model 2) presented in section 3.5. As seen in the above analysis each of the four main areas (dominant logic, network conflict and stability, market shaping practices, and technological development) impact on how the firm's BM develop at different times; and on what we could think of as the *opportunity set* a firm perceives as viable options for developing its BM. The areas can either open up new possibilities and opportunities, or act as constraining forces upon the potential opportunities firms see as possible options for action. That is, in to develop a comprehensive understanding of the dynamic aspects of how BMs develop we need to move our attention to other areas than just the firm's BM seen in isolation.

For instance, a factor that seems to be particularly powerful in its affect on how BMs develop seems to be the dominant logic(s) of the firm, and changes of it. Consider for instance the impact on MTG's development associated with defining themselves as a sales company rather

than a media company; or how the opportunity set for BM development at Com Hem was substantially different under the different ownerships of Telia and EQT.

Further, the analysis of BM development from the perspective of conflict and stability in business networks shows that the development of a firm's BM often is related to actions and fear of potential actions of others in the business network. As seen, the development of one firm's BM often spurs subsequent responsive developments in other actors' BMs. For instance, consider how the increasing distribution of TV via OTT might result in TeliaSonera launching a double sided revenue model; which in turn will affect the BMs of firms distributing TV-content via OTT (and the subsequent development of these firms' BMs).

As seen in the analysis, firms also try to expand the opportunity set of feasible business models by engaging in market shaping practices. A viable option for firms to improve their BM seems to be to engage in practices as to improve the competitive situation for their present BM or for an intended BM, development.

Furthermore, the four areas of factors are also more or less interlinked with each other (in what way and magnitude seem to differ from case to case). Consider for instance the development of TV4 Play. On the one hand it is a BM development resulting from technological development; but on the other hand it has also evolved in tandem with a changed definition of what TV is today (a changed dominant logic of the business). TV4 has also needed to engage in market shaping practices concerning advertising on their Play service, and has also moved towards more local content (partly) in order to avoid being limited in their BM development by (mainly international) content-right restrictions.

As such, by working through the five areas of the research model (incl. the BM as activity system) it seems like firms should be able to more actively grasp the full opportunity set for development of their BMs; what factors affects it, and how.

6 Conclusions

The purpose of this thesis was to bridge the gap in the existing literature on BMs and provide a better understanding of the dynamic process of how BMs develop and change. As such we posed the research question(s): What can we learn from the development of the Swedish TV-industry – over time and in-between market actors – regarding the principles and practices of BM development? That is, what affect how BMs have developed, changed and evolved in this context; and what principles and practices are employed by firms in this process?

Within observed cases one can understand the development of the BMs as a process in which the firm (1) capitalizes on existing platforms (e.g. assets or types of offerings) by extending these into additional offerings or businesses, (2) develops new platforms and subsequent extensions, whereby (3) the firm's BM evolves as an activity system (consisting of these platforms and extensions), and (4) in which a key principle is the purposeful development and exploitation of complementarities between different offerings and platforms. This process can be thought of, as referred to in one of the empirical cases, as the process of building a "universe". That is, the creation of worlds in which the aim is to develop the BM in ways that increase the value of, or capitalizes as much as possible on, the whole activity system.

As illustrated in one of the empirical cases; in addition to developing the BM in relation to one's end customers, a successful route for developing one's BM may be to seek growth along what could be called the *business activity chain* (that is, developing activities that support the core-business into profit-making entities by increasing their scale and selling these entities services/products to other industry actors).

Furthermore, our findings also indicate that the success of a BM development may be significantly facilitated by the use of *BM triggers*.

Our analysis also points at, in accordance with our research model/synthesis of previous research, the importance of aspects relating to (1) the firm's dominant logic (2) the business network (conflict and stability), (3) technological development, and (4) market shaping practice, for a comprehensive understanding of the dynamics involved in BM development.

The dominant logic of a firm seems to have significant explanatory power in what routes and opportunities for BM development are chosen and acted upon, as for instance seen in the case of MTG, TV4 and Com Hem/EQT. Dominant logic is to a high extent connected to strategic decisions of a firm and its management and conceptualizes what is best for the company. Furthermore 'to do what is best' concerns strategic choices that entails choosing or changing a BM. The dominant logic (or sets of logics) seems to change with the maturity state of a BM in terms of either to develop or to capitalize on the activity system encompassed by the BM.

Network aspects, such as indirect and direct interdependencies between actors and their BMs, consist of responsive behavior either to 'what other actors do' or to visions of what can be done to capture market opportunities. These opportunities are grounded in customer/consumer behavior and/or opportunities spotted in other markets via external actors.

Within the context of our empirical investigation important BM development occurred when using existing technological assets in new, originally unintended ways. Additionally our analysis also have pointed at that opportunities provided by technological development tend to be used *in combination* with the existing BM, utilizing complementarities between the old and the new; in line with the activity system perspective on BMs. However, we have also seen that although technologically possible, development of firms' BMs may be slowed down or require adjustments if they result in exchange practices that diverge from current market practices/ways of doing business (cf. Kjellberg and Helgesson, 2007). In terms of technological development, our analysis has also shown that BMs can be developed with the purpose of decreasing the competitive advantage of others by 'patching the holes' in the own BM.

Finally, actors tend to engage in indirect development of their BMs through engaging in actions as to shape existing market practices (cf. Kjellberg and Helgesson, 2007), such as e.g. lobbying to affect regulatory constraints, as the outcome of these actions (may) affect the performance of these actors' BMs.

Based on the above conclusions, *within the context of our empirical observations*, we can note that BM development in a more general sense can be thought of as the reconfiguration of the firm's competitive situation and competitive advantage. And perhaps then, in light of Porter's (1996) work, the crafting and development of BMs is not so much the creation of the architecture of the firms revenues (Chesbrough and Rosenbloom, 2002) as it is about the building and development of the architecture of the firm's competitive advantage.

7 Contributions, suggestions for future research and critical reflections

This thesis provides contributions and implications for practice, as well as academic research and education at five main points. (1) As called for by previous research (e.g. Mason and Spring, 2011; Johnson, et al., 2008) the thesis provide more in-depth insights, and a better understanding, for the dynamic process of BMs develop and change; and as such provide further insights into the principles and practices managers can employ as to successfully develop their firms BMs. (2) With our research model/synthesis of previous research, we have brought increased attention to four main areas (dominant logic, network conflict and stability, market shaping practices, and technological development) that impact the firm's *opportunity set* for developing its BM. The firm's dominant logic seems to play a particularly significant role. (3) We have also highlighted the case that the success of a BM development may be significantly facilitated by the use of *business model triggers*. (4) The thesis contributes to the

recent developments within BM theory (e.g. Casadesus-Masanell and Ricart, 2010; Zott and Amit, 2010) and the perspective of BMs (at the firm level) as activity systems by connecting it to the ideas of *platform thinking* (Sahwney, 1998), and in so doing also helps developing clarity to what the BM concept entails, and how it can be employed. (5) Finally, in terms of educational implications (in addition to the above) the study highlights the importance of having a profound understanding of both business and technology aspects, which in line with Chesbrough and Rosenbloom (2002), create opportunities for BM development when brought together to create new mappings.

As our findings are based on exploratory, in-depth, research on a limited sample of firms in a specific context interesting avenues for future research are to see whether this approach to understanding the dynamic process of BM development can be applied in other industry contexts. Another suggestion for future research would be to initiate a more extensive study of multiple organizations that follow how these organizations' BMs evolve over a number of years in more detail, and from the perspective of multiple organizational units.

We also find further research on the use of BMs triggers as an especially interesting avenue for further research; as our findings indicate that their usage seem to significantly impact how successful the launch of a BM development is. Further research on the development of BMs along with what was identified as the business activity chain may also be an interesting topic for future research.

In terms of critical reflections adding to certain limitation aspects covered in the chapter of methodology, we believe that one of the strengths of this thesis is our broad selection of cases. However in retrospective we ask ourselves if a reduced number of cases would have given us more time to investigate (i.e. more interviews per case) our inquiry even deeper. Also, another selection of cases/representatives might potentially have yielded somewhat different results.

Beyond our control the limitations also consist of whether the case representatives communicated a complete picture of certain events – we believe they did but on the other hand some events happened between 10 to 20 years ago and one tend to remember only certain aspects of an event. Additionally some events and facts may not have been disclosed due to confidentiality aspects.

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9 Attachment 1: Summarized interviews

9.1 Summary of interview with case representative for

MTG/Scansat Broadcasting/TV3

Interviewee:	Mr. Jan Steinmann, former CEO of Scansat Broadcasting
Date:	Monday 5th of Mars 2012
Location:	MTG head office, Stockholm
Duration:	1 hour
Language used:	Swedish

9.1.1 Background of Mr. Steinmann

Mr. Steinmann is currently a senior advisor at MTG. In 1985 he was recruited by Mr. Jan Stenbeck, owner of Kinnevik, to start Scansat Broadcasting (SB). Mr. Steinmann was CEO at Scansat Broadcasting until 1995. Before joining the business group of Kinnevik he worked at Trans World International – an American sports television company.

9.1.2 The Business Idea of Scansat Broadcasting

The parent company, Kinnevik, had in the late 1980s bought shares in a Luxembourg based company called “Société Européene de Satellite”, which they intended to use for telecommunications. The opportunity of having access to a satellite triggered the idea of sending television (channel name: TV3) along with telecommunication.

Due to that the satellite, Astra, was not launched in time SB had in last minute change of plans and broadcasted via a British Telecom satellite instead. TV3 had its first show aired by 1987, New Year’s Eve. By the first period of 1988 TV3 reached 800 000 viewers in Sweden, Norway and Denmark all together. During 1989 the satellite Astra was in place and TV3 reached 45% of the households in Sweden.

The distribution via Astra was crucial due to two main reasons. First there was practical restrictions when/how they could broadcast via British Telecom due to the availability of capacity. Second, to be able to sell parabolic antennas to the viewer to be able to access the signal SB needed to have Astra in place. The main initial marketing activity to attract viewers was the direct broadcasting of Ice Hockey World Championships in 1989.

SB had three important strategic issues: (1) penetration in terms of reaching more viewers, (2) to sell slots for advertisement and finally (3) to overcome the restrictions in the legislation regarding commercial television. To solve this issue SB did large investments in technological infrastructure, gathering knowledge from other markets and advised consultancy firms within the areas of legislation and business.

“The underlying business idea might seem drastic, but it was to dissolve the monopoly and to prove to the government that what we were doing was not against the law. The business idea was to make money”.

Further along the road after TV3 matured “Our business plan was to develop commercial TV in markets where it was forbidden [...] to get the penetration up and running to change the world”.

9.1.3 **The relationship with the advertiser**

“By that time, fortunately, there were no statistics over the consumption of television”. “The offering presented for the advertisers was basically an offering of advertisement in the new commercial television. [...] It was very much like the Wild West”. On the first day of broadcasting TV3 had two clients – Juice Fruit and Pentax. “I believe that no advertiser has paid that much per thousand viewers since that day”. According to Mr. Steinmann Unilever triggered Procter and Gamble into buying the offering as well. “We had a business plan of break-even after 5 years – we did in after 3.5 years”. “A profit of £19 million in the fourth year – I will never forget that”.

As time went along TV3 got more viewers and the advertisers demanded ratings of the viewers. According to Mr. Steinmann, SB took the initiative for a discussion with Sveriges Television regarding ratings. This resulted in an establishment of the organization ‘Mediamätning i Sverige’ (MMS) which activity became to measure ratings to establish the ‘currency’ for advertisers.

9.1.4 **The constellation of the offering**

SB had its head office in London and separate sales departments in all three countries to which they broadcasted TV3. In the beginning SB had agreements with technological partners to help them with the technical infrastructure. Additionally they outsourced the editorial department to generate news.

The advertisement was sold directly to advertising clients or via media agencies that did the creative work of placing the ad in the TV-channel.

Beside to generate sales with their local sales departments, SB focused on planning the content of the broadcasting. “The programming and planning of programs was a demanding process which required a lot of know-how”.

9.1.5 Competitors

TV4 "... was not a competitor when they came, but since we understood that they would be, we insured ourselves by owning one third of the company".

Due to the hard competition that emerged after 1995 by many other channels and pay-channels, TV3 went into difficult times in terms of viewers.

9.1.6 Alternative revenue streams

In 1990 viewers could phone in and vote on the Ice Hockey World Championships, the revenues of the telephone call were divided among SB and Telia. Sponsorships were also an alternative revenue stream.

9.1.7 Visionary leader and culture

According to Mr. Steinmann SB had a very visionary leader, Mr. Jan Stenbeck, whom had a great impact on the culture of the business. "The culture that has been created and still is in this house today is thanks to Jan [...] we still have the twelve simple rules from his time...this culture is a part of our business model". Mr. Steinmann points out that the culture is the thing that pushes the business model forward and develops it.

Mr. Steinmann says that as a part of Kinnevik, he among others that reported directly to Mr. Stenbeck, had a lot of freedom. The freedom consisted of getting assignments solved, as long they got them solved within set budgets. Mr. Steinmann points out that this freedom was important since the nature of the project was "...the Wild West" and they did not have the knowledge about how to do things. "There was no hand book of 'this is the way to do it' [...] it was a sort of total entrepreneurship".

The Twelve simple rules were (and still are at MTG): 1. ABC – Always be closing 2. Copy with pride and precision 3. Time equals money 4. Act as if success is guaranteed 5. We stand together 6. Protect your independence 7. Execute decisions 8. Retain control 9. Observe the outside 10. Always be ahead of the competition 11. Think impact 12. See your customers.

9.1.8 Development of other businesses

Mr. Steinmann says that "When we sat in our business model we thought – what else can be developed here?". With TV3 in the middle, things started to develop around and by them. "...there was basically no production industry in Sweden by that time..." so within the business group they started the production company Strix to be a supplier of content.

Further on, other types of channels were developed. TV1000 was created due to the success of other actors in other markets as USA. The know-how was gathered by many things i.e. visits to New York. Another aspect of the development of pay TV (Channel: TV1000), was that the actor Filmnet that was owned by Esselte in Sweden, already had pay TV via cable but was not reaching that many viewers. SB saw a market opportunity in that since they had better penetration of reaching viewers.

9.1.9 Industry development

SB did not know how the industry would develop in terms of legality to broadcast TV. But the system of the monopoly in Swedish television industry took a turn when the Swedish government advertised and granted a license for commercial TV, TV4. That changed the perspective of the phenomena television from a strict controlled market to what TV is today.

9.2 Summary of interview with case representative for MTG/TV3

Interviewee:	Mr. Pelle Törnberg, former CEO of MTG (among different positions within MTG)
Date:	12th of March 2012
Location:	The office of one of his companies, Stockholm
Duration:	1 hour
Language used:	Swedish

9.2.1 Background of Mr. Pelle Törnberg

With a degree in journalism Mr. Törnberg started his career at SVT which by that time constituted the public service monopoly of TV in Sweden. Mr. Törnberg has substantial experience of the development of the media business of the Kinnevik group, that came to become MTG (Modern Times Group). He started his career within Kinnevik/MTG in the second half of the 1980s being one of the founders of the TV-production company Strix Television in 1987, and became CEO of MTG during 1993-2000, then he moved on to become CEO of Metro when it was separated from MTG into a separate company. He played a central part in making Metro the world's biggest newspaper. Today he runs a variety of own business projects and companies.

9.2.2 MTG's business 1987-2000

With the launch of the advertising based TV3 in 1987 Kinnevik/MTG was able to introduce commercial TV in Sweden, surpassing the government ban, through the use of satellite distribution. According to Mr. Törnberg, it all started when Mr. Jan Stenbeck (head of Kinnevik) participated with investments in the Astra satellite SES; which originally was intended to be used to take pictures for city planning etc. However, Kinnevik's plans for the use of their part of the satellite capacity changed when Murdock and Maxwell in the UK started MTV with the same technology. Now the plan was to get other Swedish media companies, such as Bonnier, to start commercial TV channels, while they charged for the satellite capacity. However, none of the established actors were interested (probably as commercial TV was prohibited). This forced Mr. Stenbeck to start what would become TV3; and the start of the commercial TV-industry in Sweden. To do this Mr. Stenbeck hired skilled people from the US TV-industry to copy American business models.

TV3 was originally one channel broadcasting to Sweden, Norway and Denmark. When MTG later divided it into three more channels MTG couldn't get the capacity needed, so MTG managed to move to another satellite instead; Sirius, five degrees east and to Telenors satellite

position 1 degree west. This was also done to avoid being dependent on only one satellite capacity supplier. Thereafter MTG launched a number of pay-TV channels.

The launch of TV3 was neither welcomed by politicians nor established media/newspaper companies, who feared MTG would steal their advertising money. Mr. Törnberg notes that some politicians from the social democratic party even considered banning parabolic antennas. The general debate also became quite lively when MTG/TV3 bought the TV rights to the Ice Hockey World Championship in 1989, which the previous TV monopoly holder SVT just assumed that they would get. Now, only 25% of the population could receive it live, instead of 100% as usual. According to Mr. Törnberg, this move was a conscious plan by Mr. Stenbeck (which succeeded) to drive the sales and penetration of parabolic antennas.

Furthermore, according to Mr. Törnberg, Mr. Stenbeck early realized that when a new technology is launched, the first ones to make money are those that arrange the conferences/events for the new technology, “so all adjacent/related services were of course essential to start up, but also due to the reason that the industry didn’t exist. If you are going to start a commercial TV channel you have to have TV programs, you have to make advertising spots, you have to subtitle and translate the TV programs, and you need to distribute the TV programs. And all of this didn’t exist, so industry-wise it was necessary to build up the whole infrastructure in order to succeed with the core business. And miraculously [...] Strix [their TV-production company] and other [of our adjacent businesses] did earn money faster [than TV3] as we also sold TV-programs [and other of our services] to SVT and others”.

During the years that followed MTG launched ZTV and TV6, and at the time of 1998-2000 MTG had become very diversified and didn’t perform that well. At this point MTG included, but not limited to, several free-TV channels, pay-TV channels, TV-shop (that later became CDON), and the Internet portal Everyday dot com, radio channels, book publishing, and the free-newspaper Metro. Due to the complexity of MTG, the price of the MTG stock fell from 50 SEK to 40 SEK quickly after its initial public offering. However, in the years that followed the complexity was reduced and profits increased and the stock price rose to 600 SEK.

9.2.2.1 *The invention of the second-pay-TV-window*

When the competitor Canal Plus/Filmnet was bought by Nethold, one of the dominating pay-TV companies in the world, Nethold tried to buy all movie rights in MTG’s geographical region. However, MTG realized that “pay-TV was something that people bought but not necessarily used [...] So when we realized that: ‘OK – then it is a marketing issue’. So we went

to Hollywood and [...] after the pay-TV window that lasted about a year, we managed to push through a new window for an additional pay-TV period, which was TV1000 before they went out on DVD”. When Canal Plus advertised for a movie, “we could advertise the same content, but ours had one year’s delay; so it wasn’t that nice/clean, but it worked”. Mr. Törnberg notes that they were really in the forefront of the area of “how one play with pay-TV rights vs. free-TV rights”. Mr. Törnberg explains that they managed to pull it through as MTG didn’t really have a choice and also due to that it was in the movie suppliers’ best interest to have more than one buyer, and adding one window just increased their revenues.

9.2.2.2 *A reflection on business models and business plans*

Mr. Törnberg notes that “we didn’t work with any defined models, rather we were very pragmatic [...] upon how we viewed a business plan”. Instead, Mr. Törnberg notes that what they often did was to look on examples from other countries such as the USA and the UK, and tried to copy existing business models. Regarding what is important to focus on when working with business models Mr. Törnberg states that one should focus on those parts oneself is in control of. That is, it is crucial to focus on costs as revenues are affected by so many parameters outside one’s control, such as the state of the economy and (in the media context) the actual weather. He notes that the only thing you really know is certain with a business plan is that it always turns out wrong in some way. Furthermore, “if you are going to launch and break new ground it is necessary to have wallet, heart and brain, which the main owner [Kinnevik/Mr. Jan Stenbeck] had in the environment that I have worked in, where we started up about 20 companies per year” the first hectic years. However, Mr. Törnberg emphasizes that people is the only thing you shouldn’t try to save money on. “The only thing you have in new companies are people, and thereby no processes”.

9.2.2.3 *Business logics*

Mr. Törnberg states that MTG was probably quite unique in that “we decided very early [...] took a strategic decision that we were not a media company, but we were a sales company. It might sound a bit corny, but it was essential at this point in time as most media companies were governed by people that gave rise to costs but did not generate revenues, that is, journalists, writers, producers and others. And we wanted to turn that around, so instead of honoring all the journalists every year, we honored all sales people [...]. And [we] became a very successful sales company [...] it was an essential, so to say conceptual, change of how one manage a media company”. Similarly, in a study of free-TV-channels (ad-based) they also could conclude that “the most successful channels were not those with the largest amount of

viewers, but those with the best sales team”. Furthermore, when working with the sales of advertising space they also learned that the most important thing is to get hold of “role models”, Mr. Törnberg explains. That is, if you get Unilever to advertise, you get Procter and Gamble, if you get ICA you get KF etc.

Mr. Törnberg also explains that they within MTG were inspired by the “buy through” concept/approach used by Murdoch and Sky TV in the UK. “It all is based on that ‘you give away something for free in order to build the universe’. In essence, TV3 was free, in theory. If you have built this universe, you can then promote pay-TV channels within those who have the technological possibility to receive them. It was, it is much more cost effective for TV1000 to advertise in TV3 than to advertise in Dagens Nyheter⁸”. However, while Sky TV only was based on pay-TV channels, MTG got a unique combination of free-TV channels and pay-TV channels. As an example of this, with the plan to sell pay-TV, MTG tried the concept of Sverigeparabolen (the Sweden-parabolic-antenna) in the middle of 1990s, sold via Statoil gas-stations with unencrypted broadcasting of the free-TV channels. However, as they discovered that they didn’t have the required rights for it, they had to shut it down.

Another aspect of building the universe was the use of cross promotion within MTG. Mr. Törnberg explains that, if you want to profit optimize a TV-channel the amount of paid advertising will be a little less than 100% of capacity utilization. That is, you have capacity left for other things. “We did it with much discipline and sat at the top and determined exactly how we were to allocate these. When we built up CDON for example, we could do this by stealing time from TV3 and Metro [...] our advantage was that we owned almost 100% of all these companies, so we could put on ourselves a MTG-hat [and do what was best for MTG]”. Similarly, when MTG bought the movie production company Sonet, they reasoned (in addition to the favorable price) that “if we only manage to make movies that are good enough we will be able to get the money back via third parties; cinema distribution, and movie and DVD and such. From a group perspective we could then almost get the movies in TV3 and TV1000 for free”.

Regarding the purchase of content/rights, Mr. Törnberg highlights the complexity involved in assessing e.g. how the purchase of Premier League would affect the business. “How much more can I get paid by advertisers? and “how many more subscriptions can I sell due to that I have this unique content?”. “In addition you have to think about [...] how much it weakens Canal Plus and the TV4 Gruppen. And think about that now they on the other hand saves X

⁸ Dagens Nyheter (DN) is one of the established daily newspapers in Sweden. Not owned by MTG.

hundred millions, and what can they buy for that money? [...] Then they might make it much harder for TV3”.

As Kinnevik developed, 22 internal rules emerged that became “the foundation of the whole company”. Today, these have been somewhat compressed into “twelve simple rules” (see interview with Mr. Jan Steinmann). They mirror how Mr. Törnberg would describe the development of MTG, – “Behind all this that can be described as a bit messy/unstructured, there existed very stringent ideas ‘this is how we do business’”.

9.3 Summary of interview with case representative for Com Hem

Interviewee:	Mr. Thomas von Koch, Senior Partner at EQT (a private equity fund, owner of Com Hem during 2003-2006)
Date:	19th of March 2012
Location:	EQT's office, Stockholm
Duration:	1 hour
Language used:	Swedish

9.3.1 Background of Mr. Thomas von Koch

After his degree from Stockholm School of Economics in 1992 he started working at the corporate finance department of Investor. In 1994 Investor started the private equity fund EQT which he joined. In 1997/1998 EQT bought Stockholm's cable-TV network company, Stjärn-TV, and since then Mr. von Koch has been working with different holdings in the telecom and cable-TV-industry. During 2003-2006 EQT was the owner of Com Hem.

9.3.2 From cable-TV distributor to telecom company

EQT bought the cable-TV company Com Hem from Telia in 2003 and sold it in 2006. From originally being analog cable-TV, EQT introduced the Triple-play offering consisting of digital-TV, broadband and telephony; and increased yearly profits from 50 million SEK, to 1.15 billion SEK in three years. However, it all started already in 1997/1998 when EQT bought Stockholm's cable-TV network company, Stjärn-TV, and made it the first company in Sweden offering broadband services to customers. With insights from the US (Cable Vision, Long Island), EQT realized that the cable-TV-net had superior bandwidth compared to the copper-net used for telephony and dialup-modems (and later ADSL). Furthermore, "The need/demand for broadband was infinite". Mr. von Koch notes that "we launched broadband in Stockholm in February 1999 [...] in two weeks we had got 10% penetration!". This spurred EQT's interest in Com Hem – a much bigger cable-TV company, owned by the telecom company Telia. With Telia's merger with Sonera, competition law required the sale of Com Hem, and EQT bought it.

When Telia owned Com Hem it was only used as a distributor of cable-TV. It was never developed and allowed to compete with Telia's other business. "So, in a Com Hem house it was Telia who sold ADSL instead of trying to sell a better service over the cable-net that they also owned". Mr. von Koch notes that when they had taken over Com Hem they declared internally that they would now start to compete with Telia on broadband and telephony; "from being a[n analog] TV-distributor to becoming a communication-operator"⁹.

⁹ There were some digital-TV and broad band as well, but not in any significant way, according to Mr. von Koch.

When EQT bought Com Hem the whole management team was changed. Com Hem's efficiency and profitability was substantially increased already within seven months, and they also started to build "confidence within the organization in believing that one had good products, and thereby partly be able to increase the prices [for the analog TV-offering]".

In 2003 Com Hem's main customers were the property holders of apartment buildings. The cable net was connected to the buildings internal net to respective apartment. The property holders bought the analog TV-offering from Com Hem, and end-customers got it for "free" included in the apartment's rent. The process of developing Triple-play started with major investments and upgrades in the cable-net (of more or less of the same amount as they had bought the company) in order to ensure quality of service of broadband and voice over IP. Mr. von Koch states that they began the process by raising the prices of the existing analog TV-offering to property holders by 25-30% in exchange for installing the broadband enabling improvements in their property. This increased the value of their property with subsequent opportunities for increasing apartment rents. The price increase did thus help finance the major investments in the additional Triple-play services – which the individual households had to buy themselves (e.g. in TV/radio stores etc.). Triple-play came as a "wave on the wave".

9.3.2.1 *The Triple-play bundle and the competition*

After the upgrade of the cable-TV-net Com Hem could launch its Triple-play offering to 25% of all Swedish households. Com Hem started selling digital-TV, broadband and telephony as a bundle at a substantial "discount". "We took a calculated risk [...] the Swede wanted better broadband services [...] and so we launched a [...] 'buy three, pay for two', if you buy broadband and TV from us you get telephony for free". According to Mr. von Koch, "no one of the competitors could match us". Competitors at most had two of the three services when Triple-play was launched. EQT also knew that as long as the discount was substantial enough, people would leave their old operators. Compared to any other combination of offerings at that time, a household would save 2 500 SEK per year - in addition to get superior bandwidth. Furthermore, "our customer base was in the rental apartment buildings, so they were even more price sensitive, so it got a tremendous effect".

Mr. von Koch explains that what made this possible was the insight that the margin on the last ad-on service was about 85-90%, "voice over IP didn't cost anything". "People misunderstand it in general, they talk about revenue per service, but that is actually irrelevant if you have 85-90% margin on the service you deliver [...] thus it is revenue per customer we are supposed to maximize, and then if it is three services or one service; we always want to have three services

as it is harder for them [customers] to leave us [...] to just switch tele-operator, that doesn't probably require that much effort [...] this is a different logic than most have".

A substantial amount of households left their old operators in favor of Com Hem. Mr. von Koch notes that Telia with their monopoly position had nothing to put against Com Hem – “should they lower the fixed access, fixed price on the telephony on 100% on their customer base when we only threatened them on 25%? No, they will never do that”. Mr. von Koch also notes that this was what drove Telia to later launch IPTV and Triple-play via their copper/tele-net, and give away IPTV for free. It “became very tough for satellite and for Boxer” who only can broadcast one-way TV signals through space and the air, respectively. However, as Telia's net had lower bandwidth, Com Hem got the apartment building market while Telia had to target the house market. The move into digital-TV based on IP is also what has enabled Com Hem to deliver on-demand TV-services today.

9.3.2.2 *More channels*

Mr. von Koch further notes that one of the reasons why TV4 has so many channels today is due to that Com Hem digitalized their cable-net. A win-win situation occurred where Com Hem very cheaply could distribute many additional channels to one million households at a very low cost for TV4. “Then they made more money on advertising revenues” and with “a larger assortment [...] makes it even [...] less likely that they [customers] would use other operators”. Furthermore, one could only broadcast 20-25 channels with TV-towers (e.g. used by Boxer), and although “satellite can broadcast as many as they want”, TV5 for instance wasn't distributed “via enemies distribution-net” (i.e. MTG's satellite).

9.3.2.3 *Software switch*

When EQT/Com Hem planned to add telephony to the cable-net an established actor estimated that it was not really reasonable, it would at least cost Com Hem one billion SEK to buy the equipment, such as telephony switch etc. However, through the US contacts with Cable Vision, Com Hem came in contact with Siemens “and invested 500 000 SEK, not 500 000 000 SEK, in a soft switch and so suddenly we had telephony in our net. And that people didn't understand that it was so easy, but [...] we had seen it live in the US”. Using software, the soft switch dedicated a frequency in the cable for telephony, and Com Hem became the first company to offer voice of IP (IP-telephony) in Sweden notes Mr. von Koch.

9.3.2.4 *Wi-Fi cell phones*

In the next step the plan was to add a mobile service part to the offering, although it never happened, Mr. von Koch explains. The idea was to get Ericsson and Nokia to develop a cell phone that first search and connect to Wi-Fi, so that Com Hem's customers could call for "free" via their cable network, their Com Hem subscription. It would have driven a lot of new customers. However, Ericsson and Nokia said they couldn't do it as Telenor and Telia wouldn't accept it. And, two years later Mr. Steve Jobs made a cell phone that did that, Mr. von Koch notes. "We cannot just listen to our operators as customers; we need to think about what is happening with/at the end customer".

9.4 Summary of interview with case representative for Com Hem

Interviewee: Mr. Tomas Franzén, CEO, Com Hem AB
Date: Wednesday 4th of April 2012
Location: Head office of Com Hem AB, Stockholm
Duration: 1 hour
Language used: Swedish

9.4.1 Background of Mr. Franzén

Mr. Franzén has a degree in Master of Science in Industrial Engineering and Management from Linköping University in Sweden. As from 2008 he became the CEO of Com Hem and before that he worked within the telecommunication industry in various companies as CEO and President for Eniro. Additionally he was one of the board members when the venture capital company EQT was owner of Com Hem.

9.4.2 Com Hem and its business idea

According to Mr. Franzén the business idea of Com Hem (CH) is quite simple. CH targets the end customer and the apartment building owners (ABO) and offers them access to CH's products and services via their technological infrastructure – the cable net.

The legislation of *must carry* which compels all the ABO's to offer television access to their residents is the major problem which CH helps the ABO's to solve by providing access to the cable net. "...this was the reason why Com Hem, former Telia, built the business solution of cable TV". This foundation of the business solution started back in the 1980s but in the middle of the 1990s, with the introduction of digital-TV and with the technological development things took another direction. "...since the ABO's already solved their *must carry* responsibility it was up to the end user to decide whether to buy the digital TV-services". CH went from the business of offering 23 000 ABO's their services to today offering 1.75 million households their services where 23 000 are ABO's and 860 000 are individual customers.

With the technological development during the 1990s and changes in the owner structure, the new owner EQT focused on expanding the services via the cable net. From that development new opportunities emerged and CH started to offer its customers a Triple-play service (TV access, broadband and telecommunication).

9.4.2.1 Partners

In terms of partners, for CH to deliver their offerings, two categories are more important than others – content- and technology partners. The former refers to other actors that deliver content to CH to distribute to its customers i.e. Bonniergruppen with TV4, MTG with TV3 and SBS

with Kanal 5. In total CH delivers more than 140 TV-channels to their customers. The latter, technology partners, refers to the actors who provide CH with digital boxes as Motorola and network operators as Cisco and Ericsson. The technology partners are a very important source of product development since they create the prerequisites for CH's offerings.

Mr. Franzén points out that many competitors have the same partners and it is not considered a competitive advantage to have certain partners. It is rather "...how you put together wholeness of consumers and partners to a good working process ...and your ability to do so relates to your success on the market".

9.4.2.2 *Competitive advantage*

"Our strength is our market position that we have established with our business model" says Mr. Franzén.

9.4.2.3 *Business model development*

As for the development of CH's business model, Mr. Franzén says that the basics have not changed that much – they are still a distributor of content as they were from the start. And the additional services as broadband and telecommunication are merely an expansion of their opportunities in their cable net.

9.4.3 **The product development**

Mr. Franzén points out that one important aspect of looking at change in their business model is related to the development of technology. "This is a market that is constantly moving where boundaries float together [...] there are many business models that collide with each other". Mr. Franzén elaborates further and says that the core of the business model has not changed but the products however are under constant evaluation. To meet the technological competition in terms of Over The Top (OTT) where end users can i.e. watch television over the Internet CH needs to take two angles in consideration. First from the perspective of a broadband supplier and second from that of a TV-distributor. These two perspectives result in two different aspects of the product development – "How do the consumers behave and how can we with our platform meet the need of the consumer".

9.4.3.1 *On demand and time shifting*

Since 2009 CH offers services such as on-demand and time shifting within the home of the consumer, in other words the consumer can use the services via the digital box within the home. The next step of this is to offer consumers the abilities to use the services via any device i.e. computer or phone – making it "...in the home but also outside the home". The goal is to

make the experience for the consumer more “seamless” over all devices, conceptualized as “TV Everywhere”. Additionally to make the time shifting as the only product where the consumer chooses to either watch in a linear way or time shift as he/she pleases. This vision is a way to meet the new demands of the consumers within the frame that CH distribute today. It is of high importance to consider the current value chain that CH is within product development since it is always a balance between current and new customers and the value of both. Another aspect of the current value chain, in relation to product development, is the balance between the different content suppliers that are dependent on distributors and vice versa.

Mr. Franzén points out that the vision of “TV Everywhere” and a “seamless” experience is technologically feasible today. However, another aspect is the legal rights in terms of the right to distribute content. Some content suppliers have strict agreements where the distribution only concerns linear TV while others have a more generous way of handling legal issues. “Distribution on several infrastructures in different situations puts the content suppliers in a new situation with greater demands and this is something that is under constant development [...] but all the content suppliers have their own way of dealing with it”.

Some suppliers even distribute their own content via OTT and by that bypassing the distributors. But according to Mr. Franzén the loss of revenue associated with such process is low as the consumer-group using such services is quite small today. “...we have not been affected by it but there are a lot of discussions out there about it.” However Mr. Franzén also points out that it is very important to be receptive of technological changes and that “TV Everywhere” is part of offering services to the consumers to answer to the on-going demand of OTT distribution. In general it is important to create offerings, within the current business model, to upcoming and competing offerings before they grow strong.

9.4.3.2 *Where ideas for product development are born*

Besides looking at the consumer behavior and how new needs can be satisfied, Mr. Franzén says: “Many of the ideas are born in other markets [...] why reinvent the wheel...” Mr. Franzén does not consider Sweden to be a front runner in product development regarding cable TV distribution. However he sees other markets as USA and England as a source for inventing new products. Furthermore to distribute cable-TV may differ from market to market so it is important to evaluate new ideas from the perspective of CH’s business model. So it is not a matter of ‘copy and paste’.

9.4.3.3 *Legacy*

A constraint in business and product development is the legacy. Mr. Franzén describes the legacy of CH that they have many consumers and that they, as all customers in general, have a history with the product and therefore are used to certain behavior. This behavior must be taken in consideration when product developing. "...you are much freer and start from scratch [...] if you do not need to consider the history and therefore legacy" says Mr. Franzén.

9.4.4 **Certain aspects of the value chain**

As pointed out above Mr. Franzén believes that it is always a balance to consider among different actors within the current value chain. However, he also points out that all actors have some sort of basic asset in which they strive to defend and at the same time expand for further possibilities. Further on, this basic asset thinking is going on all over the value chain of television.

In general, according to Mr. Franzén, there is an over belief that technological possibilities such as OTT could replace the "...power in the current value chain..." of TV. For instance regarding the 'pure' OTT actors i.e. Headweb, Mr. Franzén does not consider such players to be a threat to the value chain since they do not have sufficient numbers of customers and that the pricing is not attractive enough. However, actors like MTG and their OTT solution Viaplay have more variables to work with since they belong to a big part of the value chain of TV and may therefore have a better outcome.

9.4.5 **The logic of creating new offerings**

Mr. Franzén says that CH has one very simple logic and that is that they want to fill their access to the cable net as much as possible. The reasoning behind this logic is the possibility to capitalize on something that is already up and running and therefore be able to offer other products for reasonable prices.

Along with this logic there is a driving force towards bundling – that is to offer consumers several services while at the same time to decrease the churn rate and therefore create stronger relationships with the consumers. Mr. Franzén sums up this reasoning with the statement "...understand your place in the value chain and how you can expand with it business wise and technological wise".

9.5 Summary of interview with case representative for TeliaSonera

Interviewee: Mr. Stefan Trampus, VP & Head of Broadband Services Sweden, TeliaSonera
Date: Thursday 8th of Mars 2012
Location: Stockholm School of Economics, Stockholm
Duration: 1 hour
Language used: Swedish

9.5.1 The Background of Mr. Trampus

Mr. Trampus has been working for TeliaSonera (TS) since the late 1990s in various positions in sales, business development and both with mobility and broadband services. Mr. Trampus is currently head of Broadband Services and has served in this position for the last 3 years.

9.5.2 TeliaSonera

TS's core business is in telecommunications and a distributor of information in terms of data, sound and image. According to Mr. Trampus TV is about distribution and a complement to the total experience of broadband and telecommunication. Compared with satellite, TS offers IPTV which in practicality means that the system can send and receive signals in the same cable. The communication aspect of the system creates opportunities to put together different systems which make the information "seamless" – that is the industry vision of content being consumed indifferent of platform or device.

9.5.3 Aspects of a business model

According to Mr. Trampus a business model should always be based on "...something that the customer wants..." "The premise must be the customer [...] if you don't have a customer that wants to buy the product or service your business model is useless". Another important aspect is the possibilities for all actors involved, in the value chain, to create profitability. Along with these ingredients the processes of what and how the offering should look like and be packaged are also important.

9.5.4 The offering

The TV offering of TS consists of different channel packages that are distributed via their IP-network. As a customer you can choose different packages of pay-TV in combination with a free package. Along with the linear offering TS has an on-demand service where the customers can choose among approximately 3 000 movie titles. The on-demand service is a "transaction video on-demand" (TVOD) which means that each film accessed is rented individually. Last year, 2011, TS 'sold' 2.2 million films via TVOD. Additionally TS offers a "catch-up" service which gives the customers access to a library of recorded TV-programs. Further on, in 2010 TS

was the first TV-distributor in the world that offered Spotify (music service) via the digital box. TS also offers their current customers a web service in collaboration with the channel Canal+ where the customer can watch the content of Canal+.

Another thing that has attracted customers is the possibility to use the mobile phone as a remote control. For instance if a customer is away from home he/she can start a recording of a TV-program via the digital box at home.

9.5.5 Business development

The development of IPTV emerged from an entity within Telia called “Telia Research” in the late 1990s. This period Mr. Trampus refers to be the “...research era of Telia [...] it was a real hype in the world at that time, everybody wanted to earn money on digital portals and so on...” By this time Telia sent live sports via the broadband, it was a trial and error period. By this time TS owned the cable operator company today called Com Hem. The development of IPTV was a complement to the linear TV distributed via Com Hem.

As Telia became TS in the beginning of 2000s by the merger with the Finnish telecom actor Sonera they had to sell Com Hem.

“All companies are in the search for the opportunities to increase revenues and to broaden its offerings in correlation with the needs/wants of their customers. TV services were something that we saw as an opportunity and within that we saw a possibility to do something else other than traditional and linear television. The opportunity laid in what we could do with our technical net infrastructure”.

Mr. Trampus says that the premises for development was and still are driven by technology and market opportunities grounded in the needs/wants of the customer or possibilities made by other partners.

TS developed the IPTV platform internally and the offering of IPTV was introduced in 2005. It grew strong in 2007 parallel with the digitalization of TV-broadcasts. During 2007 TS saw an opportunity to gain market shares. The viewers had to, by that time, buy digital boxes to see digital TV. TS took the strategic choice of giving away boxes for free and by that they earned market shares.

In general, according to Mr. Trampus, a technological advantage is something that does not last forever “...you can have a head start with a certain technology but sooner or later the development of other technologies will catch up – you constantly need to develop and reinvent, and reinvent. Telia’s ambition is to always be ahead with new functionality and new services”.

Contrasting the research era, nowadays TS depends on their partners to develop offerings and technology together with TS. Since the industry and business climate has changed over the years it requires more collaborations than before. For instance the partners do not offer suitable turnkey solutions but rather components into a bigger business system.

9.5.6 The issues of content

Mr. Trampus says that buying and distributing content is a complex system with many limitations. First the legal rights to show content vary depending on the supplier, the nonexistence of a complete logic makes business development of services complicated. Second, due to the legislation of TV distribution TS pays copyright fees when distributing Sveriges Television (SVT) without possibility to know what they are paying for. "...we haven't got a clue how the costs for the content rights are constituted and they can't tell us either". "The public is paying a license fee to Radiotjänst to see SVT programs and we have to send the SVT programs for these customers. So we are forced to pay the copyright costs for SVT. Along with this, satellite distributors don't have to pay the copyright costs for SVT so we also in fact have a discriminating legislation". To deal with these issues TS together with other actors drives the questions of copyright issues in media and by lobbyism.

9.5.7 The capacity of the net and double sided business models

According to Mr. Trampus the OTT solutions, that are distributing TV via the public net, that many of the channels and distributors are offering can in the future create problems. For instance cable/telecom operators distribute their content via cable and partially in the same cables as OTT is distributed. Some cables are divided among many some are not. The cable/telecom operators either rent or own their own cables. If the OTT distribution will increase it will in the end not fit in the cables, this will create a demand of more cable capacity. Due to that TS is a infrastructural owner of cables an overload of capacity will drive them to develop a double sided business model – where they keep the fee for the consumer to access but will also charge the OTT content distributor as well. "...as today it is still possible to distribute the OTT but Internet and the capacity is not endless [...] someone needs to pay for the traffic cost".

9.6 Summary of interview with case representative for Boxer TV-Access AB

Interviewee: Mr. Per Norman, former CEO, Boxer TV-Access AB
Date: Monday 12th of Mars 2012
Location: Stockholm School of Economics, Stockholm
Duration: 1 hour
Language used: Swedish

9.6.1 Background of Mr. Norman

Mr. Norman has two degrees, Master of Science in Engineering and Master of Business Administration. The former taken at the Royal Institute of Technology, KTH, and the latter at Uppsala University. He started his working experience as a consultant in the beginning of the 1990s and worked later at MTG as a CTO. As from 2005 he became the CEO of SES Sirius, a satellite operating company. Between 2008 and 2010 Mr. Norman was CEO at Boxer TV-Access AB (Boxer). As for today Mr. Norman is an independent consultant within the media and telecommunication industry.

9.6.2 The business idea of Boxer

During the digitalization of Swedish television terrestrial distribution a gap emerged between those with access to TV-services via a commercial player (satellite, cable) and those who had access via regular antenna. Boxer targeted those with access via regular antenna since those, as a result of the digitalization, were in need of a device to access the terrestrial net. The strategy was to offer a price-worthy and simple product with a market positioning as a “..lagom...” (Eng: moderate/good enough) operator. By that time Boxer was the only operator that had all of the big channels – SVT1+2, TV3, TV4, Kanal 5 – called ‘The Big Five’. Most of the revenues during Mr. Norman’s time came from subscription fees.

“Boxer had a business idea that was built from the perspective to develop new products and services that was driven from a consumer’s perspective”.

9.6.3 Competitors

In terms of competitors Mr. Norman points out that satellite operators as Viasat and Canal Digital were the primary competitors from the start of Boxer. The main advantage of those competitors is the capacity of bandwidth that they can offer to its customers. At the time when Mr. Norman was CEO for Boxer this advantage of capacity drove Boxer to develop the system of terrestrial broadcasting to be able to send HDTV which was limited at first.

9.6.4 **The development of product and services**

When Mr. Norman started as CEO at Boxer they only provided their customers linear TV by terrestrial broadcasting. During his time at Boxer a strategic plan including two lines of strategic issues was formed. First Mr. Norman had a vision of expanding the concept of Boxer to other countries mainly because Boxer and Sweden were early within the development of the digitalization of television. By copying the concept and implementing it in other geographical markets, mainly the Nordic market, Boxer would be able to use the advantages of economies of scale in terms of buying content, system and development of new products.

The second strategic issue concerned to expand the product line. Mr. Norman says that "...the viewer does not care how the signal is received...and if you should sell a TV-experience you need to be independent of the way you distribute". This was the initial reason why Boxer introduced IPTV and by that they took an offensive way of learning more about IPTV and a defensive approach not to lose customers if customers would leave Boxer for other offerings. The IPTV was later on after Mr. Normans time as CEO, cancelled.

A second approach to the expansion of the product line was to create a Triple-play product – TV, Broadband and Telecommunication. This approach was a defensive action since TeliaSonera had entered the TV-market again and aggressively launched an offering in which they basically gave away the TV-subscription. When TeliaSonera had launched their offering it affected the number of subscribers at Boxer.

The third action concerning the expansion of the product line was to start the development of OTT. According to Mr. Norman this was more of an offensive strategy seeking to capture new behaviors of the viewer that are believed to occur combined with how other actors developed their products. These behaviors of the consumers were predicted due to the debate of piracy of film online and trend spotting relating to audio visual downloading and the trends in the music industry.

Generally regarding the development of on-demand services, offered via IPTV and OTT Mr. Norman says "I believe, both in the good and bad, that the suppliers of technology play a big part in the development by saying 'now this is possible' and show 'look, this is what we can do'".

9.6.4.1 ***Building offerings***

During Mr. Normans time at Boxer the organization of product development was divided in different incubators according to the innovation theory of Green field incubation – in which

different teams work with different projects. This reason for such organization was to exclude the innovation from the core business in order for the incubators to work freely without the limitation of the core business and vice versa. When a product offering was developed as for instance the IPTV product "...the project manager buys components in terms of content or technology in need to put together..." the proposed product or service.

A problem with product development according to Mr. Norman is "...the legacy problem – that you have current customers which result in a difficulty to exchange a current solution with a new one". In other words to switch or introduce new products is restricted by the compatibility with current customers soft- and hardware.

9.6.5 About change in the TV-industry

Mr. Norman points out that there is an over belief in the industry that the consumer will trade or change its behavior of consumption for something else than what the market offers right now. "It seems to be dynamic when sitting in a strategy conference or when visionary's goes out in public newspapers and say that the TV is dead...it takes a bit longer time than one could believe". However as Mr. Norman sees it there are four things that could affect how the industry will change over the next 5 years. First it depends on the expansion of the broadband. Second how the technology actors as Google/Apple/Samsung will behave. Third how the studios of Hollywood behave in the future whether the forward integrate or not. In addition to the above. Mr. Norman points out that changes in the consumer behavior will affect the future of television. The technology enables the consumers to change the behavior.

9.7 Summary of interview with case representative for Boxer TV-Access AB

Interviewee: Ms. Andrea Gisle Joosen, CEO, Boxer TV-Access AB
Date: Tuesday 22nd of Mars 2012
Location: Boxer TV-Access AB, headoffice, Stockholm
Duration: 1 hour
Language used: Swedish

9.7.1 Background of Ms. Gisle Joosen

Ms. Gisle Joosen graduated 1989 from Copenhagen Business School with a Master of Science in Business and Marketing. Ms. Gisle Joosen has had several positions as managing director and before joining Boxer as CEO she worked at Panasonic as Nordic CEO.

Boxer is a fully owned company by Teracom Group (TCG), Ms. Gisle Joosen is CEO of Boxer Sweden which is one of three Nordic companies in the same business area owned by TCG.

9.7.2 Boxers business model

From a value chain perspective, Boxer is a distributor of TV. The parent company of Boxer, TCG, owns the technological infrastructure while Boxer buys and packages the content from broadcasters (Swedish: programbolag) such as TV4, and thereafter they sell it to subscribers (viewers). According to Ms. Gisle Joosen the business model of Boxer “...is to fully use our possibilities as a business group [...] to maximize our assets [...] and to use the terrestrial net for content that the consumers want to watch and to pay for”. In terms of assets Ms. Gisle Joosen points out that it refers to the subscribers and the terrestrial net that the business group owns.

In terms of future development Ms. Gisle Joosen emphasizes the importance of the core business of linear TV in the terrestrial net – all development has a foothold in the core.

9.7.2.1 *Difference to the competitors*

Ms. Gisle Joosen says that the strength with Boxers business model consists mainly of two things – coverage and simplicity. The former refers to that Boxer’s signals via the terrestrial net cover over 99% of Sweden’s population. The latter refers to the simplicity of consumers to access the net for instance via the television set (of European standard) and a simple table antenna. The simplicity of their offerings is also something that distinguishes Boxer from other competitors.

9.7.2.2 *Packaging the offering*

Linear TV can be packaged in different sizes and supply a targeted demand for the consumer. Ms. Gisle Joosen says that the strategy with packaged offerings is to keep paying customers as

long as possible. Furthermore, the strategy is also to upgrade those offerings over time in terms of total value so that the consumer will add more services.

The development of the offerings is based on consumer behavior in parallel with the possibilities of new technology. According to Ms. Gisle Joosen consumers expect new offerings driven by what is technological feasible. The information/inspiration that drives development of offerings either comes indirectly from consumers in terms of behavior or from what other competitors are doing. "...our core product is linear TV and that is what we should focus on [...] which needs to be taken in consideration..." in the development of offerings "...and to keep the relevance on the market for the consumer..." says Ms. Gisle Joosen.

Another aspect in developing new offerings is the negotiation with channels. Since many of the channels have other, for instance sister channels, Boxer finds themselves in the situation of buying channels in packages. That is one limitation in the development of different offerings. But as Ms. Gisle Joosen points out "It is a give and take discussion where you try and put together something that both parties can live with". Ms. Gisle Joosen says that she has sympathy for that the channels need to consider their advertising sales platform but that she needs to take the consumers perspective and that may or may not be in consensus.

Before Christmas 2011 Boxer released a Video On Demand (VOD) offering. This offering is distributed via OTT which in practicality means that the digital box is connected via Internet to Boxer's service. The problem of developing such offerings concerns the issues regarding the legal rights to do so. According to Ms. Gisle Joosen, a problem is that the content aggregators, such as TV channels, do not always own the right to distribute the programs via other media other than traditional TV. This is an issue which is under constant development and no standard is set.

9.7.3 New actors in the Industry

Ms. Gisle Joosen says that actors such as Samsung with their SmartTV are penetrating the market of TV-distribution. The penetration consists of applications that are offered in the interface of the actual television set. For instance SF Anytime (online film service) has an application (app) in all Samsung SmartTV's where the viewer can access, via Internet, the services of SF Anytime. The revenues of each download are divided between SF Anytime and Samsung.

9.8 Summary of interview with case representative for Canal Digital

Interviewee: Mr. Mats Almgren , CEO, Canal Digital
Date: Friday 23 of Mars 2012
Location: Canal Digital office, Stockholm
Duration: 1 hour
Language used: Swedish

9.8.1 Background of Mr. Almgren

Mr. Almgren has an extensive career in the telecommunication industry with various positions in marketing and sales at director level. Before joining Canal Digital (CD) 2008, Mr. Almgren worked as CEO at the Japanese hardware company NEC. He is the current CEO of CD in both Sweden and Finland.

9.8.2 The business idea of Canal Digital

CD is a pure television distributor – a TV-operator. They mainly offer their services to premium segment of detached houses/villas (Swedish: Villa). CD buys the content of channels and packages the channels into an offering to their target group. The business idea according to Mr. Almgren is “...to offer the customer the best TV experience towards our target group which mainly consists of villas [...] we package the channels we think our customers want and offer that via a box with simple installation and in general a smooth way...”.

In terms of building blocks the main ingredients for the offering, according to Mr. Almgren, are “...the raw material – content, that is channels...”. To receive the signal the customer needs a parabolic antenna and a receiving box. To be able to send the signal CD owns their own satellites that bounce the signal before the signal reaches the customer. To be able to bounce the signal CD has a sending platform on earth, in Norway.

Compared to competitors CD is in the premium segment and does not bundle services as Triple-play as many other TV-distributors.

9.8.2.1 *Buying content*

In terms of buying content CD has during the last couple of years gone from a decentralized to a more centralized buying process within Telenor. The international content has always been bought centralized by the so called “content group” within Telenor. The local content from for instance TV4, SBS and MTG used to be bought by the separate entities of Telenor Broadcast (part of parent company Telenor) but as of today the content group also covers that process. The main reason for a centralized buying process is to gain bargaining power.

9.8.3 **Parent company**

CD is owned by Telenor. Within Telenor the business of television broadcast, “Telenor Broadcast”, is divided into four entities whereas CD is one of those four entities. In each Nordic region CD has a separate entity, the CEO’s for each entities have a joint management team “Canal Digital Management Team”. However the entities are seen as separate businesses with separated markets.

9.8.3.1 ***Focus strategy***

Last year, 2011, CD sold their cable operations to Com Hem. Due to restrictions by Swedish competition law the ‘Swedish Competition Authority’ did not approve the business deal. CD and the parent company Telenor decided therefore to keep the cable operations but as a part of Telenor Sweden and not as part of CD. The decision to exclude the cable operations from CD is a strategic decision based on CD focusing on air transmissions and not on wire transmissions. According to Mr. Almgren the strategy is to isolate certain areas of distribution to certain entities in order to be able to focus on market penetration.

9.8.4 **Customers and sales**

In the Nordic area CD has approximately 3 million customers. The customers are both B2C and B2B. The B2B business consists of two parts, selling to retailers that sell the product to consumers and selling to i.e. restaurants and events that are showing TV. The B2B segment of companies showing TV to their customers answers to approximately 15% of the sales whereas the rest is consumer based. The actual selling is mainly outsourced to other companies i.e. telemarketing firms.

When a new customer signs up for an offering CD is dependent on several administration activities such as registration and invoice services. Additionally this has to coordinate with the installation of parabolic antennas and so on. According to Mr. Almgren the technological and administrative systems are of high importance and to increase the efficiency of those is a continuous process.

9.8.5 **Aspects of the offering**

One highly important aspect in the construction of the offering is the content in terms of channels. The channels have one key ingredient, sports, that is crucial for attracting customers. “...live sports is something that is incredible important in this market”. In 2010 CD lost a deal with Canal+ (channel) to its competitor Viasat which resulted in an increased churn rate for CD.

Satellite broadcast is basically a one-way communication. However CD offers its customers subscription VOD, transaction VOD and Pay-Per View. The latter is distributed via satellite and the VOD services are distributed via OTT either via computer or via the digital box. The OTT-service is called “Canal Digital Go” and was developed due to other competitors successfulness of attracting consumers with this type of service. These are “...necessary from a consumer perspective...” according to Mr. Almgren. The service is only available for customers to CD and much content via OTT is included in the price of satellite subscriptions.

The “Canal Digital Go” according to Mr. Almgren will have a central role in the future. Mr. Almgren believes that the traditional TV is in a process of change since the next generation of users will be more flexible in the way they consume TV. Mr. Almgren thinks that the industry will generate more solutions as Viaplay (an online TV service). In that context “Canal Digital Go” is central. However, the core business of satellite will still be the base for the business model. Mr. Almgren says that the new platforms will steal consumption of TV but the consumption in different platforms will be depending on type of content and for instance age group. Traditional TV will always be an option.

9.8.6 Card sharing and right issues

A problem in TV-distribution is piracy. There are two main aspects of piracy for CD’s business. First, the content owners want to increase the barriers of copying the content distributed via TV-distributors. For CD’s business this means that certain copy protection should be applied to the digital box and their OTT-service. Second, CD has the problem of ‘card sharing’ which means that criminals hack into the system with fake subscriptions.

To deal with the card sharing problem, CD and other actors in the TV-industry, have a joint force called STOP (Nordic Content Protection). This is a non-profit organization that works legally to prevent piracy of TV by lobbyism and mapping out criminal activities. There are a couple of hundred thousand of total 4 million households watching TV illegally.

9.8.7 Business development

CD works actively with business development, not at a local level but at the parent company level. As a tool they have a strategic plan that they develop by a combination of market surveys and thoughts of future developments in consumer behavior. Another activity, in terms of business development, is to look at other markets and how they develop – for instance CD has been in USA and Germany for study trips at collaborating partners in exchange for business knowledge.

9.9 Summary of interview with case representative for Kanal 5

Interviewee: Mr. Jonas Sjögren , CEO, SBS Media Group Sweden
Date: Thursday 22th of Mars 2012
Location: Head office of SBS TV, Stockholm
Duration: 1 hour
Language used: Swedish

9.9.1 Background of Mr. Sjögren

Mr. Sjögren joined Kanal 5 in 1999 as a trainee, after graduating from Stockholm School of Economics, and advanced quickly to become the Director of Sales. By 2005 he became Vice President followed by becoming CEO for Kanal 5 in 2006. Since 2010 Mr. Sjögren is the CEO of SBS Media Group Sweden (TV, Radio, Online).

9.9.2 The business idea of Kanal 5

The business idea of Kanal 5 can simply be explained as “To attract as many viewers as possible to be able to sell as much advertising as possible”. Kanal 5 has a market position as “Entertainer” and focuses on uncomplicated TV for the target group that is between 15 and 44 years old.

The market position is something that has been developed by the years and by 2000 Kanal 5 realized that they would not be able to be as big as TV4. Additionally they found, a market space, a group of viewers of “...a bit modern and younger audience” to offer TV.

Mr. Sjögren points out that the differentiation between the channels and their programming was easier to detect looking back 10 years ago.

9.9.3 Value chain considerations

From a traditional value chain perspective Mr. Sjögren considers Kanal 5 to be an aggregator of TV. They either choose or develop ideas for TV-programming that external production companies supply to Kanal 5. The aggregation, to put together TV-programs, is delivered to the distributors as Boxer, Com Hem etc. “As for two three years ago we also work as a distributor with our online services [...] that is the first and initial direct contact we ever had with viewers”.

“During the last two years all of the actors asked themselves ‘what is our role in this value chain?’[...] so for the time being there is a little bit of drifting in terms of roles”. Mr. Sjögren says that if Kanal 5 would release all of its TV-programming online for free there would be no purpose for i.e. Boxer to buy the services as aggregation from Kanal 5 – “...that is not what we want to happen”. However according to Mr. Sjögren the distributors have to accept that there is

a direct alternative for the viewer to consume content via Kanal 5's online services – this mainly because it is in line with how the viewer's use the web today. "I think we should be the channel that aggregates content and market it to the Swedish audience...there will always be a need for someone to package the content".

As a strategic decision SBS started their own production company, Snowman. That company is separated from Kanal 5 and works independently. However, the strategic issue of starting it relates to the possibilities to produce own programs if pricing gets too high on the market and to secure and develop own ideas into TV-formats [red: a way to own ideas of television programs].

9.9.4 The business model of Kanal 5

Kanal 5's business model is according to Mr. Sjögren two revenue streams. First, the 'ad revenues' where the traditional TV generates approximately 95% and 5% come from the online business of television. Second, the revenue streams come from the relationship between Kanal 5 and the distributors in which answers to approximately 20-30% of the total revenues originates. Mr. Sjögren explains that Kanal 5 took a past decision to not be a 'free channel' to be able to generate profit "...I do not think you can survive in the Swedish TV market on just ad revenues [...]then you have to be large as TV4".

9.9.5 The online business of Kanal 5

From the start Kanal 5 considered online TV-services as a business area to generate profits, not just a promotion activity for the traditional TV. In the beginning the problem was that the cost of distribution online per viewer exceeded the cost of traditional television. Additionally the revenue per viewer was lower than traditional television due to the amount of time of ads Kanal 5 was able to put in each program. Altogether the online case of Kanal 5 was a business that generated a minus in the income statement.

However according to Mr. Sjögren, Kanal 5 turned this around into a profit making business during the last couple of years. The success of turning a loss into profit due to four main factors: (1) "The main reason was the view of it [...] this is not just a fun thing but we need to make money out of it". Mr. Sjögren points out that this general view was a basic view of how the staff of Kanal 5 worked with it and that the staff had concrete responsibilities to generate profits. (2) Another highly important issue was to lower the cost of online distribution by renegotiating the contracts of distribution. (3) The consumer behavior of consuming audiovisual content increased and therefore Kanal 5's webpage got more hits, resulting in a

possibility to penetrate the ad market with an offer. (4) And finally the possibilities of expanding the traditional ad sales of TV-spots in combination with a more receivable market of ad buyers.

The main traffic generator for Kanal 5's webpage comes by means of traditional TV programs, however within the viewers of online content Kanal 5 has recognized a younger audience than their target group for traditional TV. Therefore they have some exclusive web content targeted to the younger audience but as for today that represent a very small part relative the traditional TV, says Mr. Sjögren.

9.9.6 Changes in the relationship and offering to the advertiser

The relationship with the advertiser is generally handled via media agencies (Swedish mediabyråer), however since the online distribution via Kanal 5's webpage started this relationship has expanded. TV ads are generally negotiated in terms of volume and price but the webpage has open up for more conceptual offerings that have resulted in an organizational restructuring. This reconstruction has mainly been about connecting the creative department of Kanal 5 with the sales department which has given a better ability for Kanal 5 to deliver more conceptual offerings to the advertiser. The conceptual offering consists of a combination between ads in the TV and on Kanal 5's webpage.

The conceptual offerings are not only negotiated via media agencies but also via ad agencies and directly via the advertiser. Due to the validity of measure impact of traditional TV advertising and not conceptual offerings Mr. Sjögren says "...it might be a company that wants to try out new and creative things, they tend to be less risk averse [...] so when you cannot prove everything in detail it takes courage from us and the advertiser".

"To be able to make more money in the future we cannot only rely on the classical 30-second spot [...] it will become more important with other creative solutions with the advertiser".

9.9.7 Changes in the relationship with the distributor

Mr. Sjögren says that for 2-3 years ago the negotiation with the distributor was less complex then today. The complexity lies in the different parameters that is a result of that the distributor wants to secure its subscribers by offer them as many variants of TV distribution as possible. Looking back a couple of years the deal was basically that SBS offered the distributor their linear channels for a price which was negotiated and agreed upon. Nowadays distributors have certain demands on the content since they want to develop their on-demand services for the viewers. The negotiation can concern for instance that the viewer should be able to pause or

start over the program and whether the advertisement can be excluded by the viewer. From Kanal 5's perspective the negotiations and the outcomes are important concerning two issues. First from a strategic brand perspective since on-demand functions can exclude the communication of where the actual program comes from. Second, Kanal 5 perspective concerns strategic issues of how pricing is done by the distributor – for instance to offer the viewer more for less money can lead to less value for both the channel and the distributor.

9.9.8 Changes in the relationship with content owners

Regarding the Swedish and Nordic production companies the negotiations over content rights have changed during the last decade. During the IT-bubble around year 2000 some of the production companies had an overrated view of the value regarding online rights. However, Mr. Sjögren points out that nowadays the production companies have a more pragmatic view of online rights and its value.

As for international rights, the international studios are more restrictive and their pricing is in general impossible to match with revenue streams and is therefore a bad deal for Kanal 5. The international right owners have also very strict rules of how the content can be distributed online, if even possible. This makes the negotiation very cumbersome. Mr. Sjögren believes that the reason for such a strict view is related to that the international right owners have not decided or do not know how to relate to the issues of online distribution. Further on, Mr. Sjögren does not acknowledge the difference in distributing content via for instance cable TV and Internet – it is merely different technologies and the underlying debate of online piracy is uncalled for due to the technological indifference between cable and Internet.

Another issue regarding content rights, as Mr. Sjögren sees it, is that the distributors want to, in some cases, be able to distribute all content of Kanal 5. In that case the international rights become an issue due to the strict deal of distribution rights and the pricing of those. Mr. Sjögren says that “It is not just about the money when it comes to the studios in Hollywood, I believe it is a strategic decision implicating that they could bypass us or distribute via new actors as Google...” “Taking it to an extreme - will all prime time television in the future be only Swedish productions?” However Mr. Sjögren is no stranger to evaluate an offering if actors such as Google ask Kanal 5 to distribute them as a TV channel like any distributor.

According to Mr. Sjögren channels with much international sports in their program-schedule are more vulnerable to international players such as Google since such programming pulls the audience to watch, and less marketing is needed.

9.9.9 **Business group and ownership**

Since Kanal 5 is a part of SBS, which also owns radio stations, they sometimes offer solutions that cover TV, radio and web. Kanal 5 is divided into 19 regions and has a turnover of 1.2 billion SEK and about 150 employees.

SBS has been owned by venture capitalists for the past 7 to 8 years. To generate profits is something “...that is strongly established in our organization and everybody knows that we are in the business to generate growth...it has always been a central assumption”.

9.10 Summary of interview with case representative for TV4

Interviewee:	Representative of TV4
Date:	9th of March 2012
Location:	Head office of TV4
Duration:	1 hour
Language used:	Swedish

9.10.1 The business idea and business model of TV4

The first part of TV4's business idea is to, through attracting large groups of viewers, sell advertising. The second part is to sell pay-TV channels through TV distributor subscriptions. As of some years ago TV4 also has a new digital business, TV4 Play (VOD), with both an advertising based version and an ad-free, subscription based version. "It's a new and exciting, technologically driven combination of the two business models; ad-TV and pay-TV" states the TV4 representative. With this new digital business TV4 is developing direct relations with its viewers (in contrast to distributing the TV-channels via distributors).

9.10.2 Important developments and new viewing habits

Before 2003, TV4 consisted of mainly one business, one channel: TV4. Since then TV4 has grown to 42 channels (ad-TV, mini-pay-TV and premium-pay-TV). According to the TV4 representative, it has been a relatively successful strategy to "take care of the more niched, diversified, viewer needs" themselves. In 2011 the TV4-Gruppen had the highest share of viewing-time ever; however the TV4 representative notes that there is a big difference in revenue per viewer in TV4 and in their other niche channels. Similarly, today viewers demand that they can consume TV4's shows in other ways than through classical linear TV. One can see it on other actors in the business and, primarily, on more early/developed markets in the US and Europe.

According to the TV4 representative TV4 has, alike many other media companies, had a quite groping and ambivalent digital strategy. However, as of half a year ago TV4 has focused and redefined their digital efforts to moving pictures; that is, TV4 does TV programs. Two years ago TV4 had about 15-20 different websites, as different business projects. Today, more or less all of them are gone. TV4 wants to be "TV-programs on the Internet". As such the TV4 representative states that TV4 Play is another way to consume TV "where you can experience and enjoy TV4-products that you might have got to know linearly but missed when it was broadcasted, or that you want to see again at another time". In addition, TV4.se serves both as a promotional tool for TV4, and as a tool to drive consumption of TV4 Play. It also acts as a

place for more in-depth consumption of additional content, and as a tool for extending the linear and digital TV-offerings – for instance, via “second screen” (see interview with Ms. Cecilia Beck-Friis). In the future it is also expected that the advertising showed on TV4 Play will be more tailored to the viewers.

9.10.3 Digital extensions of the linear TV business

“It is a lot about our program/content brands” according to the TV4 representative, who explains that you get to know Solsidan a Sunday evening at 20:00, but then you want to see it again, and you can even buy it digitally in different ways. Another example given by the TV4 representative is that TV4, in order to increase the interest for the show Kontoret, released and spread additional “webisodes” in social media. In this way TV4 extends the linear TV experience digitally – sometimes with unique content online. Another example of an extension is the 24h subscription for BigBrother, where you can follow the show in real-time.

9.10.4 Cannibalization

Both when TV4 started launching additional niche-channels and when they started their OTT/VOD business, TV4 Play, issues were raised concerning the risk of cannibalization. “You even put trailers in ‘the big four’ [the main channel TV4] and encourage people to leave ‘the big four’ to watch channels where you get paid considerably less for ads?!” some complained. However, experience has shown TV4 that it works and that the cannibalization effects are less than one would think. The TV4 representative refers to the logic behind this development (primarily the addition of new channels) as the add-on-theory; the different parts do not cancel out each other – but add to each other. This development was also due to defensive thinking; “If we don’t do this, somebody else will – and then the viewers definitely will be gone from our system” the TV4 representative notes.

9.10.5 Unexpected benefits from TV4’s heritage

Compared to its competitors TV4 can sell its advertising space at a price premium due to the fact that advertisers perceive their advertising to be shown in a more favorable “editorial context”. The TV4 representative explains; TV4’s editorial idea is a “central part of TV4’s business idea” – breadth, quality and diversity – which is close to that of the public service broadcaster Sveriges Television (SVT). However, this today beneficial composition of TV4’s business model is actually a heritage that has been kept from the now expired concession based “quality requirements” that the government imposed on TV4 to allow the start of its operations

in the early 1990s; including, local-TV broadcasts, news coverage, culture and children's programs etc.

Furthermore, the heritage of having been forced to incorporate local broadcasting of news have today developed in to a fast growing business for local advertising, where TV4 on any national program can break down the advertising on its 30 local broadcasting stations. As such, local companies can pay for local advertising even during the biggest national TV shows. Due to better targeting, TV4 can charge a price premium for this. In addition, the TV4 representative notes that this has become a good way to "recruit" new customers, and this has started to take significant market shares from the "newspaper monopoly" on the market for local advertising. While the TV advertising business traditionally has been mediated via media agencies as buyers, TV4 now gets a growing number of direct customer relationships on a local level.

9.10.6 Technology related developments

For TV4, the strategic priorities during the next three years will be to nurture the core business (ad-TV and pay-TV) and to become the market leader for moving pictures ("TV") on all new device platforms (smartphones, tablets etc.); these should "coexist side by side and be integrated seamlessly" according to the TV4 representative. As such, TV4 will offer linear TV also digitally, so you can consume it on all devices. An important aspect is mobility. The TV4 representative further emphasizes the importance of technological development, and states that new technology gives new opportunities; however, an insight within media is that, as history has shown, a new media technology rarely replaces an old; rather, it adds on, with new possibilities. That is, one can express it as TV4 is not trying to replace the old with the new, but adapt "TV" in accordance with the new possibilities. The TV4 representative states that "... it is connected to the linear power and the enormous reach and not least the fact that you can share the experience and hear about it from others, what we call "the campfire", you sit together with others and see an Idol-final, you can't beat that".

Furthermore, according to the TV4 representative, a problem today is that there is no standardized "TV-currency" for the digital viewing of TV (such as TV4 Play, clips etc.). The TV4 representative further states that with TV4's digital business, where you now to some extent can buy programs "à la carte" – "there is a possibility that we have taken what could almost be described as a retail step, thanks to the technology", although pay-TV and ad-TV are still the main business.

The TV4 representative notes that it is with technology everything starts, and then follows viewers and user behavior – “and then we who are going to work with what is going to be transmitted in these machines have to adapt”.

9.10.7 Other revenue related developments

In addition to normal advertising, a more recent source of revenue is product placement in TV4’s programs that now is allowed to some extent. According to the TV4 representative, “there are collaborations between our editorial colleagues, program department and our commercial colleagues. It has [previously] been sensitive and complicated, but works well today. [...] However, there are some ‘islands’ that we never, in any event, want to involve in this, such as the news operations”.

Related to this is that, due to the fact that TV4 is broadcasted from Sweden, while its competitors TV3 and Kanal 5 are broadcasted from the UK, TV4 is limited by stricter rules. An example is that TV4 was forced to stop showing the imported US program Oprah Winfrey because it included too much product placement, while TV3 was allowed to show it, as they follow UK law. The TV4 representative states that in general one could say that all rules should harmonize towards EU regulations, so that all actors need to follow the same rules. However, at the moment this is not the case, and TV4 is actively working for this to happen. TV4’s communication department includes a public affairs function, where they proactively try to have a dialog with politicians and decision makers both in Sweden and in Brussels. In a similar manner, as the government is reviewing Swedish Public Service and SVT, they have expressed objections towards its increasing commercialization, which have put pressure on TV4’s business.

9.10.8 A new competitive landscape

Regarding the developments of the Internet with new consumption possibilities and patterns emerging and with new actors offering content (legal, as well as illegal) TV4 has been forced to review both content and distribution issues. For instance, TV4 has moved more towards local, Swedish, and sometimes self-produced, programs. This content is not really possible to “steal” from other Internet resources, as is it done with e.g. American movies or TV series. Furthermore, the TV4 representative also notes that another benefit with local productions is that “these are the programs that work best – which also is illustrated by that we have fewer international productions on prime time today than we had before”. Today TV4 has one American purchase in the TV4 channel on prime time, while they had maybe 10 such purchases five years ago. Similarly, TV4’s (local) sports rights is a key asset in generating

large viewership's and is also "impossible" to steal. Another benefit with local and self-produced content is that the legal rights issue becomes easier. TV4 can more easily decide what to do with the content, in contrast to e.g. foreign TV series and movies where they often are more restricted in what they can do with the content. The drawback with local content and sports rights is, however, that program costs increase as local productions are more expensive as such, and that competition also increases the prices, as "the whole international broadcasting industry is moving towards local content". The TV4 representative further notes that the increase in the cost for content is not helped by the fact that "the Nordics is today most likely the world's most competitive TV-market". There are a bit too many actors in the market, with SVT as an extremely aggressive actor that is driving viewer development.

Further, with TV4 Play as TV4's own OTT distribution channel (with direct contact with viewers and control over how content is packaged and used) TV4 realizes that TV4 has started to more or less compete with their distribution partners such as Com Hem and Boxer etc.; but to some extent also carried out this development in cooperation with them (TV4 Play is in some offerings available via the distribution partners TV-boxes).

Regarding the potential threat of Google or Apple deciding to really launch a TV offering with Sweden as a test market case, and go in with full force the TV4 representative concludes that it could become a nightmare – especially with Google as "they have as much money that they would be able to buy, that is, concrete cash, able to buy all Hollywood studios". Then TV4 would have to make its offering even more local, the TV4 representative notes. However, "If we do our job I believe our brand, our programs and our products – what is TV4 related, e.g. Solsidan that is strongly associated with us – can still be consumed via TV4 in an Apple TV world, or a Google TV world. [...] we see indications of it. You rather see a TV4 icon on your Smart TV than something else. But, if we don't do our job, this enormous brand asset might be gone in a few years and it is without doubt our biggest asset", the TV4 representative explains. Internally, the importance for TV4 to have the inherent drive to reinvent themselves over and over again is often emphasized.

9.11 Summary of interview with case representative for TV4

Interviewee: Mr. Mattias Fyrenius , former Director of New Media at TV4
Date: Thursday 15th of Mars 2012
Location: KF Media office, Stockholm
Duration: 1 hour
Language used: Swedish

9.11.1 Background of Mr. Fyrenius

Mr. Fyrenius has a Master of Science in Business and Economics from Stockholm School of Economics from which he graduated in 1997. After graduation Mr. Fyrenius started as a trainee at the media company Schibsted where he worked with various projects within the category of New Media. After Schibsted Mr. Fyrenius started to work for TV4 as a Director for New Media in 2006 and stayed there for approximately 5 years. Mr. Fyrenius has a current position as Director of Strategy and Business Development at KF Media.

9.11.2 The shaping of TV4's online business – 'New Media'

Between the years of 2005-2006 the streaming costs of online TV distribution were very high in relation to the revenues of advertising. "...it was theoretically impossible to finance it with only advertisement, the cost to distribute a program was 5 times higher than what we could generate in revenue of advertisement". However the management was well aware of this but since the cost constantly was decreasing it was more a question of timing when to penetrate the online market of audio-visual content.

Before services as TV4 Play emerged there was a period of 'trial and error' to find the right path for development in 'New Media'. Mr. Fyrenius's primary task was to "...extend the TV-programs into '360'-productions..." which meant that the TV-programs were shown in TV and then via 'New Media' became products to further develop in different concepts. For instance the show "Idol" came close to generating 50% of its revenues from other products as CD's and other events. "It wasn't only a TV-program anymore – it had become a brand".

Due to the strength and coverage of the traditional television Mr. Fyrenius and his colleagues saw other opportunities by using the traditional broadcasting as a marketing tool for other online services as Recept.nu, Fotbollskanalen, a weather site and so forth.

According to Mr. Fyrenius the business of 'New Media' was and is a very small area of revenue in the TV-industry compared to traditional broadcasting. Revenue streams were, during Mr. Fyrenius time, found via the willingness and curiosity of some advertisers/partners that wanted to try new things.

9.11.3 **The shaping of TV4 Play**

The single and most important event of the development of the phenomena of Play in general was that Sveriges Television (SVT) had started SVT Play, says Mr. Fyrenius. SVT Play indicated that people actually watched TV that way and that led to TV4-Gruppen's decision to take a position in the world of Play. The vision and the positioning was crucial and needed bravery of finding the right spot in the market with the method of trial and error.

TV4 started its play-version in 2008, a couple of years after SVT. At first it was called "Replay", a free service without ads, alongside with TV4-Anytime which was funded via a subscription based model without ads. (TV4-Anytime later became today's TV4 Play Premium and "Replay" became TV4 Play).

An important strategic decision in the phase of development was that TV4 decided to treat "Replay" as an extension of the linear TV; it was not intended to become a new TV-channel online. The vision then was to offer the viewer catch-up services if a viewer missed the opportunity to watch a TV-program at the regular TV-channel.

"Replay" and "TV4 Anytime" was intended to work side by side accordingly to the television industry's logic of having a free channel and balancing it with revenue streams from a subscription based alternative.

One thing that kept TV4-Anytime from developing as fast as TV4 wanted was the technological demands from the Hollywood Studios. Since the Studios were afraid of piracy they had strict rules of how the content would be distributed – this resulted in difficulties for the viewers to use the service.

A trigger that was used to increase the volume of viewers of the different play services was to offer it for free.

9.11.3.1 ***Revenue streams from advertisers in the beginning***

Mr. Fyrenius says that measuring how many viewers they had at TV4 Play was a problem in the beginning. For instance they knew how many starting streams they had but not how many minutes each viewer had spent watching the content. However many advertisers accepted this problem mainly due to the relatively low cost of their total budgets and a curiosity of trying new ways of advertising.

"This is a crucial question for the online business of play-products as an advertiser media".

9.11.4 **Business in change**

Mr. Fyrenius points out that there will always be steps in the wrong direction but to be able to succeed there is a need for a vision of what direction the development is going. “It takes brave owners, it takes a brave board and it takes an understanding [...] you need a couple of people in the top that says ‘this is the future that we see but we do not know how to get there’ and then you just have to try different approaches”.

Mr. Fyrenius says that there are two directions of thoughts regarding business model changes. You can either understand the customer or you can make theoretical assumptions. The latter refers to what can be done and the former to an understanding of “...what people do and what they don’t do”. The core of business development is according to Mr. Fyrenius to “...understand behavior” and not to make assumptions based on “...what we can do...”.

9.12 Summary of interview with case representative for TV4

Interviewee: Ms. Cecilia Beck-Friis, Head of Digital Media at TV4
Date: 20th of March 2012
Location: Head office of TV4
Duration: 1 hour
Language used: Swedish

9.12.1 Background of Ms. Cecilia Beck-Friis

Ms. Cecilia Beck-Friis has worked 11 years at TV4, and has been part of TV4's management team the last 6 years. She has worked within program information, sales and she was part of starting up TV4's licensing department. She has also started record companies and book publishing companies under the TV4 brand. During the last one and a half year she has worked with digital media within TV4. Before Ms. Beck-Friis began working within digital media she worked as head of niche channels (mini-pay TV) at TV4.

9.12.2 Reflections on business model development

According to Ms. Beck-Friis "business models are very much 'here and now', what we work with now and the near future". However, she states that it is important to be attentive and sensitive to signals out there, what is going on, and be prepared to change course/direction. Business model development/changes are perhaps not only about "these really big jumps", because it happens in small steps; however, one might be able to say "over there are we heading, and while we are going, the road/journey might change a bit based on the preconditions as well".

9.12.3 TV4's offerings

TV4 has many channels, but only one channel that is free-TV; TV4. The rest is pay-TV channels. In addition, "TV4 Play is the hub in our digital business" Ms. Beck-Friis states. It is TV4's distribution platform for TV content on-demand online. Viewers can (depending on ad-version or pay-version) consume content on demand, if they have missed a program, or even see whole seasons or live events. What TV4 is doing online is very much in line with TV4's core business. It builds upon an "ad-business" and a "pay-business". However, in contrast to the core business TV4 has chosen to combine the two revenue models in the form of a "freemium-model". The idea behind it is to have as low threshold as possible for consumers to start consuming the online offering; "to make it as simple as possible to find and consume our content really. And, when one is finally within our service offering, our world, it should be easy to convert over to pay".

In addition to TV4 Play, there are four more parts within the digital area. 1) TV4.se is a place for more in-depth and extension of TV4's content; "one can let content live on somewhere else". It also works as a "display window for [TV4] Play". 2) Fotbollskanalen.se (the soccer channel), "which in its segment is extremely strong". 3) Recept.nu (recipes) "which also is a site that we have succeeded to build 'brand awareness' for, and a business around it. It is one of our service-offerings that is not driving moving content as it is a recipe data base. It constitutes an extension of our quite large assortment of food related content in [the linear] TV". Recept.nu gives rise to a considerable value in engagement and loyalty for our food programs [...] the revenue model is banners". 4) TVplaneten.se "which is a TV-table service".

TV4 strives to work according to/towards a platform neutral strategy. Within digital media they also work according to three areas in order to drive engagement, loyalty and consumption; 1) Personalization – of content and advertising, 2) Second screen – "between 50-80% of all who watch TV have another screen in their lap during 50-80% of the time". Themselves, or in corporation with advertisers/sponsors, TV4 creates concepts as to utilize this and engage the viewers. Ms. Beck-Friis notes that a lot of what people talk about on social media is TV-driven. 3) Gratification – activities designed so that the more you consume and are engaged, the more you get back. It's a way to increase consumption in a more "playful way". For instance, on BigBrother.se one can register with one's Facebook address and get access to different assignments and achievements, and one can share it with friends etc. TV4 Play is regulated alike linear TV, and "for the advertiser, for us, and for the user's sake it is important to keep a balance between advertising and content". TV4 has set up clear targets and operational drivers linking the consumption to the business use of it.

Furthermore, during the years TV4 has developed their operations regarding concept sales relating to the use of their content in sponsorships, in-store association etc. Ms. Beck-Friis states that TV4 is quite used to develop and dare testing new adverting formats. That is, TV4 has different "products" in their "portfolio" towards advertisers and media agencies.

9.12.3.1 A changed definition of TV

During 2011 TV4 reduced its number of websites and brands within the digital business, in order for the company to focus more on moving pictures/"TV". TV4 feels that the definition of TV is changing; from having been TV (physical thing), TV now denotes the content. "Internet actually becomes more or less a new type of distribution of our TV content. And then there are a whole lot of different opportunities – interactivity, new advertising solutions, and the possibility to tie it all together between platforms; it is cell phones, tablets etc".

Regarding TV4 Play, Ms. Beck-Friis further explains that “we have gone from have been quite much on demand, that is, watch whenever you want, to becoming more TV-service-offering consisting of channels, live and so forth. It becomes a full TV-service-offering within TV4’s world”. In terms of revenue streams “we have gone from being pretty display-heavy [more fixed advertising in beginning of video clips] on the revenue side to becoming moving [advertising] and pay”. “It comes with the development that the moving picture/TV-content becomes more available online [...] the consumption of moving content grows, and so also the competition. There are challenges, but also TV4’s opportunity to be in this development, in contrast from perhaps once in time when all that were on the web, here, was more or less text based and extensive articles, based on a business model that was not really from where we come from, and where I would say there is an even greater competition”.

Today “TV4 can be seen as channel-company, distributor and rights holder. The TV-distributors are good partners to us, we distribute our channels via them, and they make our on-demand content available”. Ms. Beck-Friis emphasizes that the distributors are very important to them. According to Ms. Beck-Friis the distributors are seen as prioritized partners, as they distribute both TV4’s linear TV-offering and on-demand offerings. “In parallel, we have TV4 Play, as a complement and as a service where we make use of Internet’s interactive opportunities and new communication channels”.

9.12.3.2 *The development of the digital media business*

Regarding the development within the digital business Ms. Beck-Friis notes that “the consumption usually comes before the ad-business [...] is it enough who are interested [...] then it becomes more interesting for the advertisers”. Ms. Beck-Friis explains that there is a lot of experimentation and learning in the process; for TV4 and to some extent also for the advertisers. “It requires a bit more commitment and it requires another type of sales process”. Digitala Medier has their own sales team with “specialists” and responsibility to drive these areas of sales-development, which she believes is very important before it is handled by the central sales department. Many advertisers have been curious and willing to experiment with the new offerings.

When TV4 started TV4 Play the big question was if it was even possible to have advertising on TV4 Play. The consensus view in the industry was that it wouldn’t work. Ms. Beck-Friis notes, “but as a commercial market leader within the TV segment it should arguably be our responsibility to educate the consumer that on our service there is advertising, professionally produced content”. It worked. When launching TV4 Play Premium 1.5 year ago it was almost

the same thing; nobody in the industry charged for Play content. Once again it worked. Ms. Beck-Friis refers to that “our business model, its foundation consists of two parts [ad-TV and pay-TV], we can see great opportunities approaching the end customer in this case. Then we have to dare, and do it, and then we believe in this combined, advertising and pay, that is, get them in to us, consume freely and then having some conversion keys ”. These conversion keys can be e.g. that there is no advertising; you get much more content; live event and sports (live); better quality and you can get it on all platforms. When the TV4 Play Premium was launched, it was done simultaneously with the beginning of a new season of Solsidan¹⁰, where one could watch episodes ahead in time compared to the linear TV, “which gave rise to a spiral of positive effects everywhere”. This drove some of the initial growth of the service.

Ms. Beck-Friis states that the decision to initiate the different digital media projects was not a difficult decision as Sweden has very high broad band penetration, “so somewhere the decision was ‘either you choose to be in, or you choose not to’”, and “if you’re in you have to be quite in the forefront in this development”. When TV4 decided to create a Play-service, it was originally “Replay”; only a service to the viewers to provide them with the opportunity to catch up with content within seven days. However, at that point no one in the industry really knew where this development was heading. TV4 concluded that “there already are viewers that actually choose to watch here, and [...] from there the development has proceeded more or less step by step the whole time, consumption and in business”.

Furthermore, “regarding the TV-channel companies, it is really good that all our services are named “Play”. I think it is really simple for the user that play-channels have become a label. I think that, as part of our value chain, TV-channel companies, we have a lot to gain from the fact that it is quite simple [...] as there actually are other actors that also are on the market and pokes for the users time and attention”.

According to Ms. Beck-Friis, a strength with TV4 and their business model is that they dare to try the new in the technical development and that they also are developing it on the advertising side. Further, she states that “we have a strong position when it comes to our brand, our strong content assortment, our breadth in content assortment and in addition the relation that exists with the advertiser and the viewers, as they have a relation to TV4”.

¹⁰ A very popular Swedish comedy series.

10 Attachment 2: Interview Guide

Respondent:

Name:

Company/Position:

About the interview:

In this interview we will look at how your business has changed. The following topics will serve as a basis for the interview.

Interview guide – discussion topics:

- What, based on your experiences, are the most important parts in a business model?
- Description of business activities – overall business idea (parent company/unit)
- Description of value chain and positioning
- Customers (B2B/B2C)
- Products / Services - descriptions relating to different types of customers
- Interaction between different products / services
- Revenue models relating to different types of customers and offerings
- Resources – What “building blocks” need to be in place in order to create and deliver the offer?
- Strategies for different offerings
- Important changes/developments during the life time of the business
- Competitors to your business?
- How was the development of the business affected by the actions of you competitors?
- How was the development of the business affected by the actions of other actors?
- Strategies behind/underlying changes in the business model?
- Specific external factors which required you to change your business
- Specific customer changes which required you to change your business.
- From what we have discussed today, are there any parts you see as more or less dynamic in the business model? For example, is the business idea something that changes over time?
- How do you view the technological development in relation to your business?