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The Evolution of B2C Subscription Video-on-Demand Platforms

Through power, efficiency, capability, and identity lenses

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ABSTRACT:

This research aims to understand the reasons behind the evolution of the subscription video-on-demand (SVoD) industry from its inception in 2007 to the end of 2023. The industry is examined through a theoretical framework of four lenses of power, efficiency, capabilities, and identity to create holistic and synergetic knowledge behind the industry and its changes. The research offers a novel perspective and examines and fills the research gaps in the SVoD industry's evolution. This research uses semi-structured interviews to collect data from nine SVoD industry experts and customers.

The SVoD business is a nascent industry, with hundreds of millions of active subscribers and enormous investments in the services' development and content catalogs. However, the industry faces difficulties, with many competitors experiencing less than satisfactory financial results or exits from the market.

The research findings suggest that the SVoD industry has evolved tremendously in only a short time. The industry originated from a modest starting point, where small companies took advantage of new technological capabilities and innovations, enabling a new form of business to emerge and challenge the entertainment industry's value chains and traditional competitors. The success of the industry, especially during the years of COVID-19 that accelerated its growth, attracted many competitors quickly, transforming it into a significant and large industry driven by aggressive competition and controlled by some of the largest companies in the world.

The industry's early years were characterized by significant investments in attempts to penetrate the market to gain an extensive audience and significant market share. However, the recent developments suggest that the industry has entered a new phase, where the companies' focus has shifted towards sustaining their position in the market and achieving profitability through customer retention, new business practices, and revenue streams.

The conceptions of power, efficiency, capabilities, and identity strongly interact in the industry, with a change in one conception impacting one or several others. The results both reinforce and expand on the learnings from the previous literature.

KEYWORDS: platform economy, streaming video on demand, power, efficiency, transaction costs, capabilities, identity, digital platforms, over-the-top services

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SVoD	Subscription Video-on-Demand
VR	Virtual reality
AI	Artificial Intelligence

1 Introduction

1.1 Background

Technological advancements in information technology have enhanced the capabilities of digital assets and simultaneously reduced the need for companies to have physical infrastructure (Van Alstyne et al., 2016). The rapid emergence of new digital ecosystems, platforms, and services has disrupted rigid industries with innovations and solutions that challenge traditional participants, value chains, and business models (PriceWaterhouse-Coopers, 2016). Uber, AirBnB, and Netflix are just some examples of the many successful companies that have fundamentally challenged the status quo and revolutionized their respective industries through their innovative approach to digital platforms.

Some of the largest companies in the world have started adopting digital platforms and ecosystems as the foundation and centerpiece of their business model and thus moving away from a traditional pipeline business, focusing on taking advantage of the benefits of a digital platform structure (Parker et al., 2016). Apple, Google, and Microsoft are examples of companies that have created ecosystems that give their customers and community access to an expansive library of constantly growing content, updates, and features. By providing a platform for customers and producers, the platform-owning companies can generate billions of dollars from their third-party producers’ offerings (Iansiti & Lakhani, 2017).

The financial potential for digital platforms is significant. An estimation by PriceWaterhouseCoopers from 2016 concluded that by 2025, online platforms that connect small businesses and individuals could generate up to 570 billion euros worth of transactions. In some industries, the size and worth of digital platforms have already overtaken significant and well-established players in the market in terms of size and worth. For example, in the accommodation and hotel industry, AirBnB exceeded Marriot's worth in less than ten years (Hagiu et al., 2017). As a response to Netflix’s market disruption, many of the largest entertainment corporations in the entire world wanted their share of Netflix's success and started developing their alternative platforms. Many of these companies have tremendous resources, which they invest in aggressive marketing and content creation to gain a significant and long-lasting market share (Sherman, 2019b).

Since their introduction through Netflix in 2007, the B2C Subscription Video-on-Demand (SVoD) services have grown into a large industry, with some of the most significant media and technology companies participating in the competition. The market and audience for the services are tremendous, as evidenced by the most popular services in the industry – Netflix, Disney, and Amazon Prime Video – all exceeding 200 million subscribers worldwide (Burch, 2021) (Porter, 2022). By 2016, almost half of the consumers in the United States had subscribed to an SVoD service (Deloitte, 2016). The market revenue for the industry reached 80 billion USD in 2022 and is expected to grow to 137 billion USD by 2027 (Statista, 2023).

The rapid industry growth during 2020-2021 can be partially traced to the repercussions of the COVID-19 pandemic. Due to lockdowns and other restrictions on how people could spend their free time or how it was recommended that they spend it, the number of subscribers increased at an accelerated pace. As people stayed indoors with limited contact with others, SVoD services proved to be a popular choice for leisure under challenging and restrictive circumstances (Lee & Calugar-Pop, 2020). A KPMG (2020) study suggested that the pandemic would accelerate the demand and adaptation of SVoDs, and it would take years for consumers to return to their earlier entertainment habits before the pandemic.

However, in April 2022, Netflix reported unsatisfactory growth and the loss of 200,000 subscribers in the first quarter of the year (Netflix, 2022). This marked the first time the company had lost subscribers in over ten years (Hern, 2022) and resulted in Netflix's stocks plummeting by 35% - a change that was reflected in the stocks of other companies in the SVoD industry, such as Disney and Paramount (Bursztynsky, 2022). It became clear that the industry had reached a turning point in its lifecycle, unable to sustain the accelerated growth pace it had achieved during the pandemic. After the pandemic restrictions were lifted, one company after the other started experiencing subscriber losses and, thus, lost revenue.

In July of 2023, Viaplay, a Swedish streaming company, saw that its stocks had fallen over 70% in one year, likely because of heightened competition, increasing pricing, and restrictions on user flexibility on the platform (Närhi, 2023). As a result, the company began implementing a strategic renewal, laid off more than 25% of its personnel, exited markets, and started considering the possibility of selling its assets and the entire company (Viaplay Group, 2023). Likewise, in the second quarter of 2023, Disney's streaming business lost 11 million subscribers and $512 million, which brought the company's total losses on streaming to $11 billion since the launch of its streaming service in 2019. In response to the financial losses, Disney implemented price increases in the United States (Barnes, 2023), with other companies following its lead soon after (Gravier, 2023).

These and many other examples of successes and failures in the SVoD industry, along with intense competition, fluctuations in subscribers, profitability, and competitors, paint a picture of the industry in a critical, unpredictable, and transformative phase. In fact, in CNBN's May 2022 article, media investor Chris Marangi stated that the industry had "entered its middle act" (Sherman, 2022), suggesting that the market and its leading players have been established, but the questions of how and who will survive the competition remain unresolved.

1.2 Research significance and goals

This research aims to build an industry analysis and understand the most significant changes that have impacted the evolution of the Subscription Video-on-Demand industry from 2007 to 2023 and its future. According to Porter (1980:162), understanding the reasons for evolution is more important than describing it. From a strategic perspective, it is essential to understand the reasons and processes behind industry evolution and be able to predict changes since reacting to them will be more complex and costly the later the reaction occurs (Porter, 1980: 156). Technological developments, identity, and innovation of organizations drive the evolution of an industry, while luck, skills, resources, and orientation shape it (Porter, 1980: 163).

Therefore, the industry is inspected and contrasted through the four theoretical lenses of power, efficiency, capabilities, and identity to build a concise understanding of which forces, changes, and developments have impacted and occurred within the industry at which points of its lifecycle. Based on the firm boundary theory of Santos & Eisenhardt (2005), these four lenses are connected, complementary, co-evolving, and synergistic. Approaching the research through these conceptions and perceptions permits a more profound, comprehensive, and holistic understanding of the subject and gives it unique added novelty and value.

Thus, the research questions are as follows:

> **Research Question 1.** How have the power relationships, efficiencies, capabilities, and identities changed and impacted the SVoD industry throughout its lifecycle?
>
> **Research Question 2.** What will the industry look like in the future through these lenses?

Research around digital service platforms has become increasingly popular since 2008, with the focus shifting from products to services, and the IT Internet, social networks, and telecom becoming the most researched industries. There are extensive research gaps and yet-to-be-answered questions within platform services research, especially around customer loyalty and adaptation (Han et al., 2018). Previous academic research on the SVoD industry has explored payment patterns (Redondo & Serrano, 2011), effects on piracy (De Matos et al., 2018), and portfolio management (Noh, 2021). Still, research about the industry's evolution and mainly the reasons behind the industry's change from a strategic perspective are rather scarce. The SVoD industry is still relatively young, under heavy transformation, and in constant evolution, which underlines the novelty and importance of this research.

To fill the previous research gaps, this research offers additional knowledge on the digital service platforms and ecosystems but also expands on these areas and creates added value by focusing on the SVoD industry through the four theoretical lenses of power, efficiency, capabilities, and identity (Santos & Eisenhardt, 2005). Due to the research's holistic theoretical approach and applicability, its learnings and implications are not limited to the subscription video-on-demand industry. Still, they can be applied to reflect other industries, especially those that operate digital platforms and ecosystems at the core of their business. Understanding the reasons for the evolution of the industry from the perspectives mentioned above can assist in strategic decision-making of the industry's current and future participants, competitors, and investors, along with other closely related and impacted stakeholders such as device manufacturers, application developers, and other participants in the movie and television industry.

This research focuses solely on B2C subscription-based video-on-demand services. This definition is critical to make since it rules out 1) streaming services that do not require a paid subscription from the customer, 2) B2B services, 3) services that focus on other audiovisual forms of entertainment than video, such as music or gaming, i.e., services like Spotify or Xbox Game Pass from the inspected services in question. Further explanation and description of the SVoD industry, its services, participants, and other characteristics are provided later in chapter 2.2.

1.3 Research structure

This research is divided into five chapters. The beginning of the thesis introduces the topic, background, and significance of the study. These are followed by the introduction and explanation of research goals and limitations. At the end of the first chapter, the research structure is explained.

The second chapter is a literature review on digital platforms, the SVoD industry, and the theoretical frameworks used in the research. The literature review defines the most common and vital concepts inspected and used throughout the thesis to help the reader understand the background and terminology used throughout the research. This includes determining digital platforms and their different participants, the SVoD industry, its most common competitors, and business models, including a brief look into its history and evolution. The four theoretical lenses that the industry is contrasted against - *power, efficiency, capabilities, and identity* - are examined (Santos & Eisenhardt, 2005).

The research methodology is explained in the third chapter. The nature and methods of conducting the research are described and justified, and the research process is described in detail. In the fourth chapter, the empirical results are examined and presented from the point of view of the aforementioned four theoretical lenses. In the fifth and final chapter, the learnings from the literature review and results are discussed to build a holistic understanding of the changes and evolution in the SVoD industry. Finally, the research limitations and future research propositions are summarized.

2 Literature Review

A researcher can learn more about the topic and its researchability by examining, summarizing, comparing, and analyzing existing literature and articles (Eriksson & Kovalainen, 2015). To analyze an industry, a researcher should have a clear and general understanding of the industry and only then examine individual or specific portions or elements of the industry in question (Porter, 1980).

Therefore, to thoroughly understand the examined industry, this chapter presents an overview of the Subscription Video-on-Demand industry, digital platforms, ecosystems, and their most common business models, concepts, and history. Additionally, the theoretical frameworks of the four theoretical lenses of power, efficiency, capabilities, and identities, which are used to reflect on the industry later in the research, are presented and examined.

2.1 Platforms

According to Teece (2017), platforms are technological distributing systems that allow content producers to meet their customers through an easily accessible marketplace. Platforms operate as marketplaces that connect producers to customers – and vice versa - through an open and interactive ecosystem, where the activity of its participants creates a competitive advantage and determines the platform's success. Platforms bring together different parties and facilitate their actions (Carmelo et al., 2015), which in turn co-create value for all the parties on the platform (Parker et al., 2016).

The authors of ”Platform Revolution” (2016) define platforms as:

> *A new business model that uses technology to connect people, organizations, and resources in an interactive ecosystem in which amazing amounts of value can be created and exchanged. (Parker et al., 2016, p. 13)*

Compared to a traditional pipeline business or a linear value chain, platforms present a complex web of relationships between participants. Whereas in pipeline businesses, the value is created straight from producer to customer, platforms enable value creation in many ways through the different connections and relationships between participants (Parker et al., 2016). The transformation from a traditionally operating pipeline model to a platform is not tied to a specific industry, and - in fact - it can happen to almost every kind of business or industry if the platform owner can take advantage of the information and the networking effects of the community to add value. The type of information and data ranges from customer needs to supply, demand, and market trends, meaning that platforms can affect and change almost every business. (Parker et al., 2016)

Networking effects are a phenomenon where the platform's value grows depending on the number of users and engagements. In other words, the more people engage on the platform, the greater its value is. (Parker et al., 2016; 17) With digital platforms, *two-sided networking effects* are common, where both the supply and demand sides of the market benefit from the number of users (Parker et al., 2016: 21). For example, the more Uber drivers there are, the less the riders have to wait for their ride. Respectively, the more riders there are, the more driving opportunities the drivers get.

New and emerging digital platforms such as Uber, AirBnB, and Netflix have challenged, disrupted, and transformed how the traditionally rigid industries have operated by creating new supply to the market. A common characteristic of platforms is that they rarely own physical inventory (Parker et al., 2016). For example, Uber is a taxi company that does not own a single car. AirBnB offers accommodations yet does not own a single piece of land. Streaming services do not have physical shops where customers can rent or buy their products from. Thus, platforms can gain a financial advantage over companies with costs related to physical assets, such as property taxes, rents, or equipment maintenance.

The barriers to using a platform for both the customers and producers are often relatively low since it is the platform that defines the rules, provides the marketplace infrastructure, and acts as a connective hub between producers and consumers (Van Alstyne et al., 2016). Therefore, platforms work as open marketplaces where their success depends on their networking effects – how the independent participants, e.g., users and producers, co-create value in the market (Täuscher et al., 2017; Parker et al., 2016). As platforms thrive based on their network effects, it is recommended for platform companies to track the number of active users and content producers early on since they can signal the level of network effects – the eventual success - that the platform can experience (Parker et al., 2016). Creating ties with customers and keeping them committed to the ecosystem will help the company lengthen the lifecycle of the ecosystem (Moore, 1993).

2.1.1 Competitive environments of platforms

Moore (1993) emphasizes the importance of innovation, co-evolving capabilities, and partner cooperation to satisfy customers' expectations. In Moore's view, ecosystems have business opportunities that traditional companies should not ignore, and the rivaling expanding ecosystems will likely supplant those companies that do. The pressure is on the platform owners to generate growth faster than their competitors (Carmelo, 2018). Unlike traditional businesses, the growth of digital platforms is not restricted by managing physical assets (Parker et al., 2016, p. 9).

Because a platform creates co-value from the activity of its participants, the platforms need to adjust their level of governing carefully. Openness on digital platforms refers to how much the platform will control the content and its producers. In other words, a strict and closed platform only allows a few carefully picked producers to publish on the platform, whereas in an open platform, publishing is less restricted. As an example, with mobile phone operating systems, Apple prefers to keep its system closed, which means that the operating system is tied to Apple's own hardware, and its users can only install applications that Apple allows. Respectively, the Android operating system can be installed on many devices, and the users are allowed to install whichever applications they desire. (Lease Pilot, 2018)

While openness directly contributes to the amount of content and producers on a platform (Jacobides, 2019), an overwhelming amount of content can lead to poor quality and, therefore, negative networking effects, which prompts the importance of moderating content to ensure higher quality (Parker et al., 2016). Balancing openness is essential since, on an entirely open platform, the number of content producers – and thus, the amount of content – can be potentially huge. On the other hand, with no moderation, the quality of the platform's content and offering can be so poor that it might lead to customers abandoning the platform altogether.

In a 2011 interview (Gorenflo, 2011), the Communications Director of AirBnB, George Lukezic, highlighted the importance of continuous activity, relationships, and communication between the participants on the platform and the need for the platform owner to act as a transformative problem solver:

> *Listen to your users early on and engage them in the process at every step of the way. Don't just meet them; engage them, converse with them, and prod them to find out what their problems and needs are. The ones who are truly successful make sure to engage their users at every point along the way to solve bigger and bigger problems by presenting transformative solutions to the way we live our lives.*

These ideas were expanded on by Parker et al. (2016), who explained that the users need to find continuous value in the platform. The number of users and producers on the platform does not matter if the users are inactive and create no interactions. Therefore, when examining and determining the success of a platform, the focus should not be on the number of users but on the number of interactions between the participants and the factors that contribute to those numbers.

Regardless of the industry, competitive markets are expected to eventually lead to a situation where only a few, two, or three top players control the competition, sometimes resulting in an oligopoly or other form of limited competition (Henderson, 1976). If the network effects are strong, the user base will likely centralize on one platform and create situations where specific platforms control a tremendous, almost monopolistic percentage of market share (Eisenmann et al., 2006). With platforms, this phenomenon is present, for example, in the cases of mobile phone operating systems (Apple's iOS and Google's Android), video game consoles (Xbox, PlayStation, Nintendo), or ride-sharing applications (Uber, Lyft). Likewise, Google is the leading search platform, and Meta Platforms owns several of the most used social media platforms, such as Facebook, Instagram, and WhatsApp. When it comes to the SVoD industry, it is on the verge of determining which platforms will become the leaders and whether an oligopoly will form in the first place.

If the number of platforms that offer similar solutions to each other is high, and there are low or non-existent switching costs (Zhu & Iansiti, 2019), the participants may start practicing multi-homing. This means that participants can quickly switch from one platform to another in search of a better solution for their problems. For example, a customer looking for ridesharing can use multiple applications such as Uber or Lyft to track which service offers the most cost-efficient service quickly. With streaming services, users are not often constricted to just one platform but instead choose to actively subscribe to many different services simultaneously. (Sherman, 2019) Likewise, providers can also benefit from multihoming by offering their services through multiple platforms simultaneously. For example, rideshare drivers can represent both Uber and Lyft at the same time (Antczak, 2017), and food deliverers can serve their customers through both Wolt and Foodora. (Raeste, 2020)

In industries where multihoming is common, the possibility of one platform gaining a dominant market leader position is reduced (Iansiti & Lakhani, 2017). The impact of multihoming and low switching costs pushes the platforms to implement barriers that complicate other companies entering the market or discourage customers from leaving the platform or switching to another alternative (Hagiu, 2014). Thus, the challenge and goal for platforms in competitive environments are not limited to gaining market share and new customers but to retaining the existing ones and keeping the participants engaged.

A common competitive strategy in creating engagement is creating content exclusive to the platform – meaning that a piece of content is only published on one platform and cannot be accessed from elsewhere (Carmelo et al., 2015). Producing exclusive content has become an incredibly commonplace differentiation strategy in the SVoD and video games industries, where companies are investing tremendous amounts of money in producing, marketing, and securing rights to content that is often based on an already widely popular intellectual property, such as Star Wars, The Lord of the Rings or Marvel.

Exclusive or first-party content can, in best-case scenarios, work as a reference point of quality or as a showcase for the technological capabilities and potential the platform can offer (Carmelo, 2018). Exclusive content is often marketed heavily on the platform brand (Steinberg, 2014; Wayne, 2018). For example, in the SVoD industry, Netflix uses the term “Netflix Original”, while Disney+ uses the phrase “only on Disney+” in their advertising. This strategy is frequently used to differentiate from competitors, and instead of pricing or other variables, focuses on brand identification (Porter, 1980).

Moreover, being among the first participants in the marketplace can give the platform an advantage by establishing a large, thriving user base and blocking new competing entrants from the market (Carmelo, 2018). While Netflix does not have as vast resources as its competitors – Disney, Amazon, or Warner Bros. – it became a leader in the video streaming industry by preceding its current competitors for several years. By the time the competitors launched their products, Netflix had already gained prominence in the marketplace.

If platforms cannot introduce new features to keep their customers engaged, they will likely be abandoned in preference of competing platforms (Parker et al., 2016), which could lead to falling revenues and, thus, competitors exiting the market. Therefore, the platform companies need to differentiate themselves from the competitors, innovate, and discover new venues for additional value (Parker et al., 2016),

2.1.2 Platform participants

Van Alstyne et al. (2016) defined four types of participants and their roles in an ecosystem or a platform. ***Consumers*** or ***users*** are the buying customers of the products or services offered on the platform, while producers create said offerings. These two groups use the platform to exchange information – in other words, supply and demand. The platform has its ***owner***, the organization that controls it, and a provider, which acts as the means to access it. For example, mobile phones act as providers of their operating systems.

However, the ecosystem's roles are flexible depending on the platform's nature. They can change quickly and repeatedly from one to another (Parker et al., 2016) or belong to different roles simultaneously (Täuscher et al., 2017). For example, on social media platforms, a user can be both a consumer and a producer. Similarly, someone riding Uber can also be an Uber driver. These shared roles are typical in the SVoD industry; for instance, Disney, on its streaming service, acts as an owner in facilitating the service and as a producer in creating the content itself. In the graphic below, the relationships and roles of each participant are explained by using Google's Android mobile phones as an example.

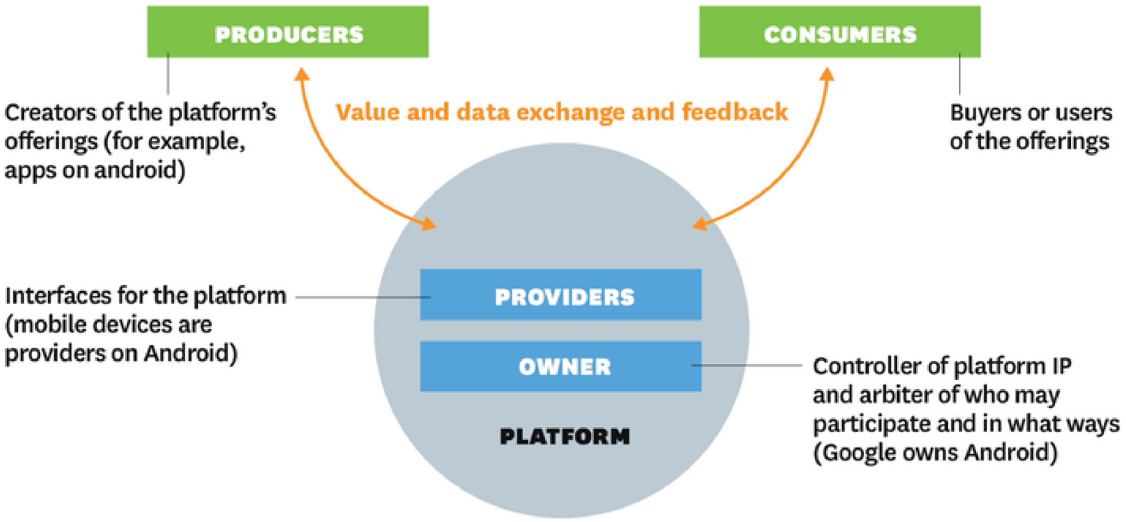

Figure 1: The Players in a Platform Ecosystem. Source: Van Alstyne et al., 2016: 58

Whether one is a producer, consumer, or provider, it is essential to note that by making actions and engaging on the platform, all participants contribute to creating common value for the platform (Van Alstyne et al., 2016). As explained earlier, platforms rely on the co-value created by their participants, and they experience “cross-side network effects” when there is an increasing number of participants on every side of the platform (Hagiu, 2014).

In other words, the more alternatives, content, and offerings, the more value participants gain from using the platform. For example, the more users there are on an SVoD service, the more producers create content for it, and vice versa. A skilled and successful platform can take advantage of these network effects, which could lead to potential market dominance and eventually winner-take-all markets (Hagiu et al., 2015), where users vastly prefer one platform over the others due to different factors such as strong network effects, supply economies of scale or switching costs (Parker et al., 2016). Platforms should keep the users and producers active and orchestrate how those participants use their resources to generate additional value for the whole ecosystem. (Van Alstyne et al., 2016).

Operating a platform is a balancing act of catering to the needs of each of its participants, where the owners not only should think about how to bring in more customers and producers and how to make them stay and keep them actively creating co-value on the platform. From a strategic perspective, platforms significantly change how a company can achieve competitive advantage. Instead of focusing on resource controlling and process optimization, platforms require the company to nurture the relationships of the producers and users on the platform. If there are no customers, there will be no producers, and vice versa.

Due to the networking effects, the platform should keep the community active and engaged to retain its existing participant base while creating barriers that prevent them from leaving the platform, switching to an alternative, or leaving the entire business model altogether. Since the barriers to switching between services are often low, the platforms must solve their “chicken and egg” problem – the challenge of luring consumers and sellers to join the platform.

2.2 Subscription Video-on-Demand (SVoD)

2.2.1 SVoD industry and competition

Subscription Video-on-Demand (SVoD) services are digital platforms where the consumer, for a paid subscription, is given access to a library of video content, which they can consume whenever they want on a device of their choice (Mulla, 2022). Instead of downloading the content on their device of use, SVoD services transmit the content through streaming. Essentially, SVoDs operate similarly to video-on-demand services, but instead of paying each time separately for a single piece of content, the entire content catalog is available for the user as long as they remain subscribed.

Driven by advancements in networks and smart devices (Kim et al., 2017), the SVoD services are characterized by their subscription-based funding, exponentially growing and advertisement-free content catalogs, and the freedom to consume content whenever and wherever. The model largely resembles cable and satellite TV packages, with the difference being that it offers the consumer more flexibility regarding when or how they want to access the content (Mulla, 2022). Globally available SVoD services include Netflix, Disney +, HBO Max, Apple TV+, and Amazon Prime Video.

> *When a company has a working business idea, and it comes to an end, they should come up with something new, something different... For a technology company, the change of direction usually fails. Whenever it succeeds, it will create powerful stories, the most famous of which is possibly Netflix. It is a surprisingly old company. Older than Google. At Netflix, they saw that online streaming was coming, and they knew how to succeed – and they did - in moving from the old business to the new one. Usually, these kinds of attempts fail. (Hyppönen, 2023)*

The SVoD industry has its roots in the technological advancements and business model developments that occurred in the late 1990’s. Netflix, the pioneer of the industry and globally the most subscribed-to SVoD service as of 2023 (Forristal, 2023), originally started its operations as an online DVD-by-mail rental platform in 1997 (Kim et al., 2016). In 1999, Netflix introduced a subscription-based model where customers could order unlimited DVD rentals for a monthly fee (Voight, 2017). While the industry has evolved since, the online customer platform and subscription-based business model introduced during the 1990s remain at the industry's core.

Kübler et al. (2021) argued that the launch of the digital video platform YouTube acted as the kickstart of the SVoD industry. While YouTube did not have a subscription model until years later, the popularity of the platform and its technological advancements for the time proved that there was future business potential in streaming videos through the internet. Netflix’s then vice president of content, Robert Kyncl, stated that YouTube’s success directly inspired them to create their service:

> *YouTube demonstrated that people were willing to trade fidelity for convenience and speed. Witnessing the popularity of YouTube was a revelation. Moreover, it caused us to pivot to a service that would allow consumers to stream movies remotely instead of downloading them.* – Robert Kyncl *(Kyncl, R. 2017)*

This inspiration and a significant strategic shift became a reality for Netflix in 2007 when it introduced its subscription-based video-on-demand service - the first of its kind (Voigt, 2017). The success of the platform and its business opportunities quickly attracted the attention of other companies. The most prominent early challengers for Netflix were Hulu, which launched in 2008, and Amazon Prime Video, which introduced its subscription-based model in 2012. Amazon and Netflix started producing exclusive content in 2012 (Wayne, 2018). In 2019, Apple and Disney, two ample entertainment and technology corporations, launched their services and original content (Kübler et al., 2021).

To understand the structure and relationships of the SVoD industry in comparison to other platforms, the digital platform and ecosystem participants model (Figure 1, page

14) can be mirrored against the SVoD industry. As with the previous example, the SVoD platform is a hub to connect producers with consumers. Consumers are the subscribers to the service, whereas producers in the SVoD industry refer to the production and movie companies that create content for the services.

Using Disney's SVoD service Disney+ as an example in the figure below, there are two production sources: external and internal. As a traditional movie studio, internal producers in this example refer to Disney's production studios that create content for the service and broader distribution through movie theaters and other venues. External producers, in turn, are the production studios outside of Disney's control, whom Disney might approach in the interest of purchasing content rights to already existing content or financing new content for their service. As seen in the example, it is common for participants in the SVoD industry to have overlapping roles. With Disney, the company operates as both a platform owner and producer. If the same model was applied to Apple's SVoD model, they could be seen as both the owner of the service and a primary provider since Apple's platform is available on their devices.

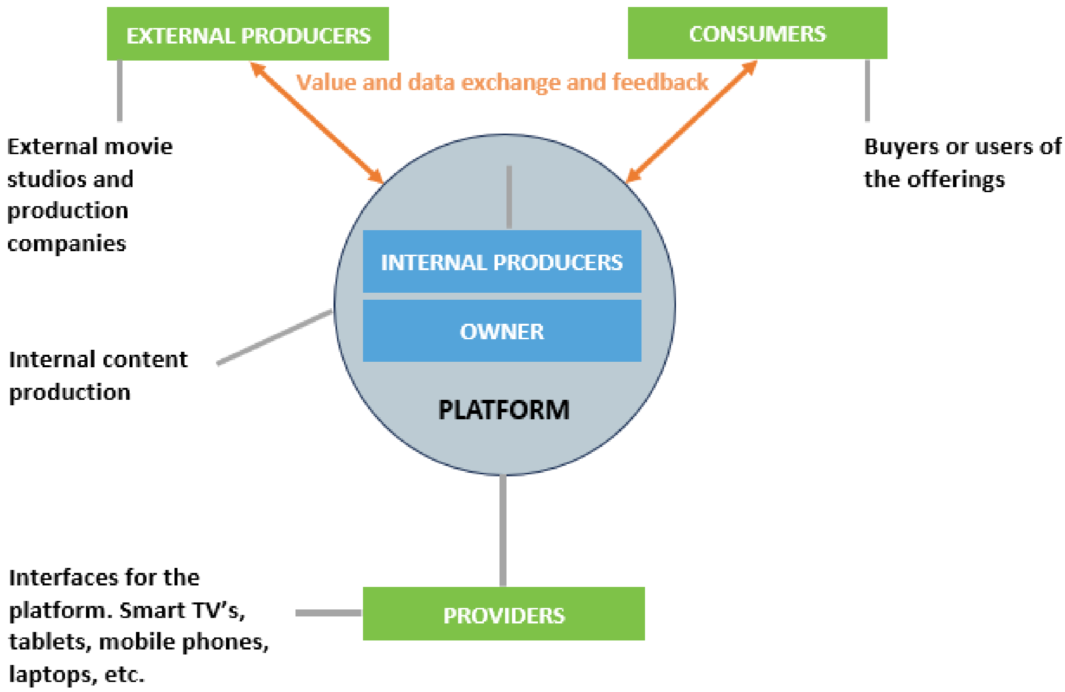

Figure 2: An example of the participants in the SVoD industry (Revised from Van Alstyne et al., 2016: 58)

As presented in chapter 1, pages 7-8, The SVoD industry is characterized by heavy competition, exemplified by the aggressive pricing strategies that some competitors have implemented. For instance, in the autumn of 2019, Disney offered a bundle of three different streaming services for the same price that Netflix offered (Sherman, 2019a). In customers' eyes, complimentary products and bundling lessen the risks of a transaction on digital platforms due to their additional benefits (Li & Fang, 2022).

While the competition of streaming services has increased during the last few years, the companies not only consider the other streaming services but other forms of leisure and entertainment as competitors. For example, according to Netflix's 2019 annual report, the company considers video gaming, DVD retailers, and other businesses that occupy people's free time as competitors. The company's CEO, Reed Hastings, has stated that its biggest competitor is sleep (Hern, 2017), suggesting that all forms of time spent away from using their service are considered a competitor.

SVoD services are spending as much as hundreds of millions of dollars (Spangler, 2019) for exclusive rights to hosting already aired popular shows (Lee, 2018) or in developing exclusive new content (Sherman, 2019b) to differentiate from competitors and to gain competitive advantage (Meyrn et al., 2023). In governing their content catalogs, SVoD services often execute dual-strategy portfolio management, where the services aim to consistently add new content that would benefit from the flexibility of streaming as opposed to traditional television while meeting the demands of two separate audiences – subscribers and critics (Noh, 2021).

To cater to as broad an audience as possible, the services aim to provide content that fills the genre holes in their catalog. Respectively, content is also produced in those genres that critics react to positively. (Noh, 2021) The type of exclusive content can range from quality-oriented award-winning productions, e.g., Roma and House of Cards, to large multi-million-dollar budgeted shows based on existing and prevalent intellectual properties like Star Wars or The Lord of the Rings.

In research by Nagaraj et al. (2021), the authors examined the reasons customers had for subscribing to video streaming services. They concluded that convenience - viewable anywhere, anytime-, ad-free experience, low prices, and high-quality global content were the most significant deciding factors to subscribe to. In addition, peer recommendation and word-of-mouth play a high role in determining which service they should choose. In another research by Shin et al. (2016), the authors conclude that audiences are looking for services that provide high-quality content in large numbers, with a preference for recently released movies or broadcasts.

While most customers access SVoDs through a standard monthly or annual subscription, the services have experimented with alternative subscription options, which usually offer additional benefits and features to the base subscription. These alternative subscription deals aim not to gate any content behind other paywalls but to offer the same content libraries across options through different preferences. For example, the services can provide improved image quality or additional supported devices for additional payment.

Respectively, some services have started introducing models that cost less than standard subscriptions but add advertisements between the streams. Some services have also introduced hybrid business models, where the consumer can pay an additional fee to access content before it becomes available for the rest of the subscribers. For example, Disney experimented with the hybrid model during the COVID-19 pandemic by releasing movies simultaneously in theaters and on their Disney+ service for an additional fee. (Mulla, 2022)

According to Lambrecht and Skiera (2006), consumers are biased against pay-per-use rates for flat-rate payments. Consumers want stability in their spending, and the more they pay by usage, the more unpleasant the service becomes. If the flat rate bill is transferred at the beginning of each month, consumers could prepare mentally with a feeling of freedom for the rest of the month, extending even to a false sense that the service is free (Prelec & Loewenstein, 1998). Low switching costs between services and multi-homing are typical in the industry, which, as explained by Iansiti & Lakhani (2017), leads to a situation in the market where it is difficult for one company to gain a leading position. If subscribing and resubscribing happens due to customers' knowledge of the services and high switching costs, the more it will likely occur in the future (Li & Fang, 2022).

The alternative subscription options give customers more flexibility and function as additional revenue sources for the service. SVoDs are experiencing significant revenue losses due to users' practice of sharing accounts (Redondo & Serrano, 2023), and it has been reported that a third of Netflix's users do not pay to use the service at all (Nguyen, 2022). The widespread misuse of the accounts has generated worries that the services would have to implement more measures to govern their authentication of users (Gardner, 2019).

2.3 Power, efficiency, capabilities, and identity

This research uses the four lenses of *power, capabilities, efficiency, and identity* to understand the changes that have led to the evolution of the SVoD industry and its participants throughout its lifecycle. Since these four concepts create synergies, using them as analytical lenses helps create a cohesive interpretation of the subject (Santos & Eisenhardt, 2005).

Table 1. Summary of the theoretical lenses.

Concept	Theory	The critical question about the SVoD services industry
Power	Industrial organization (Porter, 1980)	What internal and external forces affect the industry and drive the strategies of its participants? What strategic choices can companies make to improve their opportunities in the market? How have the negotiation powers of suppliers and buyers changed?
Efficiency	Transaction costs (Williamson, 2008)	What assets should the companies sell or buy? Should it consider merging with other companies or services?
Capabilities	The resource-based view (Barney, 1991) and dynamic capabilities (Teece et al., 1997)	What are the characteristics, capabilities, and resources that create competitive advantage in the industry? How efficiently can the organizations adapt to changes?
Identity	Managerial cognition (Gioia, 2013)	How have the changes in the industry changed the companies' identities (who the organization is and what does it do) throughout their lifecycle?

Using these lenses to create knowledge stems from the firm boundary theory by Santos & Eisenhardt (2005), where the authors present, by their own definition, a "broader view" of examining organizational boundaries. The authors define an organization boundary as a dividing line between the organization and the environment it belongs to. The line aims to differentiate between the actions that the organization can perform within and the actions that external organizations influence. Thus, approaching research through these lenses allows for examining whether any forms of interplay and synergies between the lenses occur within the industry or its participants. (Santos & Eisenhardt, 2005)

2.3.1 Power

The five forces framework is a strategic tool used to analyze the competitive environment of an industry. It can be used to analyze the industry's current and future profitability and as a tool for developing or evaluating the strategic positioning of an organization. While the framework can be used to analyze the level of profitability in the industry, it can also explain the reasons why that profitability level was reached in the first place (Porter, 1980: 6). Any changes to an industry that has the potential to impact the five forces' fundamental sources will be strategically significant (Porter, 1980: 157).

A competitive company can recognize these forces and defend itself from them or influence them enough to make them favorable for the company. The intensity, prominence, and impact of each force depend on the nature of the industry. Industries with highly intense forces, such as airlines or hotels, are usually bound to generate less returns on investment. Respectively, in industries with less severe forces, many, if not all, companies can be profitable (Porter, 2008), such as in cosmetics or personal care products industries. (Porter, 1980b)

The five forces are:

- Threat of new entrants
- Threat of substitute products or services
- Bargaining power of buyers
- Bargaining power of suppliers
- Rivalry among existing firms

Figure 3. Five Forces. Source: Porter, 2008

While the five forces are used to describe the competitive environment of an industry, it should be noted that an analysis using the framework should focus on the fundamental characteristics of the industry in question and not consider short-run elements such as possibilities for fluctuations in the economy or strikes. However, Porter (1980) states that industry growth rate, technological advancements, governmental regulations, and complementary products should be included in an industry analysis along the five established forces.

The **threat of new entrants** pressures the existing companies in the industry to adjust their actions to defend themselves and maintain their market share. In other words, the existing companies are pushed to create or further expand on the industry's barriers to entry. Low barriers encourage new entrants to join the market, whereas high barriers discourage it. To establish barriers to entry or to respond to a new entrant by reducing their chances of gaining market share, the existing companies can adjust their pricing and costs or increase their investments (Porter, 1980: 7-9).

Depending on the industry, the barrier of entry can be challenging to estimate. Using mobile phone applications as an example, the Internet has contributed to creating and launching a new piece of software that is relatively simple. On the other hand, that market is already saturated by competing applications, many of which have been created by large companies with tremendous financial capabilities. With platform markets, exclusivity deals between the platform owner and producer can create higher entry barriers through networking effects since exclusivity attracts customers and thus establishes market share (Prieger & Hu, 2010).

According to Porter's framework (1980: 23), all the industry's competitors offer **substituting products or services**. For rational consumers, a choice between two identical perfect substitutes comes down to whichever product is cheaper and, therefore, gives the consumer more value. Therefore, substitutes affect an industry by setting a price limit for products and services and industry profits. Like substitutes, intense **rivalry among existing competitors** affects how profitable the industry is.

This is especially common if the industry hosts many competitors that are roughly similar in size. Identical or similar products and low switching costs pressure the companies to lower their prices. Strategically, companies in high-rivaled industries should focus on diversifying their offering instead of forcefully competing in areas where customer needs are already fulfilled and the competition has become saturated. While reducing prices could be seen as a simple way of winning over customers, it is recommended instead to focus on improving the features or the brand of the service since these measures not only allow the prices to stay high but also improve customer value. (Porter, 1980: 17)

In industries that are sensitive to **the power of buyers,** the customers have much influence on the profitability of companies. Powerful buyers can push prices lower, or demand improved quality with relatively simple and cheap measures. This is especially common in industries with low switching costs. (Porter, 1980: 24-27) In the internet and digital services age, switching from one product to another usually takes minutes and causes no extra costs. Compared to switching from one car to another, the journey for switching services is relatively simple, quick, and inexpensive.

Respectively, **the power of suppliers** is exhibited by the organizations that can impact the industry, other suppliers, and their customers with increased prices, relocating costs to their stakeholders, and limiting the quality of services. High switching costs and the lack of substitutes and alternatives in the industry work for the benefit of the suppliers' power. (Porter, 2008) The power of suppliers is exceptionally high in monopolistic environments, as only one organization is available to buy from.

2.3.2 Efficiency and transaction costs

Williamson theorized that successful organizations in a capitalistic environment minimize transaction costs and gain efficiencies (2008). The overlying theme of Williamson's transaction costs economy theory is understanding discrepancies between different organizations' transactional efficiencies. (Yang et al., 2012). The theory argues that organizations and individuals base their actions and strategies on minimizing transaction costs and creating efficiency (Williamson, 1985).

Transaction costs are expenses in an exchange between participants created by the environmental factors of uncertainty, frequency of transactions, and asset specificity, i.e., how specific purposes an asset has (Williamson, 1981). The participants in a transaction usually lack knowledge and information regarding the prices and quality of exchanged goods and services. The transaction costs would be zero if such an information gap did not exist (Williamson, 1985). Williamson's definition of transaction costs is relatively broad. It could include many interpretations, but essentially, transaction costs can be almost anything that can cause or lead to a financial cost to an organization (Terviö, 2010). On a larger scale, North (1984) explained transaction costs as all the costs that occur in an economic system, for example, information searching, planning contracts, bargaining, or labor.

Transaction costs should be measured whenever a company considers whether to outsource something or produce it in-house (Williamson, 2010). The more complicated the project is, the more transaction costs it will likely entail. Similarly, transaction costs will be higher if entailed assets are worth more in a relationship between the client and provider than outside it. For example, outsourcing custom-made software creates more value for the provider and the client. However, the parties' dependency on each other grows (Fine, 1998), and the developed software is complicated to resell. Outsourcing as a business practice is a growing trend. Therefore, it is recommended that organizations and their managers acknowledge the factors contributing to making outsourcing transactions efficient (Hätönen & Eriksson, 2009).

Transaction costs should be considered when companies weigh the benefits and drawbacks of mergers and acquisitions. A reasonable consolidation, merger, or acquisition should always increase efficiency and reduce negative transaction costs (Terviö, 2010). In consolidation, companies merge and form stronger a competitor to serve the existing customers and lure new ones more efficiently. As consolidation reduces the number of companies in the industry, combines the market shares of two or more companies, and simultaneously creates more immense entry barriers, merging companies become attractive targets for investors. Consolidations are especially common right after an industry has passed its growth phase.

In their 2022 research, Li & Fang examined how different customer behavior and system designs contribute to the transaction costs in sharing economies on digital platforms, concluding that the lower the transaction costs are, the more confident the buyers are in performing the transaction. Likewise, if the customers perceive transaction costs as high, they will likely switch to another service. Mirroring Williamson's concepts of asset specificity, uncertainty, and frequency of transactions, Li & Fang (2022) state that customers who repeat transactions on digital platforms and become accustomed to them usually regard transaction costs as low.

Similar effects occur when the service is tailored according to the customers' wishes, and they do not have to spend time searching for information or how the system is operated. Suppose the usability of a service is of poor quality, and the customer cannot find what they are looking for. In that case, their interest in the digital platform is reduced, emphasizing the importance of creating an intuitive and easy-to-use user interface. Furthermore, the risk of high transaction costs is reduced if the digital platform offers additional benefits that complement the service or its functionality. (Li & Fang, 2022)

2.3.3 Capabilities

The resource-based view suggests that an organization's resources and internal capabilities are its source of sustained competitive advantage (Barney, 1991). Resources can be defined as anything that is a strength or weakness of an organization, such as brand, technology, financial capabilities, or specialized skills (Wernerfelt, 1984), whereas capabilities refer to how the organization can take advantage of and improve the productivity of said resources (Makadok, 2001). Strategic resources are distributed unevenly between organizations in an industry. Therefore, the organization should identify its most important tangible and intangible resources and understand which fulfill the "VRIN" criteria, i.e., valuable, rare, inimitable, and non-substitutable. Those resources should then be protected and developed. (Barney, 1991)

Valuable resources improve the company's efficiency and can be used to defend against potential threats or create new business opportunities. Rare resources are not readily available for other companies to obtain, whether they are tangible rare raw materials or employees with particular skills and knowledge. Similarly, inimitable resources are not easily copied by competitors, for example, due to the high costs of such a procedure.

As there is no definite timeframe for how long a sustained competitive advantage can be held (Barney, 1991), the organization in control of valuable, rare, inimitable, and non-substitutable resources needs to be aware of the changes in the market and technological changes that could drive the once powerful resources redundant or replace them entirely. If a company can implement strategies that lead to advantages that its competitors cannot achieve, this leads to sustained competitive advantage (Barney, 1991).

While the resource-based view explores the sources of competitive advantage, Teece, Pisano, and Shuen (1997) introduced the concept of dynamic capabilities to focus on the organizations' abilities to adjust its resources and capabilities as a response to the changes and sometimes rapid evolution in a competitive environment. For example, Apple could be used as an example of a company with high dynamic capabilities. The company has evolved its offering from personal computers to mobile phones, tablets, and digital platforms.

Similarly, organizations should clarify and invest in their core competencies to support their competitive advantage. Prahalad and Hamel (1990) define core competencies as the "collective learning in the organization". Core competencies are an umbrella under which the resources and capabilities that differentiate the organization from others in the marketplace fall, leading to competitive advantage. An organization should avoid outsourcing core competencies (Fine, 1998) and instead focus on tasks for which the organization does not have a strategic need or specialized knowledge (Quinn & Hilmer, 1994).

An organization can gain a competitive advantage by being the first on the market. If a service or product is tied to an innovation or a technological solution that is not yet widely available, it can take years for other companies to catch up to the brand recognition, market share, and customer base the first mover has gained. The first-mover gains advantages over resources on the market and can achieve higher buyer switching costs. (Wernerfelt, 1984). However, to efficiently use the first-moved advantage, the organization should know the market and identify whether its first-mover strategy is already used by existing or other entering competitors (Liebermann & Montgomery, 1988).

2.3.4 Identity

Organizational identity refers to how the organization's members see the company. Asking the members of the organization questions regarding identity, such as "Who are we as an organization? "or "What do we do?" helps in understanding the actions and directions of individuals, the organization, other organizations, or even larger entities (Gioia et al., 2013). An organization can create cohesion if its identity closely aligns with its operations (Santos & Eisenhardt, 2005).

How identity is perceived can be used to determine what the organization's internal members should perform and how other external organizations relate to the organization in question (Albert & Whetten, 1985). Considering this, the question of identity is not limited to the internal points of view inside the organization but consists of the interpretations of its stakeholders and competitors. While earlier studies on organizational identity present identity as an unchanging and stable concept, the more recent research would imply that due to the advancements and changes in technology, politics, and regulations, the organizations change alongside their identities, making those identities temporal and subject to change (Gioia et al., 2013) and unlikely to endure stable when faced with changes in the business environment (Gioia et al., 2000).

Changes in organizational identity can be both planned and deliberate, such as in the case of a merger. However, they can also be unplanned and unforeseen (Gioia & Thomas, 1996), for example, emerging as a part of a response to changes in the business environment (Gioia et al., 2013). Additionally, an organization can have many, even conflicting (Humphreys & Brown, 2002) identities simultaneously, and they might be presented differently to different audiences depending on the context, perspectives, and interpretations of the organization's members (Albert & Whetten, 1985).

As important as asking "who we are", it is equally important to distinguish "who we are not". While an organization can expand and broaden to many businesses and industries, it cannot do everything and be the best at everything. Understanding the identity of the organization can be used as a strategic measure or an act of obtaining legitimacy in the marketplace (Suchmann, 1995) by trying to differentiate from the competition, especially if the competitors offer similar products to each other (Gioia, 2010; Clegg et al., 2007).

A distinctive identity can even yield competitive advantage (Santos & Eisenhardt, 2005) if the employees and customers identify with and find an emotional connection to it (Rindova & Fomburn, 2001). However, a poorly nurtured identity can become a source of competitive weakness if the identity cannot follow the organization's strategic goals and actions, for example, if the organization approaches new business opportunities with an unchanged old identity (Santos & Eisenhardt, 2005).

2.4 Theoretical framework

The research aims to understand the reasons for the evolution of the SVoD industry from 2007 to 2023. The research uses the aforementioned theoretical lenses or boundary conceptions of power, capabilities, efficiency, and identities to form a holistic and thorough understanding of the researched topic. These theoretical lenses inspect issues, reasons, and phenomena from a general managerial perspective, and as such, they are not directly related to empirical evidence produced by this research. Instead, they support knowledge creation and gather information and perspectives on the research processes and result analysis.

Using these lenses for research purposes originates from the firm boundary theory of Santos & Eisenhardt. While this approach has been used to examine phenomena such as servitization (Huikkola et al., 2020), resource integration (Salonen & Jaakkola, 2015), or value-based selling (Keränen et al., 2020), using them in the context of industry analysis has so far been rare.

The following theoretical framework has been built based on the earlier discussions and findings from the literature review. The expectation from this framework is that changes through one boundary conception impact not only the evolution of the industry but also the elements of other conceptions.

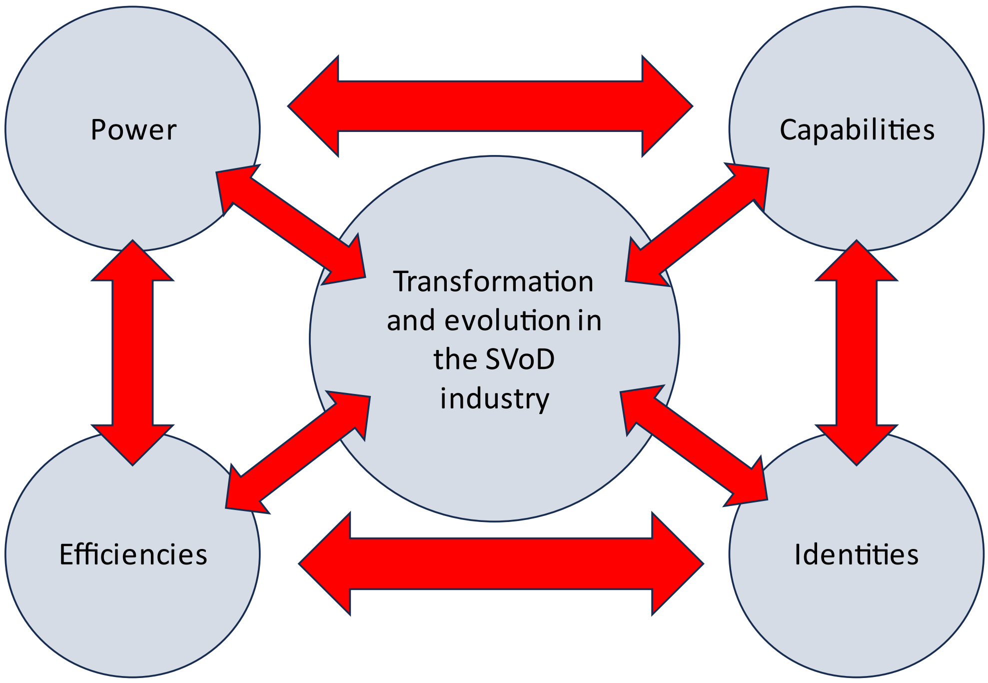

Figure 5. Theoretical framework

As theorized by Santos & Eisenhardt (2005), the relationships between the concepts behave in a connected, synergistic, and connected manner, which enables the opportunity to form a holistic perspective and thorough interpretation of the research data. Furthermore, and perhaps most importantly, it enables examining why the industry changes have occurred.

3 Research methodology

In this chapter, the research methodology and data are presented and justified. The chapter begins by examining the approaches and methods for conducting the research. This is followed by an explanation of the data collection and a description of the data analysis process. Finally, the chapter examines and discusses the validity and reliability of the research.

The research examines the evolution of the streaming-video-on-demand industry during 2007-2023 and its future. With a focus on understanding the key reasons behind the changes in the industry in terms of power, capabilities, efficiencies, and identity, the research attempts to explain the causes and effects of transformation in the industry. It is, therefore, *explanatory* (Eriksson & Kovalainen, 2015: 29).

3.1 Research method and approach

Eriksson & Kovalainen (2015:24) present two basic models for the research approach: deduction and induction. From the deductive angle, research starts from existing theory propositions, which are tested, whereas inductive research starts from gathering data and builds a theory based on the results. Since this research attempts to create understanding and theory from empirical evidence, the research is *inductive*.

This research uses *qualitative* research methods. Qualitative methods are commonly used in inductive theoretical development (Ghauri & Gronhaug, 2002) to create knowledge based on individual experiences to build interpretations or understanding of different phenomena or issues (Creswell, 2003: 18.) Qualitative research is characterized by an interest in the "*contextual meaning of the data*", e.g., understanding the 'whys', the 'hows' and the reasons behind the examined phenomenon to build a cohesive and holistic picture of the topic at hand (Eriksson & Kovalainen, 2015). The researcher's responsibility in qualitative research is to collect meanings from the data and make valid and constructive interpretations and assumptions based on the findings (Creswell, 2003: 19-20).

This research is approached from a pragmatic research philosophy. Pragmatism focuses on the "actions, situations and consequences" to create knowledge while treating the research problem as the most critical aspect of the research (Creswell, 2003: 11). Pragmatism approaches the world from the point of view where multiple realities exist simultaneously and therefore allows different beliefs, opinions, and assumptions to exist. Research always takes place in a social, historical, political, or other circumstance and could, therefore, benefit from a theoretical lens to mirror the environment (Creswell, 2003: 12). Since this research examines the reasons and consequences of changes and transformation from the point of view of several different persons while reflecting on the learnings through the theoretical lenses of power, efficiency, capabilities, and identity, it follows the philosophy and characteristics of pragmatism closely.

3.2 Data collection and analysis

A purposeful expert sampling method was used as a sampling method to gather credible and empirical data. Purposeful sampling puts the researcher in charge of determining who to include in the research sample by handpicking individuals who have the characteristics that fit the purpose of answering the research question (Yin, 2009: 46). Since the research aims to focus in-depth on a specific industry, the interviewees should be experts of the industry with knowledge and experiences on its characteristics, structures, and history. For data collection, nine semi-structured interviews were conducted in the autumn of 2023. The different backgrounds and the number of interviewees open a possibility for a wide range of interpretations and perspectives for the research while handling the amount of collected data at manageable levels.

The interviewees comprised seven SVoD industry experts, ranging from technology consultants and media professionals to people with experience working directly in the industry in various managerial positions. Moreover, two consumer interviews were conducted to gain additional insight into the topic from another perspective. These two consumer interviews were conducted with slightly altered interview questions from the expert interviews to reflect better their role, knowledge, and understanding of the industry. Out of the nine interviews, eight were through online meetings and one with a questionnaire. The interviews were conducted between 7.10. and 23.10 through a channel of the interviewees' choice.

Table 2. List of interviews, dates, and durations

Interviewee	Date	Duration	Recording and notes
1. Technology consultant	7.9.2023	25 min	Recorded online meeting
2. SVoD industry professional	27.9.2023	-	Questionnaire
3. Media industry professional	28.9.2023	30 min	Recorded online meeting
4. SVoD industry professional	10.10.2023	35 min	Recorded online meeting
5. SVoD industry professional	12.10.2023	40 min	Recorded online meeting
6. SVoD industry professional	18.10.2023	60 min	Recorded online meeting
7. Consumer	21.10.2023	30 min	Recorded meeting
8. Consumer	23.10.2023	30 min	Recorded meeting
9. SVoD industry professional	17.11.2023	50 min	Recorded online meeting

When analyzing an industry, there is a potential risk if industry competitors are interviewed. Interviewees could be hesitant to share their data and knowledge or disagree to participate altogether, fearing that those could reveal something that could cause economic harm to their company (Porter, 1980). Therefore, it is sometimes recommended to interview people who know the researched industry but do not have a stake in a company that operates in the said industry (Porter, 1980). Therefore, along with interviewees who had direct work experience working in the industry, interviewees from other backgrounds were included in the group. As a common practice in management research studies (Gioia et al., 2012), the interviewees were given anonymity to enable more insightful and honest descriptions and observations and to avoid the risks mentioned above and pitfalls. Additionally, anonymity can lead to circumventing respondent bias.

The interview questions were formulated semi-structured and open and then thematically divided based on the literature review findings. This was done not only to understand the general competitive environment of the industry at hand but also to understand the reasons behind its evolution and development from the perspective of power, capabilities, efficiency, and identity. Additionally, dividing the questions under the discussed themes at this stage was done to speed up the coding process later in the research process. The interview questions were formed to keep them as objective as possible to ensure that they do not limit or guide the interviewees toward a predicted outcome. The interviews are the primary source of data in this research. Literature, such as news articles, annual reports, publicly available customer reports, and websites, were secondary sources. The interview questions are included in the Appendices 1 and 2.

Open-ended and semi-structured interviews are commonly used in qualitative business research as they allow the interviewees to explain their points of view and experiences about the topic (Eriksson & Kovalainen, 2015). Semi-structured interviews with pre-determined open questions can yield results that describe phenomena, experiences, or expressions that the interviewer had not thought of earlier or that could not be achieved using quantitative methods (Saunders et al., 2009: 323-324). This approach also enables the interviewer to ask for more specified answers and examples, if deemed valid, or to expand on interesting notions, expressions, or other elements that might emerge throughout the interview.

The online meetings were recorded with the interviewees' consent and transcribed to text format through an audio transcription tool of Microsoft Word text editor. The tool did not yield entirely accurate results, so the transcription had to be carefully compared to the original audio recordings and edited manually accordingly. Following Patton’s example (1990: 465), the raw transcriptions data was compiled and coded by identifying recurring elements and expressions in the transcriptions. Those were then distributed under the categories of general, power, efficiency, capabilities, and identity to form a link across theoretical literature and empirical research and to enable a uniform and concise analysis and interpretation of the data and results. Since the themes mentioned above are strongly related (Santos & Eisenhardt, 2005), the related expressions could sometimes overlap during the interviews. Therefore, each expression had to be examined and separated carefully to determine which theme they belonged to.

3.3 Validity and reliability

There are four elements to examining and ensuring the validity and reliability of research: internal, external, and construct validities and reliability (Yin, 2009: 40-41). Internal validity examines the causal relationships and the reasons and conditions behind the phenomenon and creates correct conclusions, whereas external validity refers to how generalizable the research results can be (Buchanan et al., 2009: 470; Yin, 2009: 40-42). Construct validity examines how well the research measures what it is intended to or whether it inadvertently measures something else entirely (Yin, 2009: 40-41).

The internal validity of this research was ensured by deriving research frameworks from previous high-quality studies and using data triangulation through the four theoretical perspectives of power, capabilities, efficiency, and identity. While the direct results of this research may not be well generalizable since it focuses on one industry under a limited timeframe only, the managerial learnings and implications could be utilized when examining the broader related concepts, such as digital platforms and ecosystems. To ensure construct validity, this research used multiple expert interviewees from different backgrounds as sources to gain a thorough understanding and perspectives on the inspected industry.

The reliability of research means that the study can be replicated and conducted again with the same methods to gain the same results (Yin, 2009: 45; Buchanan et al., 2009:

470). As the interview questions, methods, and literature have been transparently documented and presented, and the interviews have been recorded and transcribed, there is a possibility of replicating the research. In the context of this research, it is essential to acknowledge that it examines a significantly transforming industry in 2007-2023. Therefore, when replicating the research, findings that touch that timeframe will remain the same but will likely change if the inspected timeframe is changed.

4 Results

Since its introduction, coinciding with Netflix's launch in 2007, the SVoD industry has attracted many competitors from different backgrounds in pursuit of gaining their share of an exceptionally expanding market. For most competitors in the industry, streaming services are not the sole industry they operate in but a singular business function established to support the larger strategic goals of the entire organization. For example, telecommunication companies have launched their own SVoD services or supportive services to create commitment and engagement from their customers. In contrast, large technology companies might bundle the streaming service with other services, creating synergic and easily accessible customer paths in an ecosystem. Additionally, traditional entertainment companies and movie studios, such as Disney, Warner Bros., and Paramount, have launched their services to bring their content closer to the customers by simplifying the value chain to maximize profits. Along with multinational and large corporations, many markets have local competitors who differentiate themselves by offering locally produced content.

Due to its lucrative business opportunities, the SVoD industry has grown rapidly into a business worth hundreds of millions of dollars in only 15 years. As new competitors entered the market in quick succession, the industry evolved into a highly competitive environment, which the interviewees described as "extreme", "saturated," and "apoplectic". The interviews support the findings from the literature review, concluding that – as of 2023 – the market has reached a point where it is expected that most competitors will not survive the competition, resulting in exits from the market, mergers, and consolidations. What further heightens the competition in the industry is the prevalence of competing services that are either entirely free or funded with advertisements. Additionally, the industry faces indirect competition from other forms of entertainment and how consumers spend their free time, ranging from video games and social media to sports and even sleep.

This industry's evolution has not only changed the customer habits of consuming entertainment but profoundly transformed and challenged the business models of some of the world's largest and most prestigious companies. The changes in the industry’s powers, capabilities, efficiencies, and identities have impacted each other and will continue to do so in the future.

> *Change is continuous. That is one thing that can be said for sure about this industry. (Interview 6, 2023)*

4.1 Power

According to the interviews, the SVoD services have transformed the value chain of selling and producing content. Content-producing companies and movie studios, such as Disney and Warner Bros., have traditionally controlled the entertainment business for decades through release windows and distributing content rights to different markets. To maximize their profits per product, they produced and distributed the content through many channels (movie theaters, television, DVDs, video rental), sometimes many times over.

However, the emergence of SVoDs reduced the movie studios’ negotiation power significantly. Customers adapted to streaming quickly, and only a few SVoDs were available in the market, which put the movie studios in a challenging position. They had to distribute content in some way to gain profit, but due to the small number of services in the market, they could not negotiate the prices, windowing, and other terms for content broadcasting rights as freely as they were used to in other markets they controlled. The services gained customers regardless, so they did not have to agree to the movie studios’ terms. As a result, the early movers in the market strengthened their negotiation power and position, while traditional movie studios’ power was weak.

> *The most remarkable change in the whole business is how Netflix successfully challenged the entire windowing and business logic of the industry, and by doing so, it*

was able to put pressure on the traditional players in the market. This eventually led to strikes back. For example, Disney pulled almost their entire content catalog out of Netflix and launched their own service. (Interview 6, 2023)

Following the reduced negotiation power in the entertainment industry, movie studios such as the aforementioned Disney and Warner Bros. began developing and launching their streaming services in ca. 2019 to gain control of the market and added revenue. They would pull some or all their content from other services and limit or lock it exclusively on their platforms to gain more control and protection over their productions and intellectual properties. The movie studios understood the value of content as a means of attracting customers and thus also experimented with launching content exclusively on their own SVoD service. This exclusivity practice removed all the other distribution channels - movie theaters, digital video rental services, physical media sales, and other SVoD services - altogether from the value chain to maximize their profits through their distribution channel.

Exclusivity and limited-release windows are potentially lucrative when the companies have highly successful intellectual properties such as Marvel, Star Wars, or Harry Potter. According to the interviews, production companies possessing acclaimed or popular content have excellent negotiation power; selling their content to the highest bidders and owning exclusive content determines how easy it is to access the market. For example, Disney penetrated the market and lowered their entry barriers due to their extensive content catalog, which is popular among customers. The increased control over content rights complicates or entirely prevents some other competitors from approaching the market. Different markets and areas require separate distribution rights, which emphasizes the strategic importance of producing or controlling the rights to content on a platform.

The interviews suggest that bundling will become a more commonplace business practice in the future and is already resulting in a competitive advantage in the market because it allows companies to create synergies between different parts of their ecosystems. For example, Amazon Prime Video's user interface displays links and recommendations to Amazon's online store based on the content that is being watched. In other words, if the customer watches a James Bond movie on Amazon Prime Video, they are recommended to explore the James Bond-themed selection of gifts and apparel on Amazon's store. This synergy is further emphasized by Amazon's subscription, which offers additional online shopping benefits, such as free delivery options. Bundling in the SVoD industry is already common with telecommunication companies, who bundle together streaming service subscriptions with internet or telephone connections, or companies whose entire business is not centered entirely around streaming.

In the interviews, Amazon's bundling model was often highlighted as pioneering, the most sustainable, and robust in the industry due to its integration into its ecosystem. As a large multinational technology company, Amazon's business is not dependent on its streaming service but essentially treats it as a byproduct, a part of its customer loyalty model, which in turn supports Amazon's core business ecosystem by driving customers from streaming services toward online shopping. Therefore, an argument made in the interviews is that Amazon's streaming service alone does not need to be profitable if its existence benefits the company's other sources of revenue.

> *Amazon is the master of bundling. Their Amazon Prime bundle is all about online shopping and home delivery, and the streaming service is offered as a byproduct. Amazon's online store is vast, and Amazon has many hooks. It is almost like a free toaster that you get on top of the deal when you buy everything else. (Interview 3, 2023)*

The interviews also state that out of all SVoDs, Netflix has gained such a prominent status on the market and in customers' minds that its subscribers are less likely to replace their Netflix subscription with something else. The contributing factor to this status is Netflix's history as the frontrunner and pioneer of the industry, who, through first-mover advantages, was able to capture a significant market share and create brand recognition while consistently managing to bring new and engaging content to the subscribers before many other competitors were able to enter the market in the first place.

The interviewees agreed unanimously that the years at the height of the COVID-19 pandemic, 2020-2022, were the peak for the industry in terms of growth and expansion. The government restrictions naturally accelerated the adoption rate and consumption of streaming services because people were encouraged to stay inside as much as possible to avoid the risk of infection. Thus, the options for spending free time were limited. Echoing the statements of George Lukezic (Gorenflo, 2011) about platforms' role as problem solvers, the SVoDs essentially provided a solution to the limitations on how people could spend their free time. The accelerated growth and popularity of the SVoD market attracted newcomers and existing competitors to invest in the market in hopes of financial profits.

However, while COVID-19's impact on the industry was tremendous, the interviews state that its impact on the streaming services was exaggerated in the media, which painted falsely positive interpretations, expectations, and predictions on industry growth. According to the interviews, the pandemic mainly contributed to people's time using SVoD services, not necessarily how many services they would subscribe to. While the pandemic accelerated the industry's growth, it also heightened the competition by bringing in new competitors seeking lucrative business opportunities who invested aggressively to gain market share.

> *The pandemic brought much money to the industry and boosted it. However, most of that boost has already waned down. It is interesting to think – if the pandemic never happened – whether the current ''crisis'' of the industry had happened much earlier or later. Perhaps later, since the pandemic accelerated development and development paths. (Interview 5, 2023)*

It is, however, essential to note that the SVoD industry was not the only one that financially benefitted from the pandemic. The restrictions boosted the sales of other leisure and activity-related accessories, from video games to coats and running shoes. The SVoD services do not compete only against other SVoD services. Instead, under normal circumstances, the competitors face substitutes and competition from all forms of entertainment, leisure, and ways to spend free time. After the pandemic restrictions were lifted, customers now have more options to spend their free time. Since time is limited, customers must approach their options as constant trade-offs. In preference to other activities, the industry growth rate during the pandemic has since subsided.

> *First and foremost, the competition is about the consumers' time. Not only do you have many different services on the market, but Netflix once argued that their worst competitor is sleep. The competition is not just about the streaming services alone, but all forms of entertainment and free time.*
> *(Interview 5, 2023)*

According to the interviews, most SVoD customers subscribe simultaneously to two to three services per household. Subscribing to more than three services is uncommon since the customer's time and money are limited. With the large number of services available, combined with the economic uncertainties of 2023, which has dramatically affected the customers' ability to spend money on entertainment, the question remains: Which two or three services will the customers end up subscribing to?

> *The ability and willingness of people and households to pay for streaming services are saturated in a certain way. If you subscribe to 2-3 services, for which you pay 10-15 euros a month, it starts to limit what people with an average income, regardless of their age group, are willing to pay. (Interview 3, 2023)*

> *According to our customer interviews during COVID-19, many expressed that they did not even remember all the services they were subscribing to. The situation has changed because people have needed to consider spending more carefully due to the rising costs of food, electricity, and such. (Interview 6, 2023)*

While new competitors emerged in the market, especially during the COVID-19 pandemic, the threat of new entrants is low, according to the interviews. New entrants in the market face the financial, productional, and distributional challenges of gathering enough resources to penetrate the market because large companies with established high brand recognition, capabilities, and financial resources mainly control it. Rivalry among these companies has grown significantly, evidenced by the number of expensive investments in the industry. While it is common for highly rivaled industries to lower prices, the opposite has happened with the SVoD industry. Services have generally increased their pricing, one by one, to optimize costs. However, increased prices are counterbalanced by introducing new pricing models and bundling deals.

Along with the emergence of a wide variety of substitutes, the growing oversupply of services and content in the wake of the services' popularity during COVID-19, and the introduction of alternative pricing models, the customers' negotiation power has improved. As the services have become more commonplace, customers have increased their knowledge of the services and the alternatives. As the services are differentiated mainly by the content they offer, the buyers tend to compare every service and find whichever suits them best. As it is simple and inexpensive for customers to switch from one service to another, it is likewise easy to revert to subscribing to the service they had earlier if they so desire.

Respectively, these same elements and changes have reduced the negotiation power of suppliers, namely the services and production companies, unless they own valuable intellectual properties and exclusive content. As explained earlier, the movie studios' negotiation power decreased significantly after the introduction of the SVoD services, which forced them to rethink and reform their value chain. Upon launching their streaming services and adjusting their strategies over the control over their exclusive content, the movie studios' negotiation power has since improved since they were able to gather a solid customer base through their branding and exclusive content. Hagiu (2014) states that low switching costs result in companies having to find other ways to create barriers in the market. Thus, the power of exclusive content has emerged as both the leading differentiator and a high barrier in the market.

If the SVoD industry is contrasted against the Five Forces framework, entering the market as a newcomer is not advisable.

> *If you think about the state of competition from the perspective of Porter's theories, it is apoplectic. The gross margins are small. To join the market, one must invest tremendously in the platform and its content. If you think about it from the*

perspective of the Five Forces theory, it is recommended not to enter the market. From a newcomer's perspective, there are probably more lucrative business opportunities. (Interview 5, 2023)

4.2 Efficiency and transaction costs

According to the interviews, the challenge that SVoD services face currently and in the future is producing engaging content with high quality while keeping the costs reasonable. In the industry's growing years, significant investments were made to improve the services and content creation at the detriment of profits. However, lately, due to the financial expectations and demands of the investors and stakeholders, the focus has shifted to actions that work in preference of optimization and cutting costs. Generally, cost-effectiveness was mentioned in the interviews as the most recent and vital focus area for the industry and as an evident source of competitive advantage. This trend follows Williamson's concept (1985) of minimizing transaction costs to create cost efficiencies.

Offering digital service cost-efficiently is a source of competitive advantage in the industry. For starters, the platform must have been developed with cost efficiency in mind by focusing, for example, on cloud-based technical architecture, activating customers, and maintaining their engagement. Curating the content is essential, but it should be done cost-efficiently, not by investing billions in it. (Interview 4, 2023)

While investing in content is an efficient way of acquiring and retaining customers, as explained earlier, the production costs for content are often enormous due to the salaries, increased use of expensive special effects, and marketing and distribution costs to several different markets. The bigger the budgets are, the more enormous impact the investors expect the productions to make, which explains why high-quality content has become more expensive and common year after year. The inflated budgets alone do not guarantee success, forcing the streaming services to find ways of producing content more cost-efficiently or find other sources of revenue and cost-cutting. Additionally, the industry is troubled by customers' exploits of the systems, which enable the use of the services with little or no costs and thus result in unobtained profits.

As a sign of the industry reaching maturity, the popularity of the services has led to the customers having high knowledge of the services, and therefore, misusing the systems has become commonplace. In an optimal scenario, a new customer would subscribe to the service when a new series starts and would continue their subscription for weeks or months, even after all the episodes for their favorite series have been aired. Instead, to save money, subscribing to a service only for a short time and canceling it as soon as the desired content has been consumed, or "binge-watched", is common, as is sharing accounts with friends and family. As these behaviors leave potential profits unobtainable, the services have, starting in 2023, to introduce new practices that restrict the extent that customers can share their accounts.

> *The consumer is clever. Especially the younger generations, who have less money and more wit, come up with ways to pay the minimum amount, trying to get the most out of it. (Interview 3, 2023)*

While countermeasures against the customers' misusage of the services have caused dissatisfaction due to restricting the freedom they were used to, the interviews would suggest that implementing such restrictions will become a necessary step to improve the services' profitability in the future since up to 70% of customers on a service could misuse them through shared accounts. Mirroring earlier predictions (Gardner, 2019), the interviews suggest that eventually, one by one, every service will likely follow with implementing such or similar restrictions since misusage heavily impacts the services' profitability. Similarly, once a common business practice of offering free trials has largely disappeared from the industry and has since been replaced with alternative pricing models to battle misusing the services and increasing switching from one service to another.

The interviews state that a more extended subscription at a lower price is better than giving customers free trials or subscribing for a short window and immediately canceling. Long subscriptions yield at least some revenue, whereas free trials do not. When the first SVoD services were launched, free trials were a common way of letting people experiment with the services, their features and content, and getting accustomed to them. Therefore, the importance of free trials as a business practice is essential to note since similar services did not exist then, and customers had little knowledge about the services in the first place and, therefore, were hesitant to subscribe to them, an issue which free trials were meant to remedy. However, as the customers grew accustomed to the services and the services started facing reduced profit expectations, the free trials have since become a rare business practice, as they generate low or negative benefits at this stage of the industry lifecycle.

> *The industry has started to abandon the free trials, which, frankly, are poison. A customer who uses free trials is honestly causing the service only harm unless they recommend the service to their friends and family. (Interview 5, 2023 (Interview 4, 2023)*

Generally, pricing between the different SVoD services is somewhat rigid and homogenous. This is because lower pricing alone does not drive customers if the offered content is lacking; paying a higher price rarely makes sense from the customer's perspective since there is an abundance of alternatives and substitutes. This pricing rigidness highlights the importance of other factors that generate competitive advantage and differentiation in the market, such as exclusive content. While the interviews state that content drives customers to subscribe to a service, there is a limit to how much they are willing to pay for a service, regardless of the quality of the content. However, the services have recently raised their prices, sometimes many times a year, to increase their profits and revenue to satisfy the investors' expectations. The interviews argue that the customers have generally accepted these raises since they coincide with other price increases everywhere due to inflation and economic uncertainty and are expected to happen.

However, as a response to less satisfying profits, the services have, in recent years, experimented with better pricing optimization strategies and temporary package deals to gain new customers to subscribe to the services. Some examples include selling a lifelong subscription at a discounted price or selling a 12-month package for the price of 9 months. The advantage of these deals from the service's point of view is that they encourage the customer to try the service at a lower price, potentially lure them to subscribe for an extended period, and ease them into a habit of paying a small monthly fee for many years. This practice responds to customers subscribing and quickly unsubscribing the services, leaving many months' potential profit unobtained. Deals and lower-priced packages are common with larger multinational competitors since their financial resources can sustain lower profits for a longer time in efforts to gain market share.

Additionally, SVoDs have recently introduced alternative pricing models, which do not require paid subscriptions but are entirely or partially financed by showing advertisements. These pricing models have been introduced as a new revenue stream to maintain growth, drive engagement, and acquire new customers in response to unfavorable subscriber growth forecasts. Offering alternative pricing is also used to lower the barriers to resubscription and lure back unsubscribed customers who left the service for price increases or account restrictions and are used to paying a lesser price or nothing.

The interviews state that the question of balancing between different pricing models requires careful interpretation of the customer data, for example, in determining how often and how long advertisement breaks they can show and whether entirely advertisement-based models can become profitable in the first place since this challenges the ad-free experience as one of the early defining assets of the SVoDs which attracted customers to subscribe in the first place.

4.2.1 Content production

In the interviews, content was unanimously named as the most attractive attribute of the SVoDs to the customers, and therefore, it has become an essential focus of investment and differentiation. Even if a series or a movie has been branded as “exclusive” or “original”, content production is often outsourced to production companies separate from the streaming service or its parent company. This is because content production is not at the core competencies of most streaming service companies. Therefore, it is outsourced to companies with the required experience and skills to produce engaging, high-quality content. The streaming service, as such, often works only as a financer and buyer of content, negotiating with the production companies on what to produce and for how long the service will hold the exclusive broadcast rights of said content. The model is, therefore, reminiscent of how traditional television channels operate.

Exceptions exist, as explained earlier, with companies like Disney and Warner Bros., who act simultaneously as the production, marketing, and distributing company and have decades of experience and a wealth of resources and talent in producing content. As another example of maximizing the value of their investments, instead of investing in life-long rights to exclusive content, some SVoDs have in recent years experimented with selling their rights forward to other platforms, only keeping the launch window to themselves and allowing the content to be broadcasted on their competitors' services later. This practice is used to create strong engagement and lure in new customers. The rights can be sold for additional profit once the initial release window has ended and the additional content value has been reduced.

The interviews state that the earliest self-financed productions were created to appease small but quality-driven customer groups and to spread the word about the services as a hub of good quality content. Carefully picked movie stars, directors, and scriptwriters turned productions into success stories that could rival those on television, with Netflix’s House of Cards being the first to achieve success that could be described as a global phenomenon. While the number of productions was relatively low, they generated attention and interest due to their quality, luring new customers to try the streaming services.

The early 2010s saw a change in content production. As more and more customers subscribed to the services, there was a constant need for new content to appease the expectations of a varied customer pool of new and existing customers. This need led to services investing in producing as much content as possible and using the extensive content catalog as a selling point. While this required tremendous investments and financially benefitted the production companies, the quality of the content was contested due to a lack of quality control and resources. The heightened competition during COVID-19 further pushed the streaming services to fight for market share by investing significantly in new content in quality and quantity.

In the interviews, it was argued that simply producing content of better quality will not yield higher profit margins at the current stage of competition because there is more supply for content than demand for it. As explained earlier, while content is widely considered the most attractive asset of the SVoD services and a valuable differentiator, there are doubts about whether customers would be willing to pay extra for their subscription in return for more and better content. The dilemma of essentially offering a high-quality product at too low a price has led to smaller gross margins and, thus, financial challenges, pushing the industry toward cost optimization.

The outlook of content production costs and investments divided the opinions of the interviewees. While it was generally agreed that the costs were enormous and had been rising steadily for years, whether they would keep rising or reducing was contested. Some interviewees expressed that the industry is moving towards optimization and cost efficiency to improve gross margins instead of investing more in expensive productions. In contrast, others believed that higher returns could be reached by saving from other sources. Regardless, as the content is widely accepted as the essential feature, differentiator, customer acquirer, and retainer of each service, it is likely that whenever the rate of investments in content starts to slow down, it will not happen instantly but slowly and gradually over time. To control the production budgets and gain cost efficiencies, instead of marketing the services with an extensive catalog, the services have in recent years started to focus more on producing singular high-quality, “must have” titles, which are used for both acquisition and retention of customers, as well as luring back once unsubscribed customers who consider resubscription.

> *The services are playing two different games simultaneously: to produce content for both new and old customers. Because of the marketing costs, retaining old customers is more manageable than acquiring new ones. (Interview 5, 2023)*

The interviews reveal that the high content production costs have led to the optimization of “catalog titles”, which means purchasing broadcasting rights to “old” content and branding it in the service as a new addition, even if the content had premiered in movie theaters months or even years prior. Older content generally has lower demand and cheaper broadcasting rights than newer content, allowing the services to expand their catalog with fewer investments. Catalog optimization in search for better gross margins does not limit itself to acquiring titles but also giving up ownership to rights for expensive content, which is common with sports broadcasting rights. Balancing between high costs and maintaining a living content catalog is a constant game of trade-offs in search of the most engaging and cost-efficient catalog.

4.2.2 Technical and organizational efficiencies

Due to the heightened expectations of their investors and other stakeholders, the SVoDs operate with strict calculations of profitability and return expectations in mind. In addition to content, investments in running data, servers, marketing, and improving usability and user experience are significant. To balance the allocation of their resources, services that have developed their technical capabilities sustainably steer their operations from service development towards maintenance. A significant investment for every SVOD in their early stage is findability since robust algorithms and search engines contribute remarkably to customer retention by constantly recommending customers new relevant content that matches their tastes based on their previous searches and watched content.

The interviews state that, in some cases, companies have invested hundreds of millions in their findability alone, further highlighting the feature's importance. User-friendly systems and engaging interfaces further contribute to findability, which enables the customers to spend less time performing transactions on the service. If such features are lacking, the customers' interest in the services reduces (Li & Fang, 2022). Likewise, due to the customers' getting accustomed to using the services and their increased knowledge of them, their habits and expectations that they can watch the content at any time and any place push the services to invest in additional development testing on mobile devices, Smart TVs, and other accessories that are built to cater for those expectations in mind.

According to the interviews, consolidations, and mergers will likely become more commonplace within the industry due to elevated mobility barriers - high costs, brand names, trademarks, and a widespread market. Consolidations improve the efficiency of the platform organizations by enabling synergic and competitive advantages by combining or reducing personnel, production, broadcasting rights, and platform development costs. Mergers and acquisitions allow companies to grow quickly, implement new technologies, and reach a dominant position in an existing market by taking advantage of the combined resources available while catering to the existing customer base (Chan-Olmsted, 1998).

Additionally, interviewees predicted that large technology companies, such as Amazon, Apple, Facebook, and Google, are likely to acquire some already existing streaming services to expand their market reach and content libraries by integrating them as parts of their ecosystems. The position of Netflix as the industry's pioneer was contested among the interviews, with some arguing that it has, as such, secured its position on the market, while others stated it is only a matter of time before a larger company will buy it to integrate it as a part of ecosystems and offering. The interviews state that mergers in the industry are favorable for the customers since they group a broader and more diverse content pool and customer base.

The interviews predict aggregation within the industry since the concentration of services benefits the customer by solving their pain points of having too many services available to choose between and thus drives the customers to use such a concentrated service. An aggregated model could be one service combining several SVoDs into one. A step towards this direction has already been seen in some companies introducing TV services, which combine traditional television broadcasts with many streaming services under one operating system.

Additionally, as cloud-based solutions are essential for the SVoDs' technical operations, the interviews suggest that streaming services can gain cost advantages if its cloud provider can develop a better and cheaper solution or - better yet - if the streaming service can develop its own cloud solution.

4.3 Capabilities

As explained earlier, the SVoD industry is challenged by saturation. When content is distributed through several channels, the customers are put in an undesirable position, where accessing content becomes time-consuming or expensive. The vast number of services and the division of content across them inadvertently pushes the customers to spend their time looking for the right content and ponder how much accessing such content will cost them. This saturation level and customers' pain points emphasize the importance of SVoDs investing in findability and marketing and communications capabilities. These actions not only limit themselves to acquiring or retaining customers but also work towards standing out in terms of which content production companies agree to produce content for which streaming service.

The interviews suggest that companies with the most resources and best reputations have the most excellent odds of succeeding in the market. This is because resources, such as financial assets and skilled professionals, are needed to ensure the platform service reliability and a constant flow of diverse content. Respectively, quality content requires creative talent. Actors, directors, and screenwriters in high demand are, in turn, attracted to services with the most resources and best reputation since they enable more opportunities for artistic vision and compensation.

The availability of quick broadband connections was widely named in the interviews as an essential technological factor enabling the SVoD industry to start and thrive. Transferring data from the service to the customer at an acceptable quality and speed would be impossible without them. While internet connections have been available for decades, and it has been well understood since the 1990s that there is transformative business potential in them, it took many years for their speed, pricing, availability, and capabilities to match and sustain what streaming requires. These days, not only do quick Internet connections enable the services to operate in the first place, but they also positively impact the service's stability and allow them to display content in high resolution and sound quality. How the internet service providers changed their billing from the amount of transferred data to a steady monthly billing made it more convenient for the customers to use their internet connections as much as they like, which led to the companies investing in business opportunities where the amount of movable data would not prevent or limit customers' usage of the platform.

Smart devices, such as smartphones and tablets, have contributed to the success of SVoD services and expanded the demographic of the user base by enabling the use of SVoDs through a simple user interface and portability, which go hand in hand with the expectations of freedom that the customers expect from the services. The technical capabilities, screen sizes, and user-friendliness of smart devices have improved throughout the years while their pricing has reduced, attracting more customers.

Content is perhaps the most significant resource and source of competitive advantage for streaming services and, therefore, a significant focus of investment for most of them. According to the interviews, content, especially when it is exclusive, is a tremendous lure in both acquiring and retaining customers. At its best - like other resources - content is valuable, rare, inimitable, and non-substitutable. Defining VRIN, Barney (1991) explained that such resources should be defended and developed, which is evident in the SVoD industry with a heavy focus on investing in exclusive content and increasing control over content rights.

The interviews note that especially the broadcasting rights for sports events are precious since they create engagement for more extended periods due to their seasonal nature. Since they create notable engagement by binding avid sports fans to subscribe continuously to a service potentially for an entire season that could last months, the broadcasting rights are in high demand but, therefore, notably expensive. However, as the rights for sports content are expensive, there will be fewer buyers, especially nowadays, as companies make more careful investment decisions to reach cost-effectiveness.

The challenge of selling broadcasting rights has prompted the rights owners to launch their streaming services. For example, NHL and Formula 1 have launched their streaming services, which they generally offer at lower costs than those SVoDs that have purchased the rights to them. Due to their expensive nature, the rights to sports events are usually concentrated on one or few operators in a market, leaving customers with limited alternatives that are sometimes premium or even overpriced. The interviews state that these complicated business practices and high prices have caused dissatisfaction with customers who might resort to online piracy to access their desired content in recent years.

While the SVoD industry’s competitors come from different backgrounds, they have approached the industry from the perspective of their core competencies to create competitive advantage and differentiation in the market. According to Fine (1998), companies should not outsource their core competencies, which could contribute to the reasons why some of the most popular services in the industry were able to penetrate the market. Disney, as a traditional movie studio, has its core competencies in content production, while Amazon benefits from its data-driven decision-making and technical capabilities. Netflix, on the other hand, is an industry pioneer whose core competencies lie in technological innovation, customer experience, and recommendation systems. These competencies not only work as a differentiator but have given them a significant foothold in the industry. The interviews suggest that technology-based innovations attract newcomers and force existing competitors to adjust their strategies, emphasizing the importance of the firms' dynamic capabilities. Excluding Netflix, the rest of the most successful global SVoD services are traditional and large corporations with backgrounds in other businesses. They have succeeded by skillfully taking advantage of their vast pool of resources and strong core competencies.

While large, global corporations own most of the largest SVoD services, the interviews explain that there is room in the market for services that offer a specified offering or cater to a specific target group. Especially telecommunication companies have noticed how locally produced content can be used to differentiate services in smaller markets. Recognizable locations, languages, and cultures attract audiences for their familiarity and relatability, and understanding this niche benefits streaming services. Due to smaller markets and thus smaller demand, the challenge for local streaming services is financing their content production as lavishly as their global competitors. To keep the production budgets in control, the local companies need to carefully determine what kind of content would engage as large an audience as possible within the limited market and produce it as cost-efficiently as possible. Alternatively, creative producers have been able to develop content with minimal budgets, which has become popular on the platform for its quality.

> *During the pandemic, globally operating SvoDs started investing in locally produced content, which, of course, benefited the local content producers. Nowadays, those global operators have withdrawn such practices, especially from smaller markets. This, on the other hand, gives the local services a foothold in the market. Locally produced content is popular amongst subscribers. (Interview 9, 2023)*

The benefit of operating in a digital environment is that streaming services can efficiently gather tremendous amounts of accurate information on customers' behavior on the platform. In recent years, taking advantage of and investing in customer data has become essential in determining the type of content the customers prefer and fine-tuning their user experience to improve customer retention. If the user experience is poor and the customers cannot find what they want, they could abandon the platform (Li & Fang, 2022). Thus, gathering customer data is vital in determining customers' interests.

> *Every digital service competes to take the best advantage of customer data. For example, the popularity of TikTok is based on the algorithms that give the right content just for you, so much so that it is hard to let go of the browsing. It is all about who can use the data the best. (Interview 6, 2023)*

Using the customer data, the streaming services can find out which actors and directors their customers prefer and hire them for their productions accordingly. Companies that invest in data analytics and can convert customer data into concrete actions have a tremendous advantage over their competitors. For example, Amazon’s business is primarily built around using customer data to build and display product recommendations, and it is using the same principles and concepts in its streaming service.

4.4 Identity

The many changes in the streaming industry have impacted how the companies view themselves. How Netflix changed from a DVD rental service to a fully digital company or how traditional movie corporations started investing in their streaming services are examples of changes that are strategically significant. Additionally, as consolidation between services becomes more commonplace and services are combined, the companies need to ask them questions about their changed identity considering the newly emerged combination.

From the customers’ perspective, nowadays, entertainment can be consumed whenever and wherever. Still, a few years ago, the SVoD services had to make a tremendous effort to prove themselves and gain the audience's approval since they were seen merely as alternatives to traditional or on-demand video rentals. However, the significance and general acceptance of streaming have improved throughout the years due to the freedom and acclaimed content they offer. Customer habits for consuming entertainment have changed radically. In the early 2000s, paying for cable television and similar services was relatively rare and mainly focused on broadcasting sports events. However, these days, a household subscribing to SVoD services has become more of a rule than an exception.

> *The societal impact and acceptance of SvoD services have changed. They were not initially seen as players that could be taken seriously. Instead, they were treated merely as an alternative to video rental stores. The services had to work hard for approval from the audience, but these days, many media companies have needed to change their approach and business models to reflect the more extensive transformation. (Interview 1, 2023)*

The interviews explain that as streaming opened new possibilities and freedom for the customers, traditional television became “boring” in comparison because while traditional television required the watcher to be in front of the television at the right time, streaming allowed people to consume entertainment whenever and wherever they wanted on the device of their choice. As the broadcasting and production companies’ focus increased on streaming services to take advantage of their popularity to gain profits, their available resources were not spent evenly between streaming and traditional television, which led to the quality of traditional television dropping. The aforementioned emergence and widespread adoption of smart devices and quick internet connections further emphasize customers’ attachment to freedom, mobility, and a stable user experience.

> *Customers are accustomed to no longer having to sit in front of a television at a specific time. Great content is abundant, which leads to the fact that the customers are not simply satisfied with whatever is shown, but they try to find the most suitable content for themselves. The fact that you can watch content on a tablet, a computer, or even a phone helps a lot. (Interview 4, 2023)*

The identities of the companies in the industry have changed or remained relatively similar depending on where those companies originate from and their role and relationships in the industry. For one interviewed company, branching out to SVoD business started as one of several small, start-up-ish side-ventures within the organization. While the company's roots lie in other businesses, they have searched for new ways to create added value through digitalization and new trends. Branching out and investing in the SVoDs and other digital businesses has been generally seen as a possibility of growing the entire organization through digitalization and innovations, further contributing to the company’s mission. However, the vision and identity the organization started once it joined the industry has not changed by its core.

> *Generally, our organizational identity has not changed much after joining the industry. We started from the mindset of creating high-quality, locally produced content for local markets and the fact that we know our audience. That part of the identity has remained the same, and we want to develop it to become an even more vital differentiator in the market. (Interview 9, 2023)*

On the other hand, the identity change is notable for the larger and traditional movie studios, who have had to rethink their position, inner philosophy, and approach in the market due to their loss of control over the entertainment industry. As explained earlier, their position in the entertainment industry has been profoundly changed, and thus, their status and power in the industry have been challenged.

> *The identities have certainly changed for those companies that traditionally participate in production. Just take a look at Disney. They must have changed incredibly internally. They used to be such a large company, and they have successfully controlled the entire entertainment industry for so long. Ten years ago, they used to be the best and the most beautiful. Nowadays, not necessarily as much. (Interview 6, 2023)*

As the SvoD business and industry grew, the widespread popularity and acclaimed content on the services positively impacted the image and brand of the pioneering SVoD services, which were therefore seen as innovative companies with transformative and revolutionizing capabilities. The positive image then spread the word, attracting investors and competitors for a lucrative business opportunity and a more commonplace adaptation of services. The services were developed with customer convenience in mind, which led to the services launching their products on smart devices. As the services became more accessible and the smart devices became more popular, the user base demographic expanded concurrently.

What characterized the industry's identity in its early years was an approach described in the interviews as similar to that of start-up companies. According to the interviews, this characterization stems from small companies taking advantage of new technologies and innovative business models, and thus challenging entertainment industry giants and value chains. In its early years, the industry invested in gaining growth, revenue, and market share, whereas nowadays, financial incentives and investor expectations have driven their goals towards focusing on profitability and optimization instead.

> *The entire business started at the turn of the 2010s from the start-up-ish movement and operations. Back then, the focus was clearly on the "new" streaming world to be conquered. Today, business has become extremely big, fierce, and focused on results, where identity and exclusivity have been obscured by machinery. (Interview 2, 2023)*

Due to the rising costs of content production and heightened competition, streaming services are beginning to cater to as broad an audience as possible by producing content with broad appeal and a vast potential audience (Sherman, 2019b). Earlier, the streaming services were financing artists who could not find it feasible to release their movies as traditional theatrical releases (Smith, 2021). This shift towards content has caused concerns among critics that the "golden age" of streaming services was nearing its end. (Cranz, 2022) '

Simultaneously, the oversupply on the market and changes in the companies' business models have contributed to a more pessimistic view of the services in recent years. Whereas the proudly transformative and even friendly approach toward customers' freedom characterized the industry in its first years, these values are currently being reevaluated due to new policies and restrictions that are becoming more and more commonplace among the participants in the industry.

> *If you think about Netflix, ten years back, they were quite a small company. Now, they are giants. I would imagine that ten years ago, they had the attitude of challenging the entire business: ''We are the best friend of the consumer!''. Nowadays, with all the changes in their business model, limiting the users and all... Are they indeed the best friend of the consumer anymore? (Interview 6, 2023)*

4.5 The future of the SVoD industry

The future of the SVoD industry is focused on cost efficiency and driven by decisions that generate profits through customer retention. A focus on growing market share characterized the industry's early years, but the market has reached a point where the investors expect the services to turn profitable. Thus, new business and pricing models and additional revenue streams through technical advancements are all considered for future cost optimization and revenue generation.

As explained earlier, the interviews suggest that mergers and acquisitions are already common and will become more so in the future to reflect the strategic focus of the industry shifting towards creating cost-efficiencies, optimization, and profitability. Simultaneously, competitors will exit the market since there is believed to be room only for a few competitors in the global market. Mergers benefit their parties by creating possibilities for cost efficiencies, negative transaction costs (Terviö, 2010), and growth by taking advantage of the larger pool of shared resources (Chan-Olmsted, 1998). It is expected in the interviews that through these changes, the rivalry in the industry will concentrate on 2-3 companies that control the majority of the global SVoD market. Bundling and integrating streaming services as parts of digital ecosystems are expected to become more commonplace, as bundling creates added value for the customer and enables the services to tie the SVoD services as synergic parts of the customer path.

To achieve a sustainable position in the market, using customer data will become more significant. Understanding the needs and expectations of the customers becomes critical when determining the type of "must have" content the services should produce to gain as large an audience as possible. The challenge is producing the content cost-efficiently, with more controlled budgets in contrast to the earlier lavish spending that characterized the industry. As explained earlier, in response to higher profitability expectations, it is likely that the SVoD companies will widely adopt the new pricing models and business practices that restrict account sharing.

Another phenomenon that speaks for profitability and reducing costs is the improved technical capabilities and widespread knowledge of content production available to ordinary people with low financial assets and no background in filmmaking. The interviewers suggest that to save on production costs while maintaining a steady flow of new content, the SVoD companies might try to bring their services closer to social media platforms, such as YouTube and TikTok, where most of the content is produced by the users, and most of the videos on offer are relatively short when compared to most of the series and movies shown on SVoD services.

Social media channels have popularized a trend of consuming tens, if not hundreds, of short videos from different content producers, and they have become exceedingly popular, especially among the younger generations. While this could evolve SVoD services into more open and social platforms, with minimal costs in producing content, it would likely require the platform to overhaul its business model and accordingly invest more in curating the content, as explained earlier by Parker et al. (2016).

> *Looking back, around 10 or 20 years ago, it was unheard of that a single person could produce TV programs. Now, one can take their phone, film with their friends, and edit the whole thing on their computer. Streaming services already have content that is done with a meager budget but is still successful among the audiences. That is proof of democratization, which will further be continued by artificial intelligence. The easier it is to create content, the less there is a need for Hollywood levels of production capabilities. (Interview 5, 2023)*

Virtual reality, along with metaverse, while still some years away from mass appeal, was mentioned in the interviews as having the potential to expand the SVoDs' offering and revenue venues, for example, through gamification. Gaming has already emerged as a new revenue stream for some SVoDs, but its success has remained modest (Richardson, 2023). While there is a strong belief in the potential of virtual reality, the interviews note that investments in VR are considered worth the effort only when the VR ecosystems and accessories become easy and affordable for a more extensive customer base. Currently, the VR accessory market and customer base are too small for the SVoD industries to penetrate cost-efficiently. Augmented reality – the technology of superimposing digital images into the real world – could be another possible venue for the SVoDs to penetrate. Like SVoDs, AR delivers information cost-effectively through a cloud. Its customizability, personalization, and productivity capabilities are expected to change how users engage with digital interfaces. (Porter & Heppelman, 2017).

The interviewees see artificial intelligence as a tool to further streamline productions in the future by enabling more cost-efficient solutions, improving quality, and delegating some tasks for the AI to perform. For example, AI could assist and enhance content creation, improve search functionalities, or streamline customer service through chatbots. With the improvement of algorithms and innovations, AI can improve content quality and customer satisfaction. While AI can cause wide disruption in the way content has been traditionally produced, its possibilities have so far been seen as unfavorable and threatening to content creators such as actors and screenwriters, which in part contributed to strikes in Hollywood in the autumn of 2023 (Delouya, 2023).

5 Discussion

Industries evolve and shape due to forces that pressure or incentivize change, whether it depends on resources, skills, or sheer luck (Porter, 1980: 163). From its inception, the structure of an industry with its suppliers, buyers, and barriers will often evolve into something completely different by the time it reaches its final phases (Porter, 1980: 162-163). Likewise, some industries can rise from decline to a renewed growth phase due to innovation, successful repositioning, technological breakthroughs, or disruption (Porter, 1980). Regardless, a company should constantly adjust its strategy to reflect the industry changes and achieve competitive advantage (Sabol et al., 2013).

The evolution of the SVoD industry could be characterized by significant and transformative changes in a relatively short time. The introduction of the SVoDs challenged both the value chains and customer habits of the movie and television industries. This change and transformation caught the interest of many companies, not only because of the lucrative business potential but also due to the necessity to respond to customers' changed expectations and consuming habits. Investments in the industry grew significantly as the competitors aimed to achieve growth and market share to the detriment of high costs and profitability. The effects of COVID-19 further accelerated the rapid growth of the industry. While investments in the industry remain tremendous even after the pandemic, the growth has moderated in comparison, and the services have since shifted their goals towards optimizing and reducing their expenses due to profitability issues. Growth at the expense of profits is not sustainable, and eventually, the services need to answer to their investors' expectations.

Many of the reasons, actions, and consequences of the industry's evolution can be explained by the competitors' initial focus on market growth and later on cost-efficiency and profitability. As expressed by Carmelo (2018), there is pressure for platforms to create growth faster than competitors, which, in the case of the SVoD industry, is evident in how companies have invested enormously in the services, their technical capabilities, and content. Since investments create growth, engagement, and networking effects, they are essential for the services to thrive, but on the other hand, they are expensive. Finding the right balance between investments and cost optimization will be a defining factor in determining which competitors will remain successful in the future.

Looking at the industry's evolution from the point of view of its defining assets, as described by Nagaraj et al. (2021), the industry has mostly preserved its prominent characteristics, albeit with some caveats. Consuming content anytime and anywhere is still a prominent service feature across the industry, yet the recent restriction policies on account sharing limit the customers' freedom. The ad-free experience, while still primarily appreciated among the customers, has been challenged by the introduction of new pricing models, which are bringing the streaming service's business models and philosophies further from where they started from and closer to those of traditional television broadcasts, which they originally wanted to deviate from.

The importance of content, especially exclusive, in the industry is as significant as ever, evident in both the literature (Shin et al., 2016; Carmelo, 2018; Nagaraj et al., 2021) and the interviews. While earlier research suggested the companies are spending millions on exclusive content (Spangler, 2019; Lee, 2018; Sherman, 2019b) to differentiate from competitors and, therefore, gain a competitive advantage (Meryn et al., 2023), the interview results would suggest that the role of content in the industry has developed into something more comprehensive. Not only does content differentiate services and attract customers toward subscribing to SVoDs, but a steady flow of engaging content encourages the customers to stay subscribed for longer, which is crucial since it leads to more considerable revenue for the companies. Content does not only act as an efficient differentiator but as a customer lure and - most importantly - retainer.

Content as a retaining force acts as an enormous value-bringer to the SVoDs. As Parker et al. (2016) and Gorenflo (2011) explained, platforms thrive on continuous engagement and activity, which the SVoDs provide through new, high-quality content. If they did not, customers could abandon the platform in preference of another alternative. Therefore, investing in content is a key to success, and those services that have the resources to produce or broadcast content that speaks to the audience have an edge over their competitors. In the best-case scenario, a piece of content becomes a phenomenon through word of mouth that encourages more customers to subscribe to the service and keeps them subscribed. The more often customers pay for the service, the more accustomed they get to do so and consider the transaction costs lower, as explained by Li & Fang (2022).

The importance of retaining customers is emphasized in the SVoD industry due to low switching costs. Since low switching costs contribute to multihoming (Zhu & Isansiti, 2019), the platforms must implement ways that create barriers that encourage customers to stay on the platform (Hagiu, 2014). The lower the switching costs are, the more multihoming occurs, and the more the established market position of the industry leader is reduced (Iansiti & Lakhani, 2017). In addition to a constant flow of content, the industry has fought against multihoming by introducing package deals, abandoning free trials, and introducing new pricing methods that have been implemented to encourage customer engagement and commitment. As explained in the results, it is more cost-efficient to keep old customers than acquire new ones since acquiring new ones requires marketing costs, and the old ones bring in revenue constantly. However, introducing the new pricing models, including the ad-free options, is still a relatively new business practice that only a few services use in a few markets. Therefore, it is difficult and early to estimate the impacts those have on the engagement and subscriber numbers and how, for example, the theories on customers' preference of flat rate payments (Lambrecht & Skiera, 2006; Prelec & Loewenstein, 1998) could be used to reflect on them.

As theorized and predicted in the earlier literature (Gardner, 2019), the interviews suggest that implementing restrictive measures to the users has begun and will become more commonplace to lessen the systems' misusage and thus recoup unobtained profits. Since misusage can result in losses in revenue (Redondo & Serrano, 2023; Nguyen, 2022), these restrictions will likely and inevitably become a commonly implemented business practice across the industry.

Parker et al. (2016) argued about the importance of differentiation in the market and innovative ways to create new venues that could lead to additional value or entirely new revenue streams. The interviews agree with this statement. While content is the most crucial differentiator in the market, technological innovations such as virtual reality, gaming, metaverse, and artificial intelligence were named as possibilities for the SVoDs to take advantage of in the future. These innovations, in addition to offering entirely new business opportunities, are believed to improve the services' user-friendliness through intuitive customer interfaces and findability, which could, according to Li & Fang (2022), reduce the customers' transaction costs and keep them interested in the service.

Gioia et al. (2013) explain that changes in technology, policies, and regulations shape the organization and its identities. Therefore, taking advantage of technological capabilities and advancements can impact or form a company's identity in the SVoD industry, depending on its business models and portfolio. This could be done through differentiation (Gioia, 2010; Clegg et al., 2007), for example, by branding the organization as a frontrunner of new technology and thus acquiring legitimacy (Suchmann, 1995), like Netflix has successfully done. Respectively, for traditional movie companies such as Disney, the interviews suggest their identity has likely not endured, likely due to the changes in the business environment, as suggested by Gioia et al. (2000). Organizational identity can also create cohesion if the actions in the organization contribute to such identity (Santos & Eisenhardt), which is evident with those companies mentioned in the interviews whose SVoD service supports the company's shared vision of creating value out of digitalization.

The results reinforce the earlier understanding (Netflix, 2019; Hern, 2017) that the SVoD services compete for the customers' time. This is evident in how the COVID-19 pandemic accelerated the industry's growth due to fewer alternatives to spend time. In comparison, the growth has since subsided after the pandemic once more alternatives became available. As Täuscher et al. (2017) and Parker et al. (2016), the platform's success relies on its networking effects: how the different participants create value together. The more time is spent on a platform, the more value it creates for all participants. As a sign of powerful networking effects in the industry, the increase in the number of users contributed to the increase in production, which benefitted all the participants by offering more high-quality content to the users, thus bringing more money for the production companies and the platform.

Early adopters and frontrunners in digital platform industries have a clear advantage in negotiating power, gathering resources, and establishing a brand and an identity. In the early years of the SVoD industry, the number of competitors was low since the industry's market potential had not yet been fully realized, and developing new services was a costly and time-consuming effort. Being among the first competitors in the market was an excellent opportunity to establish their market share before new competitors emerged. By doing so, the first movers can improve their possibilities of reaching a dominating position in the later phases of the lifecycle (Catry, 1974; Wernerfelt, 1984) by investing in research and development (Wells, 1972) and gaining an established user base (Carmelo, 2018), as is evident in how Netflix and Amazon were among the very first services in the market, yet they remain among the biggest. The interviews often called Netflix a pioneer, which speaks for the identity and brand that the company could generate through its first-mover advantage.

The interviews speak about the importance of bundling in the future, for example, by integrating streaming services as part of a larger ecosystem, where synergies create additional value and lead to competitive advantage. Amazon’s bundling could be an example of an SVoD using its business model as a capability. Additionally, their bundling model fulfills the VRIN requirements and therefore acts as a significant differentiator in the industry. Customers perceive such bundles as valuable due to the complementary elements and benefits that lessen transaction costs (Li & Fang, 2022). The literature presented examples of bundling streaming services from one company together (Sherman, 2019). However, the interviews expand on this idea by suggesting that it could be possible to bring together services from several companies in the future.

According to the interviews, the customers' choice of platform depends mostly on content and pricing, while Kübler et al. (2021) suggested that, combined with the classic bundling theories of Danaher et al. (2014), the combination of relatively low pricing, well-known brands and the absence of commercials create an attractive bundle for customers. While many technical capabilities are appreciated, the customers have become accustomed and knowledgeable to the services to the extent that their technical capabilities are often treated as "hygienic", meaning that it is already presumed by the customers that their user experience is stable, the platform is quick to navigate, and the video and sound quality is high, regardless of which device they use to play the content.

As explained in the interviews, the services aim to offer higher quality content than before, when content was made with quantity in mind. However, the quality aspirations could conflict with the aspirations of achieving cost-efficiencies. Opening the platform for more content creators and users to create their content would result in an extensive content catalog (Jacobides, 2019) through smaller investments and curation. However, as Parker et al. (2016) explain, there is a risk that the openness results in too much content with lousy quality and, therefore, negative network effects. The SVoD services need to carefully consider how open they should keep their platform and how to balance between quantity and quality on their platform.

According to the interviews, most SVoD customers subscribe to 2-3 services simultaneously, and respectively, due to exits from the market, mergers, and acquisitions, the global market will likely be controlled mainly by 2-3 companies. These predictions align with the literature, where competitive environments are believed to lead to situations where only a few companies are in charge of the market (Henderson, 1976). The market concentration of a few companies is accelerated if they possess strong networking effects (Eisenmann et al., 2006). However, this does not eliminate the possibility of smaller companies existing in the market. As expressed in the interviews, local services especially have the potential to stand out due to customers' preference for locally produced content.

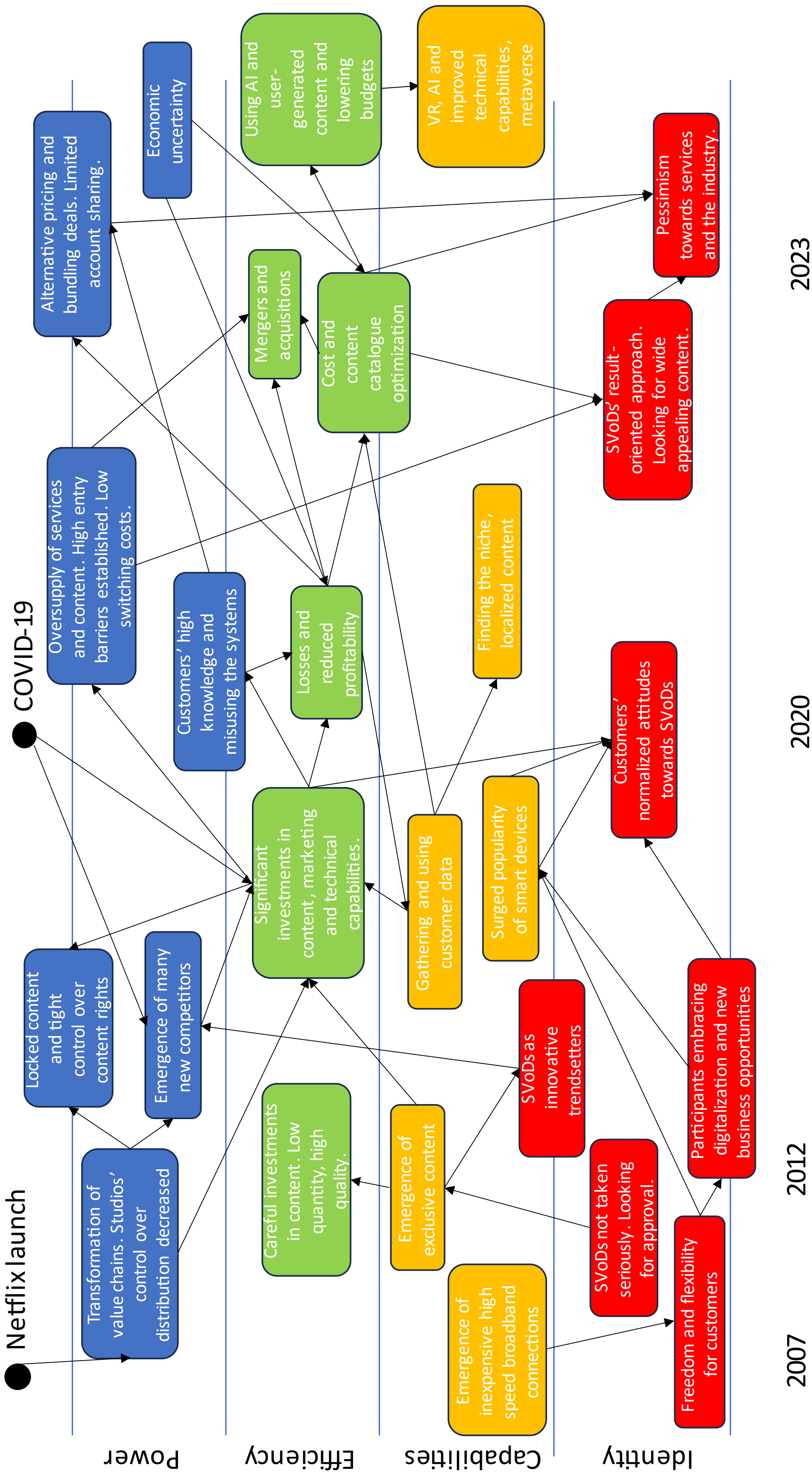
Netflix launch
COVID-19
2007
2012
2020
2023
Power
Efficiency
Capabilities
Identity
Transformation of value chains. Studios' control over distribution decreased
Locked content and tight control over content rights
Emergence of many new competitors
Oversupply of services and content. High entry barriers established. Low switching costs.
Customers' high knowledge and misusing the systems
Alternative pricing and bundling deals. Limited account sharing.
Economic uncertainty
Careful investments in content. Low quantity, high quality.
Significant investments in content, marketing and technical capabilities.
Losses and reduced profitability
Mergers and acquisitions
Cost and content catalogue optimization
Using AI and user-generated content and lowering budgets
Emergence of inexpensive high speed broadband connections
Emergence of exclusive content
Gathering and using customer data
Surged popularity of smart devices
Finding the niche, localized content
VR, AI and improved technical capabilities, metaverse
Freedom and flexibility for customers
SVoDs not taken seriously. Looking for approval.
SVoDs as innovative trendsetters
Participants embracing digitalization and new business opportunities
Customers' normalized attitudes towards SVoDs
SVoDs' result-oriented approach. Looking for wide appealing content.
Pessimism towards services and the industry.

Figure 5. Evolution of the SVoD industry

The industry's relationships between power, efficiency, capabilities, and identity are close. The changes, their impacts, and relationships between different forces are displayed in the graph above. The graph displays how specific changes and developments impact others and how one change might cause another change in another force and vice versa. Sometimes, the impact of one change can create several branching paths, evidenced by the number of paths that have evolved due to advancements or increased popularity in technology. The graph supports the theoretical framework introduced in chapter 2.4., showing that the changes in conceptions interact with each other and, through their synergies contribute to the industry's evolution.

According to Porter (2008), one essentiality of industry analysis is understanding the time horizon of the industry. Since the interviews and literature suggest an increased number of competitors and high-quality products on the market, mergers and acquisitions and lower profitability are becoming more commonplace, it could be argued that the industry has reached a middle ground between growth and maturity in its lifecycle. Reaching maturity often pushes companies to change how they execute their strategies. The slowing down and stabilizing of growth becomes evident as the industry profits fall; thus, the companies begin to expect more modest financial returns (Porter, 1980). This development is evident in the SVoD industry, where the unsatisfactory financial results have changed companies' strategic focus from growing market share to subside in preference of actions and practices that drive profitability.

6 Conclusion

6.1 Theoretical implications

As examined in the literature review, the SvoD industry is a nascent, transforming, fast-paced and competitive environment. The research results expand on this notion with a theoretical implication suggesting that the four lenses of power, capabilities, efficiency, and identity together explain the continuous evolution and the characteristics of the industry. This study draws on the theories proposed by Santos & Eisenhardt (2005), who argued that these four conceptions work in dynamic synergy together. As proven by this research, a change in one conception impacts one or several other conceptions, which in turn leads to new changes, essentially creating a ripple effect of causes and consequences. Previous research that contributed to Santos' & Eisenhardt's (2005) literature has commonly focused on stable manufacturing industries (Huikkola et al., 2020; Salonen & Jaakkola, 2015), whereas this research creates a new contribution by focusing instead on a dynamic, modern and transformative industry.

The expanding range of this effect within the context of the SvoD industry is displayed in Figure 5. For example, in the context of the research, the improved identities of the SvoD services encouraged new competitors to enter the market, resulting in a change in the industry's power relationships. Respectively, the heightened competition resulting from these new competitors created a growing need to differentiate and gain competitive advantage, which led to investments in productive and technological capabilities.

The research supports the previous literature's findings about digital platforms and ecosystems, especially regarding the importance of engagement, the necessity of networking effects, and relationships between the participants. These concepts are reaffirmed by mirroring them through practical examples, such as the often highlighted importance of customer retention and content production. This research does not challenge the ideas of Parker et al. (2016), Hagiu (2014), or Van Alstyne et al. (2016) but instead supports their concepts about platforms and their economy and proves them correct, practical and applicable within the context of the SvoD industry.

This research complements and expands on Parker et al.'s theory (2016) that platforms can affect and change every business. As evidenced in this research, the introduction of SvoD services not only challenged the value chains, business practices, and models of how the movie and television industry operated but simultaneously – and perhaps most significantly – the platforms resulted in the creation of an entirely new industry altogether.

By examining retention strategies that SVoDs use, this research adds a practical contribution to Hagiu's theory (2014), which argues that platforms must encourage the customers to stay on the platform due to low switching costs. High-quality content, user-friendly interfaces, package deals, bundling, and findability are practical examples of retention measures named in the research that could be applicable to almost all kinds of digital platforms. Simultaneously, this research reinforces Hagiu's (2014) theory by emphasizing the importance of retention on digital platforms with low switching costs.

Additionally, this research supports Van Alstyne et al. (2016), who argued that all participants on a platform contribute to creating common value through networking effects, engagements, and interactions. The most successful platform owners in the SvoD industry have created an ecosystem where producers create high-quality content that attracts and keeps customers subscribed.

The previous academic research has left gaps in understanding the reasons and explanations for the SVoD industry's evolution. Instead, the industry has been examined mainly by describing strategic choices and singular elements (Redondo & Serrano, 2011; De Matos et al., 2018; Noh, 2021), but the breadth, reasons, and impact of these choices and their consequences remained unexplored until now. Additionally, this research presents predictions about the future evolution of the SvoD industry, which, before this research, remained largely uninvestigated.

6.2 Managerial implications

This research examined the changes and reasons that contributed to the evolution of the SVoD industry. While the research focuses on a specific industry, its managerial implications and learnings can be applied widely across different businesses and purposes.

The research findings would first suggest that decisions, changes, and evolution do not happen in a vacuum. Each decision creates an impact, intentionally or inadvertently, which spawns another change or a decision to be made. Although the intention of a decision might be positive, the consequences and effects might be negative or unintended. Therefore, to the best of its abilities, management should be attentive to the changes in the environment, evaluate the effects of the decisions from as broad a point of view as possible, and anticipate both their positive and negative consequences. Essentially, decision-making is a game of trade-offs, as presented in the research: if the strategic focus is on gaining a market share, it is challenging to keep the costs reasonable simultaneously and the business profitable.

Markets can change quickly in a relatively short time; thus, companies with capabilities to change, adapt, and anticipate fast and efficiently are in a strong position. The organization must be aware of the developing technologies and customer trends. In the case of the SVoD industry, the first movers and companies with strategic agility and dynamic capabilities had a tremendous advantage over their competitors, who were rigid and slow to react. They understood the potential of new technologies, what resonates with customers, and how they could fuse these discoveries as a natural part of their existing business. Rigid companies with lacking capabilities joined the market late and had to invest tremendously in order to challenge the established positions the early movers had already gained.

A new business venture should not be a separate function from the rest of the organization. Instead, the management should bond the new business as a synergic part of the entire organization, adding value and commitment, and support to its shared ecosystem, mission, and vision. The company's core competencies should support the new business, and the management should evaluate whether those competencies apply to the new business or not.

Upon entering a new market or business, the management and organization should understand the market structure, its growth opportunities, relationships, the customers' problems, and how to solve them. Suppose the market is already penetrated by large corporations with dynamic capabilities and resources. In that case, the new entrant must have a significant differentiator to gain a sustainable standing in the market. In many markets, competition is centered and controlled only by a few large competitors. If an organization joins an industry without knowledge, capabilities, or differentiating factors, it takes a risk that could result in financial losses.

The results suggest that organizations should implement and plan their solutions and practices as cost-effectively and as early as possible. In the case of the SVoD industry, competitors focused intensely on gaining market share to the detriment of profitability, which eventually hurt those who could not become profitable and led to exits or mergers in the market. A great market share does not equal profitability, nor does the established market share last forever. Eventually, the investors expect results, and those who can answer those expectations can reach a sustainable position in the market.

6.3 Limitations and further research proposals

At the moment of conducting this research, the SVoD industry is still in the middle of tremendous changes and developments. As the timeframe for examining the industry's evolution ranges from 2007-2023, the research results are limited to the current understanding and knowledge. Therefore, similar research could be conducted years or even decades later to examine the changes from the perspective of a longer timeframe. The additional benefit of conducting such research later could answer whether the predictions about the SVoD industry's future presented in this research have been realized.

The interviews were conducted with Finnish experts and customers. While they offer expansive and reliable views on the matter, they could be perceived as limited since most of the global SVoD companies are in the United States. Therefore, interviewing experts from the United States could offer additional, more comprehensive, and deeper perspectives on the subject.

The SVoD industry's evolution was examined through the lenses of power, efficiencies, capabilities, and identity. Future research could focus on inspecting the industry more in detail through one of these lenses or an entirely new lens or theoretical approach.

As expressed earlier, interpreting the impact of new pricing models and restrictions on customers is challenging due to their novelty. Therefore, it could be worth inspecting how effectively they improve the companies' profits or whether the customers' perception of these changes has improved. Additionally, future research could approach other forms of streaming media, such as music and video games. Other possibilities include examining one separate streaming service or the evolution of a single concentrated market and the significance that locally produced content has had on the market.

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Appendices

Appendix 1. Interview questions for experts

1. How would you describe the current state of competition in the SVoD industry?

2. Which features do customers value the most? Does content, resolution, pricing, number of users, and mobile usage make a significant difference in customers' choice of platforms?

3. How did COVID-19 impact the competition in the industry? Are there other cultural or societal changes that have impacted the video streaming services?

4. What are the greatest challenges the SVoD services are facing today and in the future? What kind of growth opportunities are there for the companies?

EFFICIENCY AND TRANSACTION COSTS

5. What are SVoD services investing in? Are they giving up/selling something? Has the spending changed throughout the years? How?

6. How do you see the video streaming services industry evolving in the future? Will there be more competitors or will services drop out or merge/consolidate, and why?

7. Which functions do SVoD services outsource, and why? How has this behavior changed?

POWER

8. How and why has the bargaining power of customers changed notably throughout any point in the evolution of the industry? Do they know about the different services, and can they switch between them easily?

9. How and why has the bargaining power of suppliers changed notably throughout any point in the evolution of the industry?

10. Is the industry threatened by substitute services or products? Which barriers do new entrants face when entering the market?

RESOURCES AND CAPABILITIES

11. What are the most important resources and capabilities that bring competitive advantage to streaming services? What can companies do to differentiate from their competitors?

12. What kind of companies have the best chances of succeeding in the industry?

13. Which technological advancements have impacted the evolution of video SVoD services? How?

IDENTITY

14. Have and why have the identities of companies in the SVoD industry changed? How do the identities of SVoD companies differ from each other?

Appendix 2. Interview questions for customers

1. How would you describe the current competitive situation in the video streaming industry? Is it easy for the customer to stay up to date on what services exist, how they do not stand out, and what content each service offers?

2. Which features of SVoD services influence your decision to subscribe to them the most?

3. Which devices or new technological developments have affected how much you use streaming services?

4. Did COVID-19 change how you perceive and use the SVoDs? Why?

5. In what direction do you believe and hope that the services will develop differently?

6. How do you see the video streaming service industry developing? Will there be more competitors, or will they merge or exit the market?

7. As a customer, do you feel that your negotiating power has changed with the growth of the industry? That is, is information about other services easily available, and is it easy to change from one service to another?

8. What can companies do to differentiate themselves from the competition?

9. How has your perception of SVoDs changed since you first started using them?