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Switch the Channel -
A TV Business Model for the Millennial Generation

Byter kanal -
En TV-affärsmodell för den Millennial Generation

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Abstract
The Millennial Generation, born between 1982 and 2000, are used to the ubiquity of modern devices and are always ‘on’. Therefore, they use and consume media differently than preceding generations. Now that they are ageing and becoming part of the advertising relevant target group, TV executives need to think about how and especially where to reach this target demographic. Therefore, the aim of this thesis is to develop a better understanding of how the Millennial Generation is consuming the traditional medium of television and how a business model geared towards their needs and demands should look like.

Through conducting an empirical study among over 750 Millennials, the author identified the TV consumption behaviour of this generation and subsequently defined three subgroups within the field of participants. According to the research most of the Millennials still own and use traditional TV sets; however, they watch an increasing amount of TV content online and especially on demand. Their preferred payment model is subscription based, even though just a small percentage of them actually have a subscription. Moreover, they use mostly illegal streaming websites to watch TV content they want; especially if it is foreign content that is not available on other platforms yet.

The final result of this thesis is a business model that was built upon the needs and consumption behaviour of one of the subgroups of Millennials who prefer subscription services. This subgroup is used to consuming TV content online and they watch the highest amount of TV series among the Millennials. The business model addresses these factors and describes a subscription video on demand service addressing the needs of the Millennials such as an early release of new episodes. Furthermore, new sources of revenue are introduced that can provide sufficient funding for content acquisition and production. This business model could serve as a starting point for TV executives to further think about the specific needs of this attractive target demographic and how to address them.

Keywords: Millennials; Generation Y, Television, Business Model Development
Sammanfattning


Genom att genomföra en empirisk studie med över 750 personer, identifierade författaren beteendet i TVkonsumtionen hos denna generation och därefter definierades tre undergrupper bland deltagarna. Enligt denna forskning äger och använder de flesta i millenniumgenerationen fortfarande traditionella TV-apparater, men de ser mer och mer TV på nätet och speciellt "on demand". De föredrar att betala via abonnemang, även om bara en liten andel av dem faktiskt har ett abonnemang. Dessutom använder de oftast olagliga streaming webbplatser för att titta på TV, speciellt om det är utländska program som inte finns på andra plattformar än.

Det slutliga resultatet av denna uppsats är en affärsmodell som bygger på de behov och konsumtionsmönster som framkommit i en av de undergrupper av milleniumgenerationen som föredrar prenumerationstjänster. Denna grupp är van vid att konsumera TV på nätet, och de ser den högsta andelen TV-serier bland millenniumgenerationen. Affärsmodellen behandlar dessa faktorer och beskriver en videoprenumerationstjänst on demand som kan tillgodose behoven hos millenniumgenerationen såsom ett tidigt släpp av nya episoder. Dessutom är nya intäktskällor införda som kan ge tillräcklig finansiering för programutgifter och produktion. Denna affärsmodell kan fungera som en utgångspunkt för tv-chefer att ytterligare ta i akt de särskilda behoven denna attraktiva demografiska målgrupp har och hur de ska lösas.

Nyckelord: Milleniumgenerationen, Generation Y, TV, Affärsmodellsutveckling
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1 THE MILLENNIALS ARE WATCHING

‘Trust me on this. While other people were out living their lives, I wasted mine watching TV, because deep down I knew it might one day help me save the world.’

Philip J. Fry in ‘When Aliens Attack’ (Futurama, 1999)

1.1 BACKGROUND

The year is 1900 and Constantin Perskyi coins the term ‘television’ at the International World Fair in Paris (Magoun, 2009: 9). Since this introduction of the term more than a hundred years ago a lot has happened making it increasingly difficult to describe what ‘television’ is. Murphy tried to expand the term, stating that ‘Television is, in fact, more a set of connected ideas, beliefs, and technologies than it is any one thing that can be reduced to the home electronics device with a screen […]’ (2011: 5). However, the success story of television (TV) began with precisely such devices that enabled ‘the electronic delivery of moving images and sound from a source to a receiver’ (Encyclopaedia Britannica Online, n.d.).

Such TV sets created collective experiences similar to little cinemas. After the Second World War, they could mostly be found in bars or corner cafés where groups of people assembled to share this entertainment experience (Buonanno, 2007: 14). Even though TV sets spread across more living rooms, ‘television was mainly exhibited in public establishments such as taverns, department stores, and even on buses’ (Spigel, 1992: 32). The prices for TV sets dropped further and over time they became an integral part of living rooms around the world. ‘Television is a domestic medium. It is watched at home. Ignored at home. Discussed at home. Watched in private and with members of family or friends.’ (Silverstone, 1994: 24). Television started to become a mass medium broadcasting content to millions of people around the world while turning into ‘the key link between society’s public life and the private lives of citizens’ (Gripsrud, 2010: 3). Throughout the decades of TV history different developments caused changes in how people consumed television. The remote control made channel switching more convenient, multiple TV sets per household enabled more individualisation
and the videocassette recorder (VCR) made time shifting possible (Einav and Carey, 2009: 116).

‘Each time, some industry analysts saw these changes as a threat to existing television business, when, in fact, they created opportunities for those who did not have their heads in the sand.’ (Einav and Carey, 2009: 116)

The people that realised the potential of these new developments often have been rewarded with increased profits for their businesses. However, according to Gorton, TV has always had a major disadvantage being a domestic medium. Whereas theatre or cinema audiences can hardly be distracted from the stage or screen, there are several distractions at home such as other channels, activities or devices (Gorton, 2009: 21). These distractions have become even more challenging in the last twenty years. Digitalisation of TV content and the ascent of the internet led to many new technologies and devices that changed the TV landscape and ‘created a world in which content is available to consumers whenever and wherever they want it.’ (Einav and Carey, 2009: 116).

The TV experience is becoming increasingly individualised. Digital television enabled a broad assortment of hundreds of channels, moving from broadcasting to narrowcasting for the niche audience. Powered by the internet this turned into individual casting, where the users decide what, where and when they want to watch something and databanks are replacing the traditional channels (Spigel and Dawson, 2008: 284). The traditional broadcast media is within a transition period where they are easily undermined by the speed and convenience of new media (Bondebjerg, 2010: 114).

The shift to a more personalised consumption of TV content starts to threaten the mainly advertising funded TV business. Consumers watch television when they want, skip advertisements and the ‘second screen’ is always in reach (Blodget, 2012). This ‘second screen’ is usually describing the use of a laptop, tablet or smartphone device in parallel with watching TV. However, especially among the younger generation, the TV turns out to be the second screen, while they use laptop or handheld devices simultaneously (Chmielewski and James, 2012).
This younger generation grew up with technologies such as computers and smartphones and whether you call them the ‘Generation Y’, ‘Echo Boomers’ or the ‘Millennial Generation’ TV executives should keep an eye on them. They use TV differently and seek social interaction while consuming TV shows not only with friends, but also with the show they are watching. According to Perez (2009), the Millennial Generation could change the definition of what we call watching TV as ‘Gen Y is already not watching TV as much as they are going online’. More important for the TV industry is that this generation is ageing and moving into the target demographic for TV advertising: consumers with high disposable income and high potential for spending it in the age group of 18 to 49 (Hackley, 2005: 112). This generation will be important for the TV industry, either as target group for their advertisements or as customer of their digital content sales and subscriptions. Therefore, it is important to know and understand how the Millennials consume TV content and what they value in the service providing this content.

1.2 Purpose

Even though the next generation, referred to as the ‘Homeland Generation’ or ‘Generation Z’, is already growing up, there is still little research on the Millennial Generation that is entering the workforce at present. They grew up with computers and digital technology. Within this ubiquity of electronic devices and connectivity they use media differently, creating the need for an evaluation of existing business models for media content.

In this thesis I want to put the focus on TV and develop a better understanding of how the Millennial Generation is using this type of ‘traditional media’. Based upon these findings I will develop a concept for a business model that is tailored towards the needs and demands of this generation.
1.3 PROBLEM FORMULATION

Based upon the aim of the thesis I want to answer the following main research question:

*How does the Millennial Generation consume TV series and how should a business model for this content aimed towards Millennials look like?*

Based on my experiences with different members of this generation and their consumption of TV content, I expect that existing business models do not address the actual consumption behaviour of the Millennial Generation. If my hypothesis proves is confirmed, existing business models should be evaluated in terms of relevance for the Millennial Generation. To test my hypothesis and answer the main research question, the following questions have to be raised additionally:

*Which devices and platforms do they use to do so?*

*Are they watching the broadcast live or on demand?*

*Which financing option do they prefer (e.g. advertising, subscription, etc.)?*

1.4 DELIMITATIONS

1.4.1 GENERAL LIMITATIONS

Given the nature of a master’s thesis there are certain limitations to the scope of the research and work that can be covered. In combination with this topic that can be approached from different angles and to different extents, I tried to limit my work on the most interesting and promising areas within the topic that will be described in the following.

1.4.2 AUDIENCE SEGMENT

The audience segment I want to put the focus on is the generation born between 1982 and 2000. In accordance with the variation of the naming of this generation, the defined time span differs across different authors. The first time the generation was given a name was by the magazine Ad Age, calling them the ‘Generation Y’ as successors of the ‘Generation X’ (1993). Other names for the generation focused more upon how tech savvy and connected this new generation
is and resulted in terms such as the ‘Net Generation’ (Tapscott, 1997), the ‘Generation @’ (Opaschowski, 1999) or the ‘Digital Natives’ (Prensky, 2001; Palfrey and Gasser, 2008). Howe and Strauss call them the ‘Millennials’, a term that I will use throughout this thesis, because it is also the term this generation prefers according to a poll conducted by ABC in 1997 (Howe and Strauss, 2000). Furthermore, this term is not branding them as another ‘Generation X’ and does not limit them to their technological capabilities. I will use the previously mentioned time span from 1982 to 2000 as my target group as it spans to the millennium as referred to in the name and resembles the length of other generations (Baby Boomers: 17 years; Generation X: 20 years).

The Millennial Generation as described previously is already playing an important role for the TV industry, but as more and more of them enter the workforce they become even more interesting. While previous generations such as the so called ‘Baby Boomers’ or the ‘Generation X’ grew up with television; their children’s youth was highly influenced by the internet. The ubiquity of computers and the internet while growing up changed dynamics within families as suddenly children knew more about technology than the parents (Zemke, Raines and Filipczak, 2000: 128-129). They use technology more naturally and easily than any other generation before:

‘All of them are “Digital Natives.” They were all born after 1980, when social digital technologies, such as Usenet and bulletin board systems, came online. They all have access to networked digital technologies. And they all have the skills to use those technologies.’ (Palfrey and Gasser, 2008: 1)

Due to this technological shift it is interesting to investigate how they use the ‘old’ medium television. Furthermore, they are more numerous than the previous generations and therefore their ‘needs, tastes and behaviors will clearly shape current and future business decisions’ (Fromm, 2011). They are tech-savvy and relevant as future consumers, turning them into an interesting audience segment to look at when developing future TV business models.
1.4.3 Genre

Among the different TV genres like sport, news, shows or factual television, the TV series is probably the one genre with the most intense relationship between the audience and the content. Whereas consumers might root for a certain sport club or a candidate in a casting show; they create whole communities around TV series. Cult series such as Star Trek, Twin Peaks or The X-Files managed to create fan movements that, even decades after the last episode of the series aired, are actively engaged with the story, the characters or the people involved creating it (Sconce, 2004: 95). This increased audience engagement that has been enhanced through the internet is already being leverage by series producers making this area even more interesting because of the ‘dialogue’ between producers and consumers (Baltruschat, 2009: 131).

Whereas the consumption of TV content is moving more and more towards on demand consumption (Vogel, 2010: 139), one of the most predetermined genres for this kind of consumption are TV series. While sport events or shows often depend on the live character and should be watched simultaneous to the broadcast, TV series can be watched on a catch-up basis, making them the ideal content to watch on demand. This however prohibits the water cooler talk on the next day after the series aired, causing TV series to move in a similar direction as books or films (Buonanno, 2007: 70). People consume the series whenever they want, but still have a basis for conversations about it, however, not directly after it aired (Einav and Carey 2009: 128).

The high audience engagement combined with the rising importance of VOD (video on demand) usage makes TV series an interesting TV genre to investigate. Within this thesis I will focus on TV series that are scripted and disregard unscripted series such as reality, game or talk shows.

1.4.4 Market

In this thesis I will focus on the European TV market and in particular the German-speaking countries: Germany, Austria and Switzerland. According to IDATE, ‘[a]s the second largest regional [TV] market, Europe had a turnover of 84.4 billion EUR in 2010’ (2011). However, not only the size of the European
market is interesting, but also the diversity among the different countries in terms of national market structure or languages spoken within the different countries (Funk, 2005: 30-31). Funk stated that ‘[t]he North American television market is relatively homogeneous compared with the highly fragmented European marketplace’ (2005: 30). This diversity was one of the reasons for choosing the European market where the media consumption behaviour might vary from country to country with more significant differences between them.

Among the three target countries, Germany is the most important one, not only because of its size, but also because of the interesting TV landscape. ‘Germany forms the largest and most valuable television market in Europe’ (Moran, 2009: 92). The market is very competitive, especially between the public service channel ARD and the privately owned channel RTL (European Audiovisual Observatory, 2012). However, due to the high amount of free-to-air channels and the resulting fragmentation of the market even the most popular channels rarely exceed 15 % market share (Reinemann and Fawzi, 2010: 300). The economic importance and low ratio of pay TV subscribers make Germany an important market to look at.

1.5 TARGET AUDIENCE

This thesis aims to develop a better understanding of how the Millennial Generation consumes TV content and especially series. Therefore, the target audience includes people that are involved in the creation, distribution and marketing of such content such as production companies and broadcasting channels. Furthermore, the report might be of interest to researchers involved in youth culture and generational studies.

1.6 STRUCTURE OF THE REPORT

The following chapter (2) will provide the methodological basis for the research that was conducted in this thesis. After looking into the epistemological foundation for the research, the reasons for choosing the research approach will be explained along with the limitations that are associated with the chosen
research tools. The chapter will conclude with an evaluation of the research quality of the chosen design.

The literature study will encompass three chapters with different focal points that build the basis for the research conducted in this thesis. Within chapter 3 the Millennial Generation will be defined along with characteristics of this generation and their usage of technology and TV in particular. In chapter 4 the current situation of the TV industry will be described, including the global flows of TV content and changes that came along through digitisation and the internet. Chapter 5 will conclude the literature study with an examination of trends in consumption of TV content like the ‘second screen’ or the desynchronisation of consumption, moving away from the traditional ‘flow’ of TV programming.

In chapter 6 the empirical findings from the research will be explained and analysed. First of all the gap, between the Millennials and members of the Generation X, will be investigated, followed by a more thorough analysis of the Millennials. The Millennials will be analysed by dividing them into clusters to evaluate different factors and issues concerning their TV consumption behaviour.

The chapter 7 will deal with the definition of business models and current examples of such in the TV industry. This builds the foundation for the following chapter 8 that revolves around the results of the research and the consequent business model development. After describing the various indications from the research, these will be used to build the business model aimed towards the Millennial Generation, which will serve as the final result of this thesis.

Chapter 9 will conclude this thesis with a discussion of the results, a critical reflection of the thesis and an outlook on possible future research.
2  METHODOLOGY

‘I have no data yet. It is a capital mistake to theorize before one has data.’
Sherlock Holmes in ‘A Scandal in Bohemia’
(The Adventures of Sherlock Holmes, 1984)

2.1  RESEARCH STRATEGY

2.1.1  FOUNDATION FOR THE RESEARCH

As mister Holmes rightfully argues one should collect data before theorising. In my research approach I will follow the postpositivist theory that was built upon the foundation of the paradigm of positivism. According to Hollifield and Coffey, ‘postivism and postpositivism share an emphasis on methodological transparency and systemization, with the goal of establishing the reliability of the measurement and interpretation and the validity of the findings.’ (2006: 575). However, as stated by Baran and Davis, unlike the positivist ‘it [postpositivism] recognizes humans and human behavior are not as constant as elements of the physical world’ (2012: 12). Within the positivist paradigm one important factor was the clear division of investigator and the object of the research, however, modern post-positivists perceive this objectivity as an ideal situation (Miller, 2000: 61). This leads according to Miller to a situation where ‘a post-positivist will use methods that strive to be as unbiased as possible and will attempt to be aware of any values that might compromise neutrality’ (2000: 61). Therefore, I will try to be as unbiased as possible in my research on the Millennials and their consumption behaviour.

To analyse audiences and the reasons for media usage different approaches have been introduced like the Selective Exposure theory. The one approach I want to focus on in my research however is the Uses and Gratifications approach (see section 5.1). The important part of this paradigm is that it ‘assumes that audiences are motivated by psychological and social needs to consume media’ (So, 2012: 117). Another important part of the uses and gratifications paradigm is the assumption ‘that users are goal-directed in their behavior and are aware of their
needs’ (Cheung, Chiu and Lee, 2011: 1338). This assumption will be important for the research as only an active audience that knows about their needs can help me develop a better understanding of their needs and to develop a business model that matches those needs.

According to Webster et al, the audience is ‘the source of the media’s economic and social power’ (2006: 1). They are the ones that know best what they want and how products should look like. Therefore, the customers are as important for the product development process as departments like R&D (research and development) or manufacturing (Kotler, 2003: 127). In terms of methodology I will use methods of consumer research that ‘is a subset of marketing research, which merits the use of specialized research methods to collect customer data.’ (Schiffman and Kanuk, 2007: 21). These methods will enable me to better understand the needs of the Millennial Generation and how they match current business models.

2.1.2 **Quantitative, Qualitative or Mixed Methods**

When conducting research one can choose among three different approaches: quantitative, qualitative and mixed method. Each of these approaches represents a different foundation and angle towards research with different kinds of results. According to Creswell, within the quantitative approach, the researcher uses experiments and surveys to statistically verify hypotheses. The qualitative approach tries to develop theories by conducting case studies or developing narratives based on individual experiences (Creswell, 2003: 18). Mixed methods combine these two approaches and ‘data collection also involves gathering both numeric information (e.g. on instruments) as well as text information (e.g., on interviews) so that the final database represents both quantitative and qualitative information’ (Creswell, 2003: 18-20).

The distinction between these approaches cannot only be drawn in their methods, but also in the results they deliver. ‘While qualitative methods allow an investigator to delve deeply into a given topic, results are usually not generalizable to large groups of people.’ (Webster et al, 2006: 3). Bryman and Bell state that ‘quantitative research can be construed as a research strategy that
emphasizes quantification in the collection and analysis of data’ (2007: 28). Furthermore, they emphasise upon the point that quantitative research ‘embodies a view of social reality as an external, objective reality’ (Bryman and Bell, 2007: 28).

According to Doyle and Frith, ‘[r]aw data obtained and analyzed in the correct way can provide vital information about audiences or advertising patterns, about productivity and profitability, and about many of the many processes involved in the production and supply of media content.’ (2006: 563). The aim of my research is to develop a business model based on the needs of the Millennials that can possibly be applied to any of the markets I am investigating. Therefore, quantitative methods will enable me to develop a more general representation of the situation.

2.2 RESEARCH DESIGN

2.2.1 RESEARCH APPROACH

To develop a solid and broad foundation for the quantitative research, I conducted a literature study in the areas that are relevant for this topic. This literature study was necessary to determine the current state of research on the Millennial Generation and gain insight in trends that are happening in the TV industry. There are quite different perspectives on and definitions of the Millennial Generation depending on the researcher you regard. Furthermore, there have been several predictions on how the TV industry and the conditions are changing. Some predicted the end of TV years ago already, others are sure that TV will remain an important medium. In my literature study I tried to cover these different approaches and to find common ground among the different opinions.

This study will be the foundation for my quantitative research and especially influence the questions and structure of the consumer survey I conducted. Studying the different books, journals and articles helped me to develop a better understanding of the matter and brought new ideas and concepts to my research process.
2.2.2 CONSUMER SURVEY

Following the quantitative approach I chose, I decided to conduct an online survey as I perceived it as the best way to reach as many Millennials as possible with the limit budget and time I had. Additional to these advantages one of the most important advantages according to Berger is ‘that surveys obtain information that can be quantified and analysed statistically and thus can reach a higher degree of precision about the group being studied that other forms of research cannot duplicate’ (Berger, 2011: 228). The survey was set up as an online form through Google Docs as this was one of the only options that would allow an unlimited number of participants for free. To reach a broad scope of the Millennial Generation my aim was to reach 1,000 participants overall. The main target group have been Millennials living in the German-speaking countries Germany, Austria and Switzerland, and therefore the main survey was in German. I additionally translated the survey into English and Swedish to reach Millennials outside the target market constituting a comparison group.

Because of the above mentioned constraints in terms of time and especially money, I used convenience sampling to recruit participants for the survey. Without access to a big database with contact details to Millennials, this was the only way to reach more than 1,000 participants with the given limitations. Furthermore, this led to the fact that the survey results cannot be representative for the population and therefore the results cannot be generalised. However, a big enough sample can give me good indications on trends within the target group of Millennials. The participation link to the survey website was spread through websites (e.g. serienjunkies.de, Digital Spy Forum) and social networks (e.g. Facebook, Twitter) relevant to this target group of Millennials.

After the participation period of around two weeks, I collected the data and compiled it in Microsoft Excel to analyse the data. After deleting incomplete data sets or data sets without the necessary demographic information, I started to set up different groups of data sets based on age and country of residence of the participants. The complete analysis of the survey results can be seen in chapter 6 and the questionnaire is part of the Appendix A - Survey questionnaire.
2.2.3 LIMITATIONS

Additionally to the above mentioned limitations, there are other issues to consider that originate through conducting an online survey. First of all, this being an online survey, there is a risk of self-selection bias, as people can freely decide to participate or not. Naturally people with an interest in the topic are more likely to participate than people who are not interested. However, as the aim of this research is to give indications on important factors for a business model, I think this fact might even improve the results as these are also the potential customers of a service based on this business model. There is of course a risk to consider in terms of missing out on the group of potential customers that might not be interested yet or are not satisfied with existing offers.

Furthermore, the usual risks that come with online surveys, but also surveys in general, arise and should be considered. Participants do not always tell the truth, especially regarding personal matters (Berger, 2011: 229). Nonetheless, as this survey does not touch very sensitive areas of private life, I perceive this risk as quite low. In online surveys the researcher cannot guarantee who is actually participating in the survey, but the same applies to mail or telephone surveys. However, these risks should be considered and the risks mitigated where possible.

2.3 QUALITY OF RESEARCH DESIGN

The quality of research in the social sciences is usually measured by its reliability and validity. According to Brymann ‘[r]eliability refers to the consistency of a measure of a concept.’ (2012: 169). Furthermore, he points out three factors determining if a measure is reliable: stability, internal reliability and inter-observer consistency (Bryman, 2012: 169). Stability is usually tested through the test-retest method; however, because of the constraints of this thesis this method could not be tested. One way to the internal consistency of a measure that is, according to Bryman, being used by most researchers is a test of Cronbach’s alpha. It tests the internal reliability by calculating ‘the average of all possible split-half coefficients’ (Bryman, 2012: 170). The level of an acceptable value varies between different researchers and authors with Bryman referring to different
levels from 0.60 to 0.80 as a minimum level (Bryman, 2012: 170). I conducted a test of the Cronbach’s alpha with the questions that are set on a Likert scale that yielded a result of 0.73. This represents an acceptable level for the alpha and indicates the internal consistency of the survey. The third factor that Bryman stated, the inter-observer consistency, does not apply to the research in this thesis as the author was acting as the sole observer. Furthermore, the documentation of the research approach and the questionnaire that can be found in the appendix increase the reliability and the chance that a retest within the same sample will yield similar results.

Validity, according to Babbie, refers ‘to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration’ (2010: 153). To provide face validity for this research the questionnaire has been revised by different people from the industry and related fields to ensure that the questions actually contribute to the research question. This to a certain degrees ensures internal validity of the research. According to Bracht and Glass, external validity describes the intent to generalise the results of an experiment to a greater population and the extent of doing so (1968: 437-438). The generalisability of the results of this research is on the one hand supported by the size of the sample; however, on the other hand it is threatened by certain bias that will be described further in section 6.1. The secondary data and information in the following literature study have been used to further validate the results of the research in this thesis.
3 THE MILLENNIAL GENERATION

‘We are an immigrant nation! The first generation works their fingers to the bone making things, the next generation goes to college and innovates new ideas, the third generation ... snowboards and takes improv classes.’


3.1 PRECURSORS OF A NEW GENERATION

The Millennial Generation is also a third generation, the third generation born after the Second World War. In line with the generations mentioned in the quote, the generations that came before the Millennial Generation have done most of the work. The ‘post war generation’ rebuilt countries and societies after the war and created a prosperous environment for the next generation. According to Strauss and Howe, the ‘Boom Generation’ was born between 1943 and 1960, with members like Janis Joplin, David Letterman or Steve Jobs. They grew up with high expectations set on them by their parents, the G.I. and Silent generations (Strauss and Howe, 1991: 299-301). ‘Boomers have always seen their mission not as constructing a society, but of justifying, purifying, even sanctifying it’ [italics in original] (Strauss and Howe, 1991: 301). They were followed by the ‘Thirteenth Generation’ born between 1961 and 1981 represented by people like Michael J. Fox, Tom Cruise or Michael Jordan (Strauss and Howe, 1991: 318). The generation got its name for being the 13th generation in the USA after the nation’s founding, but is commonly known as the ‘Generation X’ (Ovadia, 2010: 212). Generation X got a bad reputation, it ‘came after the most impressive of social and political movements had passed; it was located between the greatest of generations had already made their mark; it was seemingly lost in a time defined by the negative’ [italics in original] (Henseler, 2013: 1).

The name ‘Generation Y’ given to the next generation indicated that the Millennials would step into the footsteps of the ‘lost’ generation. However, Strauss and Howe predicted a different outcome: ‘Millennial attitudes and behaviors represent a sharp break from Generation X, and are running exactly counter to trends launched by the Boomers’ (Howe and Strauss, 2000: 7). But
what are the characteristics of this generation? What makes this generation unique and how do they use media and the internet?

3.2 CHARACTERISTICS

Most of the research on the Millennial Generation has been conducted in the US. One of the most extensive studies of Millennials has been published by the Pew Research Center in the US. By conducting interviews with 2,020 adults, they tried to investigate the characteristics of the Millennials by comparing them to members of the preceding generations. Because of the little research that has been done in Europe, I will therefore focus on the existing research from the US in the following sections. The US market has been a ‘trendsetter’ for different industries such as motion pictures (Katz, 2010: 41) and is a similar trendsetter in the research on youth culture regarding the Millennial Generation.

According to the research done by Pew Research Center, the Millennials share similar values with older generations. ‘Family matters most, and fame and fortune are much less important.’ (Pew Research Center, 2010: 17). However, their definition of ‘family’ might differ from the previous generations as they are very open and tolerant, but ‘it would be wrong to see their openness as mere tolerance toward others. They have moved beyond tolerance and acceptance to acting upon their beliefs’ (Rainer and Rainer, 2011:88). One of these beliefs is the legalisation of gay marriage, with them being the first generation where a majority favours the legalisation (Pew Research Center, 2010: 55).

Espinoza, Ukeja and Rusch state in their book on the Millennials Generation that ‘Millennials are the most socially and diversely tolerant generation ever, the most educated and technologically savvy generation ever’ (2010: 8). The Millennials set the record with the highest rate of college degrees in the age group 25 to 29 in the US (Rainer and Rainer, 2011: 3). Furthermore, they continue a trend that the Generation X started, with women surpassing men in the share of college students and graduates (Pew Research Center, 2010: 10).

Members of the Millennial Generation are very social beings, online as well as offline. They are more likely to have a profile on social networking sites than other
generations. They maintain larger networks and like to connect with friends as well as getting their approval through ‘likes’ and ‘shares’ (Barton, Fromm and Egan, 2012: 6). In the offline world, they create strong bonds with their peers, they feel less lonely and ‘[t]heir belief in team play has broadened their capacity for friendship’ (Howe and Strauss, 2000: 18).

The Millennials are an upbeat generation that does not worry as much as previous generations did (Howe and Strauss, 2000: 7). ‘But they are realists as well. They know not all is well with the world. The Boomer Generation knew that and protested it. The Gen X Generation knew that and was depressed about it. And the Millennials know that, but they believe they can have a role in changing it.’ (Rainer and Rainer, 2011: 18). This optimism causes them to show personality traits of narcissism like ‘overconfidence and an inflated sense of self’ (Twenge and Campbell, 2013: 5). However, their optimism and confidence also drive them to try to solve problems in the world. They believe ‘that collective action can make a difference’ (Barton, Fromm and Egan, 2012: 7) and turn ‘toward community, patience, trust, and a new focus on action over talk’ (Howe and Strauss, 2000: 66).

The situation the Millennials in relation to their preceding generations can be compared to the story of Harry Potter, one of their childhood heroes. ‘Harry Potter and his friends are smart, over achieving, innovative, and self-possessed, doing their best to operate within the rules set forth for them, while practicing their calling of saving the world as need arises – they represent Millennials.’ (Espinoza, Ukeja and Rusch, 2010: xv).

Howe and Strauss conclude their book on the Millennials with a declaration why the Millennials could be a ‘hero generation’. Within the last centuries there have been such generations once every lifetime in the US. The ‘Republican Generation’ laid the foundation for the nation, the ‘Progressive Generation’ strengthened the nation after the Civil War and the ‘G.I. Generation’ led the nation through the Second World War (Howe and Strauss, 2000: 326-327). There was a pattern in these generations that resembles the experience of the Millennial Generation: ‘A hero generation directly follows a youth generation widely deemed to be disappointing, reacts against the older “postwar” generation that fomented the
spiritual awakening as young adults – and fills a void left by the passing of an elder generation known for civic purpose and teamwork.’ (Howe and Strauss, 2000: 327). Whether the Millennial Generation will be able to measure up to these expectations will be seen in the decades to come. One distinctive attribute of this generation, their interaction to technology, is already visible and will be explored in the following section.

3.3 Digital Natives

A report by The Boston Consulting Group describes the Millennials’ approach to modern technology in the following way: ‘Millennials consider themselves fast adopters of new technologies and applications, and they are far more likely than non-Millennials to be the very first or among the first to try a new technology. They also tend to own multiple devices such as smartphones, tablets, and gaming systems.’ (Barton, Fromm and Egan, 2012: 5). However, it is not just about the number and diversity of devices that Millennials own, ‘it’s the way they’ve fused their social lives into them’ (Pew Research Center, 2010: 6). The Millennials do not only own the devices, they also possess ‘the ability to use and understand the “digital language”.’ (Kilian, Hennings and Langner, 2012: 115). As described earlier (see section 1.4.2), they are the ‘digital natives’, they grew up with the modern technology and know how to use it.

However, according to Pew Research Center, among the millions of ‘digital natives’ there are differences in their online behaviour. College graduates are more active online and in social networks than Millennials without college experience. Younger Millennials show higher activity in the online world than older members of the generation and young women in general are more active on social networking sites than young men (Pew Research Center, 2010: 25-29).

Many Millennials in the report by the Pew Research Center stated that the use of modern technology is what makes them special. ‘For them, these innovations provide more than a bottomless source of information and entertainment, and more than a new ecosystem for their social lives. They also are a badge of generational identity.’ (Pew Research Center, 2010: 25). The fast paced internet
environment has caused an increase in diversity of interests and opinions among the Millennials. They can easily connect with likeminded peers, share their points of view and as easily change their standpoint; this all happens in a faster pace than in the generation of their parents (Marker, 2006: 81). Expert opinions differ whether this ‘hyperconnectivity’ will have negative effects on the generation or not. The answers on this question vary from turning Millennials into ‘quick-acting multitaskers’ on the one side to becoming ‘shallow consumers of information’ on the other side (Anderson and Rainie, 2012: 2).

The amount of data on the internet increases almost exponentially every year with billions of gigabytes of information generated annually. Our own supercomputer, the human brain, is only able to process a very small portion of this vast mass of information. Therefore, we design mechanisms and techniques to cope with this information overload; however, even the Digital Natives struggle to keep up with the pace of this development (Palfrey and Gasser, 2008: 185-186). ‘Young people growing up in a digital era, whether or not they are Digital Natives, will face information overload throughout their lives.’ (Palfrey and Gasser, 2008: 194). How this information overload expresses itself in the case of TV content and how the audience in general copes with it will be described further in chapter 5.

3.4 **Millennials and TV**

Looking at the amount of time the Millennials spend on the internet and in social networks, it seems other media have to suffer in terms of time spent using them. One of these media could be watching television. According to the research done by the Pew Research Center, they are the generation with the lowest likelihood of having watched TV in the last 24 hours, even though a majority (57 %) did watch TV (2010: 36). Whereas their Boomer parents went home after work and switched on the TV, the Millennials use five to eight different devices, often some of them simultaneously and the TV is just one of them (Lotz, 2007: 17-18).

A report created by Bergman, Duffy and Shipnuck for IBM in 2006 already mentioned this change in consumption behaviour and related to the Millennials as ‘Kool Kids’ (2006). According to the report they seek a more interactive and
social experience that they can control through time- and space-shifting the consumption of TV content. With this shift to on demand consumption on cell phones and computers, the advertising channels to reach turn out to be the various social media outlets instead of commercial breaks (Bergman, Duffy and Shipnuck, 2006).

So it is still the case that Millennials watch TV content, but often they switch to streaming services like Hulu to watch it on their computers (Barton, Fromm and Egan, 2012: 5). According to YPulse, a marketing agency specialised in Millennials, this shift to online streaming happens at the age of 18. The likelihood of owning a laptop computer is higher among older Millennials giving them more control to watch where they want and their more hectic lifestyle creates the need for time-shifted consumption (YPulse, 2012). In the following chapters we will have a closer look into how the traditional TV landscape looked like and how it evolved to cope with the changing consumer behaviour.
4 STATE OF THE TV BUSINESS

‘All my life I wanted to make movies. A good movie can change lives. A great movie can change the world. But television, it’s different. It’s not about making a difference. Television’s about making one thing only: money.’

Richard Strong in ‘Pawn to King Four’ (Made in Canada, 1998)

4.1 EUROPEAN TV LANDSCAPE

Being the second biggest TV market in the world, there is a lot of money to be made in the European TV market. Even though the market is fragmented, the overall size of the market allowed several companies to prosper in this environment. The digitisation and the internet have encouraged new players to enter the market, causing existing companies to expand and diversify their operations to strengthen their business and spread the risk. Consequently, this led to a further concentration of media ownership in the European market with big players operating in different business areas and stages of the value chain (Doyle, 2002: 1). ‘The concentration of ownership refers here to the degree to which the industry is controlled by a number of firms.’ (Sanz, 2012: 23-24).

According to Röder there are several benefits from vertical integration and concentration, for example, economies of scale by reaching larger audiences and economies of scope to attract different audience segments (2007: 262). Furthermore, as Chalaby states ‘[b]eing involved in different segments enables diversified entertainment companies to spread risks and soften the blow of loss-making ventures’ (2009: 161). Especially in the US market these benefits turned media companies into media conglomerates enabling them to ‘amass greater numbers of television and radio stations, while also owning (or part owning) cable networks, newspapers, magazines, movie studios, record labels, syndication companies, search engines, and a host of other corporations’ (Spigel and Dawson, 2008: 278). European conglomerates might not be as big as their US counterparts; however, they are no less diversified or dominant in their markets as US companies such as Viacom or News Corp.
The following graph shows some of the biggest commercial broadcasting groups in Europe and their respective area where they operate and where their programming can be received:

**Figure 1**: Countries of establishment and target countries of the biggest commercial broadcasting companies in Europe (Own illustration based on: RTL Group, 2012; Mediaset, 2012; ProSiebenSat.1 Media, 2012; TF1 Group, 2012; European Audiovisual Observatory, n.d.)

These companies operate from various countries and manage to reach millions of viewers throughout Europe. However, they do not only broadcast the content, they also own content development and production companies. Through these companies the broadcasting groups create content for their own networks, but also produce content for other broadcasters representing an additional source of revenue. Fremantle Media, a subsidiary of the RTL Group, for example ‘was responsible for nearly 9,200 hours of TV programming in 58 countries, making it one of the largest creators of award-winning international programme brands.’ (RTL Group, 2012: 10). Even though the European broadcasting groups produce themselves, they still have to import a big portion of their content from countries outside of Europe. In the following section I will describe these global content flows further.

### 4.2 Global Flow of Content

In their study on the international flow of television programme material in 1974 Nordenstreng and Varis identified the USA as the biggest export nation in the TV market relating to the situation as a ‘one-way street’ where content flows from the USA into the world (1974). Among the reasons for this dominance of US content
they describe a vacuum of entertainment content caused by the Second World War. After this most cultural industries tried to rebuild their infrastructure while the US industry managed to fill this vacuum (Nordenstreng and Varis, 1974). Even though other markets like the United Kingdom or Japan developed into important export nations for TV content, the United States is still the most important exporter (Moran, 2009: 17). According to an analysis conducted by Buonanno between 1997 and 2006, ‘an average of 50 per cent of films and television drama on terrestrial networks in European countries is of US origin.’ (2007: 92).

The financial advantages for the seller (the US industry) and for the buyers (foreign networks) are just too big for it to change in the near future. For broadcasters it is less expensive or fraught with risk to buy and import content than to produce it in the domestic market (Nickesia, 2008:134). Meanwhile, the TV industry in the US is able to cover such production costs in their big domestic market (Buonanno, 2007: 93), enabling them to offer their content to a lower price in the syndication market. How these series are produced and how the syndication looks like will be described further in the following section.

4.3 **SERIES PRODUCTION AND DISTRIBUTION WINDOWS**

The increased amount of channels due to the introduction of cable and satellite TV as well as the later introduction of digital channels created enormous demand for TV content. This caused especially series production to turn into a routine process that is standardised and each step of the process predefined (Ellis, 2004: 276-277). A TV series starts with an idea developed far enough to create a treatment, describing the idea, or even scripts for the first few episodes. This development process in TV is more important than for example in the motion picture sector where most ideas are adapted from existing books (e.g. The Hobbit), comics (e.g. The Avengers) or even theme park rides (e.g. Pirates of the Caribbean). Most of the success stories of TV series stem from original ideas generated for the TV screen, usually based on classic themes like mismatched partners in cop series or family sitcoms (Ulin, 2010: 40).
To finance these TV series the networks in the US introduced ‘deficit financing’ where they pay a licensing fee that covers a certain percentage of the production costs for airing the series on their channels (Bielby and Harrington, 2008: 25-27). After the first run of a series the producers have to divert their attention to the syndication market and foreign networks to bring in additional revenue to cover their losses and start profiting from the production (Bielby and Harrington, 2008: 25-27). In syndication, TV content and especially series are ‘sold market-by-market to individual stations’ (McDowell, 2006: 148); in the US for example, series are syndicated to local stations after their first-run on the national networks. In the model of ‘deficit financing’, the producer keeps the rights of the material, but also carries a big portion of the financial risk. The ‘cost plus’ financing that originated in the UK unburdens the producers from the financial risk as networks pay the full production costs or even 10% more; however, the network owns the rights to the material after production (Lotz, 2007: 89). Smaller independent production companies usually try to strike a co-production deal ‘in which one partner agrees to put money into a co-production in exchange for acquiring special rights to the airing and distribution of the resultant programme’ (Kilborn, 2006: 62).

After a series has been broadcasted for the first time on the network that paid for the production, it usually is distributed into other markets or distribution windows. Whereas the distribution windows in the motion picture industry are well defined and have a pre-set timing, the windows for TV series are dependent on the series success and often differ between networks. Some series for example do not advance to the minimum of 65 episodes that are seen as the borderline to be able to syndicate the series. The VOD window, the time span in which users can watch episodes on demand, is more important for series as users like to ‘catch up’ on the series (Ulin, 2010: 42-43). Furthermore, networks experiment with new windows and try to change their timing and order. One of these new windows to create additional revenue are ‘season passes’. They enable users to view episodes shortly before they are aired and attract user segments that are willing to pay for this exclusivity (Bergman, Duffy and Shipnuck, 2006: 15-16).
In addition to these experiments to generate new revenue, the producers of TV series had to adapt their ‘windowing’ process based on changed user behaviour, for example, new technological possibilities such as streaming series online. The following figure based on a report by Bergman, Duffy and Shipnuck illustrates the traditional windows for TV content and how they are evolving towards more on demand content and shorter time spans between windows:

![Image of Evolving TV content release windows]

**Figure 2:** Evolving TV content release windows (Own illustration based on: Bergman, Duffy and Shipnuck, 2006: 16)

As asked about the effects of the internet on the distribution windows Blair Westlake, VP of Media and Entertainment at Microsoft, gave Jeff Ulin the following answer:

*My prediction is that the windows will fall away and the business models, the amount the consumer pays (or very targeted advertising accompanying the programming), will dictate how, when, and where you see content.*

Blair Westlake (in: Ulin, 2010: 44)
However, digitisation and the internet will not only have an impact on the distribution windows, but also influence how and where TV stations distribute their content to the consumers. In the following section we will look more closely at how digitisation and the internet transformed the TV industry in the last years.

### 4.4 Changes in the Digital Age

*The key to the future of television is to stop thinking about television as television. TV benefits most from thinking of it in terms of bits.*

(Negroponte, 1995: 48-49)

#### 4.4.1 Threat or Opportunity?

Already in the middle of the 1990s Nicholas Negroponte, co-founder of the MIT Media Lab, envisioned how the TV would become more intelligent and connected blurring the lines between a TV set and a personal computer (Negroponte, 1993 in: Gripsrud, 2010: 14). However, there was, and still is, a lot of uncertainty and discussion about the developments in technology and the internet and how they will affect the television medium in the long term. Reading the headlines on major news channels one must wonder, whether the end of TV is already close: ‘Don't Mean To Be Alarmist, But The TV Business May Be Starting To Collapse’ (Blodget, 2012), ‘Let's Just Declare TV Dead and Move On’ (Arrington, 2006) or ‘TV is dead. Long live the internet’ (The Guardian, 2011). However, these articles are not really about the end of TV, but the transformation this medium is undergoing away from the physical constraints of a traditional TV set. Buonanno speaks of co-existence and not substitution when looking at the different mediums of the mass communication age (e.g. radio, cinema or TV) and the modern technologies like the PC and the internet (2007: 12). Einav and Carey go one step further and ‘believe the TV industry is on the verge of a Golden Age of Media – a time when vast new opportunities are opening up for content creators and distributors, and, most importantly, for the consumer’ (2009: 115). According to Thorburn and Jenkins media convergence should not be seen as a ‘zero-sum game’, where one medium will eventually disappear, but a process of approximation where the synergies between the mediums are understood and embraced (Thorburn and
Jenkins, 2004: 3). How the TV industry changed in this time of transformation and transition can be seen in the following sections.

4.4.2 Delivering TV to the Consumers

Digital and internet technologies disrupted the television environment and especially ‘the delivery system, fragmented into a plethora of outlets in the multi-channel environment (in parallel with the fragmentation of audiences)’ (Buonanno, 2007: 68). They caused a paradigm shift from the programmed schedule to individualised consumption through a variety of outlets. According to Gerbarg, ‘[w]hen it comes to content, today’s mantra is “what, when, where you want it.”’ (2009: 2). The TV content gets more and more detached from the TV set turning into a digital asset ‘experienced via broadband rather than broadcasting’ (Bennett, 2011: 1). Following this trend and their call to action, ‘[t]raditional TV networks now see themselves as content creators and distributors rather than broadcast companies’ (Gerbarg, 2009: 2).

The digitisation of TV content and programming led to the introduction of different consumer offerings mainly driven by internet service providers, network operators and new entrants to the market that joined forces with existing broadcasters and content providers. In the following, I will describe three of these consumer offerings of TV content in more detail: Internet television (Internet TV), IPTV (Internet Protocol Television) and mobile television.

For Gerbarg and Noam ‘Internet television is the quintessential digital convergence medium, putting together television, telecommunications, the Internet, computer applications, games and more’ (2004: xxi). According to them, Internet television is just another name for IPTV (Gerbarg and Noam, 2004: xxi), while Sanjoy draws a clear line between IPTV and Internet television: ‘Whereas IPTV (also called telco TV) is closed and controlled by an operator or telecom service provider, Internet television is open, exactly like the Web’ (Sanjoy, 2010: 17). Internet television was introduced in the late 1990s, enabled through streaming techniques with buffering (preloading parts of the content), and became more popular with increasing bandwidth of the consumer’s internet connections (Dominick, 2011: 262). Services that provide Internet television have
mostly been introduced by broadcasting stations like the BBC (iPlayer) or joint ventures like Hulu (NBC Universal, Fox and Disney) (Minoli, 2012: 11).

The Alliance for Telecommunications Industry Solutions defines IPTV ‘as the secure and reliable delivery to subscribers of entertainment video and related services. […] These services are delivered across an access agnostic, packet switched network that employs the IP protocol to transport the audio , sic, video and control signals’ (2005: 7). Whereas Internet TV is distributed through the public internet, the providers of IPTV services operate proprietary networks through which they can guarantee secure transmissions and provide an experience similar to watching traditional TV. Furthermore, IPTV networks are bound to a certain geographical area and usually digital set-top boxes are used to receive the signals from the networks and decode them before the consumer can view the content (O’Driscoll, 2008: 3-4). The major driver of IPTV’s success are telecom service providers that are integrating IPTV into their ‘triple play’ offers, trying to compete with new entrants to the market and to take part in the profitable business around digital content (International Engineering Consortium, 2006: 8). Triple play is an offering by telecom service providers including fixed telephony, internet access and IPTV all through one broadband connection; some providers add mobile telephony to the package turning it into ‘quadruple play’ (OECD, 2007: 20).

Advances in mobile phones and network technology gave rise to the development of mobile TV services. According to Lotz ‘[m]obile television – as delivered to mobile phone and computer screens – freed television from its domestic confines in the same manners as the earliest portable [TV] sets from the 1960s’ (2007: 66). Since the ascent of mobile TV in the 1990s, different standards of mobile TV have been introduced globally in different regions. Among the most important standards for mobile TV is the European standard of DVB-H (Digital Video Broadcasting-Handheld) and the Korean standard DMB (Digital Media Broadcasting) that is divided in T-DMB (terrestrial) and S-DMB (satellite; in regions without terrestrial coverage) (Zeadally, et al, 2012: 59-61). One major concern for mobile TV services based on mobile telephony networks is bandwidth; however, new mobile networks of the fourth generation (4G) like LTE
(long-term evolution) could deliver the sufficient bandwidth to provide a high quality viewing experience for the consumers. In spite of the technological possibilities, according to Morris, especially older consumer groups are not yet embracing the idea of mobile TV. Due to their differing consumption behaviour compared to older generations, the service providers are targeting the younger audience with such new offerings (Morris, 2012). How the general consumption behaviour of TV content changed through the rise of digital technologies and the internet will be further investigated in the following chapter.
5 Trends in TV Consumption

‘I mean, the whole reason you watch a TV show is because it ends. If I want a long, boring story with no point to it, I have my life.’

Jerry Seinfeld in ‘The Wallet’ (Seinfeld, 1992)

5.1 Media Usage Theory

In the quote above Jerry Seinfeld points out one of the motives for watching television: escapism, in his case from the ‘boring life’. It is one of the three motives Comstock and Scharrer propose for watching television: ‘escape from cares and pressures, evaluate the self, and keep up with the medium’ (1999: 82).

In the past, the Uses and Gratification approach has been used to determine the motives for using media. According to Rubin, ‘[t]he principal elements of uses and gratifications include our psychological and social environment, our needs and motives to communicate, the media, our attitudes and expectations about the media, functional alternatives to using the media, our communication behavior, and the outcomes or consequences of our behavior.’ (2002: 527). A central element of the Uses and Gratification approach is the active audience. In the concept the audience is active, involved, selects what they are watching and does so deliberately (Rubin, 2002: 534). In the 1970s criticism of the theory has been raised questioning the connection between gratifications and the effects caused by them. However, as Rubin writes, ‘this state of affairs has changed during the past 25 to 30 years as investigators have sought to link social and psychological antecedents, communication motivation, attitudes, audience activity and involvement, behavior, and outcomes.’ (Rubin, 2002: 539).

The active audience and their intentional choices are important to conduct research in this field. These factors are among the five components Katz, Blumler and Gurevitch defined as being part of the Uses and Gratifications approach:
1. The audience is conceived of as active
2. In the mass communication process much initiative in linking need gratification and media choice lies with the audience member.
3. The media compete with other sources of need satisfaction.
4. Methodologically speaking, many of the goals of mass media use can be derived from data supplied by individual audience members themselves.
5. Value judgements about the cultural significance of mass communication should be suspended while audience orientations are explored on their own terms.

(Katz, Blumler and Gurevitch, 1974: 510-511)

Especially the third component is becoming more and more important to look at as the amount of devices in the household and other forms of entertainment increases. The following section will describe the current situation in the living room with these multiple devices and the trend of the ‘second screen’.

### 5.2 THE SECOND SCREEN

According to research conducted by Google in 2012, ‘77% of the time when we’re using a TV, we’re using another device’ (2012: 25). In 49% of the cases, the smartphone is the device of choice for simultaneous usage, followed by the PC/laptop with 34% (Google, 2012: 25). A study by Ericsson revealed that ‘browsing the Internet’ overtook ‘talking with other people in the room’ and ‘eating in front of the TV set’ in 2012 as the number one activity while watching television or video content (Ericsson, 2012: 5). Within the same study, Ericsson discovered several reasons for the social TV behaviour like the urge not to watch alone, getting feedback, gratification and validation from the public and peers or looking for further information on the program content (2012: 5).

Research conducted by Nielsen (2012a) shows an even higher percentage of simultaneous usage of TV and other devices (85%) among tablet/smartphone owners. The smartphone is the popular device among the young group of 18-24 and is primarily used to check emails or connect via social media. Tablets on the other hand are more popular among older age groups (e.g. 25-34 or 55-64) and are
used to surf the web to find additional information, check sports results or emails (Nielsen, 2012a). Paul Lee, director of technology, media and telecommunications research at Deloitte, stated the following on the topic:

‘Second screening’s impact is far greater in driving conversations about a programme, as opposed to interaction with it. Second screening may well end up with a similar status as eating in front of the TV: an everyday experience for some; absolutely unthinkable for others. One thing is certain: it is here for good.’

(Paul Lee in: Deloitte, 2012)

However, the conversation about the programme does not only happen among Millennials as another study by Nielsen demonstrates. For example ‘checking emails during the program’ is most popular among the older age groups (65% both in 35-54 and 55+) in comparison to the younger age groups of 13-17 (52%) and 18-34 (58%). These younger age groups are more active in social networks while watching TV (Nielsen, 2012b).

The second screen trend is a double-edged sword for the TV industry, posing a threat and an opportunity at the same time. On the one hand ‘some might ask whether such a low involvement entitles being called “watching television” at all’ (Gentikow, 2010: 149). If the audience does not pay attention to the TV, especially in the commercial breaks, this might endanger the vital advertising revenue of commercial TV. On the other hand, the social TV trend through the second screen opens up new possibilities for the advertisers that spend billions on commercials shown on the first screen. Shiv Singh, global head of digital for PepsiCo, describes this situation in the following:

‘In the future, no television advertisement will be just self-contained narratives […] They will be trailers into deeper branded digital experiences. […] The ROI won’t be measured by the impact that the TV ad has when it’s aired but also by its residual influence on engagement in other mediums in the weeks that follow the airing.’

(Singh, 2011)
The advertising agency JWT pointed out some of these new opportunities through the second screen, like an extension of the advertisement through mobile applications that recognise the audio signal of the commercial. Through gamification and incentives these experience motivate interaction with the brand on mobile devices, bridging the gap from the TV screen to the digital world (JWT, 2012). Furthermore, the second screen creates new sponsorship possibilities for brands through such mobile applications and brands can even create their own applications, like Heineken did with the ‘Star Player’ application. Within this application users could interact parallel to UEFA Champions League matches shown on TV and earn points by predicting certain actions like goals within the application (JWT, 2012).

The second screen is here and TV executives and advertisers are trying to leverage the opportunities that arise from this trend. However, this is by far not the only shift in user behaviour that has been caused by digitisation and the internet.

5.3 Flow, Desynchronisation and Binge Viewing

Raymond Williams in 1974 introduced ‘flow’ as the ‘defining characteristic of broadcasting, simultaneously as a technology and as a cultural form.’ (Williams, 2003: 86). Rick Altman criticises this generalisation of flow being a characteristic of television, he proposes ‘that the notion of flow depends on a specific cultural practice of television, that it cannot be properly understood without reference to the parallel notion of household flow, and that the soundtrack is specifically charged with mediating the relationship between these two flows’ (1986: 40). Whereas Altman focused on flow being a practice of the US industry, John Ellis criticised individual programmes being the smallest ingredient of flow. According to Ellis, broadcast TV consists not of one coherent text, but several smaller segments with a maximum duration of five minutes (Ellis, 1992: 112). ‘These segments are organised into groups, which are either simply cumulative, like news broadcast items and advertisements, or have some kind of repetitive or sequential connection, like the groups of segments that make up the serial or series’ (Ellis, 1992: 112). However, it is getting more and more difficult to get viewers to tune in when the program is aired, therefore, ‘William’s concept of
“flow” needs to be reconsidered to include these new viewing practices and relationships to feelings and images’ (Gorton, 2009: 19).

A study conducted by Morpace in the US concludes that only 52 per cent of the viewing time accounts for live TV. For the age group 18-34 mainly consisting of Millennials, this figure goes down to only 41%. However, the alternative ways to watch are fragmented and range from DVD (Digital Versatile Disc) to DVR (Digital Video Recorder) and on demand streaming either online or via cable/satellite (Morpace in: Schonfeld, 2010). Like the introduction of the remote control that presented a convenient way to switch the channel, digital and internet technology empowered the audience to create their own schedule and break free of the control of program planners.

According to Spigel and Dawson, ‘the networks are now embracing strategies like “multiplexing” and internet streaming that allow viewers to watch what they want, when they want, on the screens of their choice’ (2008: 282). These possibilities, as stated by Buonanno, probably work best with the unstructured lives of young people today; furthermore, ‘such a desynchronisation of the way in which individuals use television constitutes a break – not wholly benign, perhaps – with the television world that we have known hitherto’ (Buonanno, 2007: 70). The audience moves from ‘flexible labor’ to ‘flexible leisure’, trying to fit time for leisure activities into their hectic lifestyle and schedules (Spigel and Dawson, 2008: 281).

Yet this situation of desynchronisation, according to Ellis, replaces the routine and habits of watching TV with a necessity to make choices among the plentiful pool of TV content and creates feelings like time famine (2002: 171). According to McLean and Hurd, ‘Time famine is present when an individual has insufficient time to accomplish all of the tasks required for work and living’ (2012: 439). The amount of content that is available to consumers creates this anxiety as they are not able to consume all the content they would like to in the time given. This age of plenty in TV in combination with necessary decisions on what to watch also creates ‘choice fatigue’. Ellis describes ‘choice fatigue’ as ‘a combination of impatience, a great modern vice, and the sense of simply not wanting to be
bothered’ (2002: 171). According to Buonanno, ‘it [choice fatigue] stems from anxiety and certain tiredness and impatience, caused by knowing that you have to explore a wide range of options in front of you’ (2007: 69). These effects creates the need for new solutions for TV content in a digital age, in a sense bringing TV back to its roots as a ‘laid-back’ medium that does not require too much active participation. In a study on television usage that was conducted by Gentikow in Norway, Karoline (26), a participant in the study, made the following statement underlining the need for the ‘laid-back’ character of TV: ‘I believe that we like not being able to make choices all the time. We can choose between more than enough things. It is good to be free from choices, just lie on your couch and receive ... It is very satisfying just to get things served.’ (Gentikow, 2010: 151).

A new phenomenon that arose with the introduction of DVDs and became even more apparent with VOD services like Netflix is ‘binge viewing’. According to Sodano, binge viewing is a ‘common practice [...], in which viewers watch numerous episodes (and sometimes complete seasons) over a concentrated period.’ (Sodano, 2012: 32). According to Brunsdon in the past of TV, when someone could not get enough of a TV series and needed his weekly fix, scholars called it an addiction. Nowadays, we call it bingeing and he compares watching TV series with a box of chocolate where the audience can decide how much and when they consume it (Brunsdon, 2010: 65).

However, as people tend to eat the whole box of chocolate once they started, bingeing can also leave a bad feeling afterwards. Watching broadcast TV in real time, according to Crumlish, ‘means that you age along with the characters. Watching five boxed sets in a month, you surface a little fatter, slightly dazed, and behind on your correspondence’ (Crumlish, 2009). On the one hand, bingeing might replace watching TV series in a weekly, periodical manner. However, it can also fuel this consumption of linear as Hughes points out. For several TV series like ‘Downton Abbey’ that did not succeed in the first season, bingeing is a good way for the audience to catch up on the series and might increase ratings for following seasons (Hughes, 2013). How significant this trend of binge viewing really is among Millennials is one of the issues that will be investigated in the following research part.
6 EMPIRICAL FINDINGS AND ANALYSIS

‘Three percent equals X dollars, which is Y flu vaccinations, Z school lunches
... It’s more convincing with numbers.’

Claudia Jean Cregg in ‘Shutdown’ (The West Wing, 2003)

6.1 SURVEY RESULTS

The online survey was conducted between the 12th and 25th March 2013. To increase the motivation of Millennials to participate in the survey, I committed myself to donate 0.10€ per completed questionnaire to a development project in South Africa that supports AIDS orphans. I wanted to use a different approach, compared to the usual practice of giving away gift vouchers to the participants. Instead of employing such extrinsic motivators that reward the participants’ actions, I wanted to employ an intrinsic motivator. To participate in actions driven by intrinsic motivators is more rewarding for the participants as they are doing it because they want to or have fun doing it (Herzog, 2011: 98).

In total the survey had 1,206 participants with an average age of 28.75 years and a share of 37.9 per cent being women. Out of the total field of participants, 1,079 live in one of the three target countries (Germany, Austria and Switzerland) and out of this group, 753 participants are members of the Millennial Generation age 13 to 31 constituting the main target for this research. The second biggest generation from the target countries have been members of the Generation X age 32-52 (300 participants, later referred to as Gen Xers).

Looking at the field of participants, there is a bias towards men as well as towards people who are generally more interested and more heavy users of TV series. The gender bias can partly be attributed to the inequality among internet users where according to the International Telecommunication Union (ITU) male users still are in the majority (ITU 2012). A bias towards heavy users of TV series becomes apparent when one looks at the data. On average the participants of the survey consume 13.6 hours of TV series every week, representing almost two hours on a daily basis. Furthermore, ‘Websites about TV series’ is the main source to discover
new TV series for the participants, revealing that a majority of the participants of the survey came through relevant websites about TV series, of which some even posted articles about the topic with a link to the survey. I do not perceive this bias towards people that are generally interested in TV series as a problem as this affinity towards the topic comes with increased relevance for it. These participants have experience with the different solutions on the market and, furthermore, they are the target group that current and future business models want to attract.

6.2 THE GENERATION GAP

6.2.1 GENERAL DIFFERENCES

In this section I will look into the differences between the Millennials and the Gen Xers in the target countries. The two generational groups include 87 per cent of the survey participants and the age distribution within the two groups almost represents a positively skewed normal distribution around the mean age of 28.6 years:

![Age distribution of the two generational groups](image_url)

**Figure 3:** Age distribution of the two generational groups (n = 1,053)

The Gen Xers consists of relatively more men than women compared to the group of Millennials. Most of the Gen Xers group are employed and a significantly higher
share of them is self-employed when compared to the group of Millennials. A more detailed demographic overview is given in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Generation X</th>
<th></th>
<th>Millennial Generation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n = 300</td>
<td></td>
<td>n = 753</td>
<td></td>
</tr>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Sex n.s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>33.8</td>
<td></td>
<td>38.6</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>66.2</td>
<td></td>
<td>61.4</td>
<td></td>
</tr>
<tr>
<td>Occupation*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>75.3</td>
<td></td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td>2.3</td>
<td></td>
<td>55.9</td>
<td></td>
</tr>
<tr>
<td>Self-employed</td>
<td>17.0</td>
<td></td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5.3</td>
<td></td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>38.25</td>
<td></td>
<td>24.76</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Chi-squared tests were applied; n.s. = not significant; *p < 0.1%

Table 1: Demographic profile of the two generational groups

In the following sections I will look deeper into the differences between the two groups in terms of TV consumption and solutions to provide TV content.

6.2.2 TV CONSUMPTION

In the first part of the survey the participants have been asked how frequently they use one of the following devices to watch TV content: TV set, computer/laptop, tablet computer and smartphone. It became apparent that the computer/laptop among Millennials already replaced the TV set in daily usage when it comes to watching TV content. Additionally, more than 10 per cent of the Millennials stated that they do not own a TV set. For Gen Xers however, the TV set remains the first choice device to watch TV content, as can be seen in Figure 4, and only 3.4 per cent do not own a TV set. Neither the smartphone, nor the tablet computer play an important role as watching device, while at least in terms of tablet computers this could be traced back to the fact that 63 per cent of the total sample do not own a tablet.
When asked about when they watch TV content, the two groups do not differ much, but show a clear trend towards on demand usage (see Figure 5). Such a trend already was developed in the literature study (see section 5.3), but has also been confirmed through the research results. This increase of on demand is also apparent in the compliance with the statement ‘I want to watch TV content whenever and wherever I want’. 69.8 per cent of the Millennials and 67.7 per cent of Gen Xers ‘Strongly Agree’ with this statement. Furthermore, both groups equally ‘Disagree’ with the statement ‘I easily find something relevant on traditional TV for me’ with a majority of overall 41.7 per cent.

Even though they might deem it difficult to find relevant content on TV, both groups consume quite a lot of content from one particular genre: TV series.
6.2.3 **WATCHING TV SERIES**

According to the results of the survey the Millennials consume 13.7 hours of TV series on average every week. The Gen Xers exceed this number with a weekly consumption of 15.5 hours of TV series. In section 4.2 I described the importance of foreign TV content and how the global flows look like. When the Millennials watch such foreign TV series they usually do so directly after the initial release instead of waiting for the broadcast in their home country as can be seen in the following graph:

![Figure 6: Consumption of foreign TV series – Millennials / Gen Xers](image)

Only roughly a quarter of the Millennials wait for the broadcast, whereas more than a third of the Gen Xers do so. However, this trend to watch the series directly after the release comes with a negative side effect: piracy. Usually it takes a few months until for example a US series comes to European countries (see section 4.3). Especially for the German speaking market there is a delay because of the time it takes to dub the series. Even though as described in section 4.3 the distribution windows are moving closer together, the audience often does not wait and, as there are no legal options to watch the series content, they switch to retrieving content from mostly illegal streaming websites or download platforms. The streaming on such sites is especially popular among the Millennials (see section 3.4), as can be seen in the following figure:
These streaming websites according to the survey are the most popular platform to watch TV series for Millennials, but also for Gen Xers. However, the Gen Xers also use options that involve payments (Pay TV and DVD/BluRay) more often than the Millennials. Within the ‘Download’ option, I was not able to draw a distinction between legal download-to-own and illegal torrent/P2P downloads, therefore I cannot relate to the possible revenues created or lost there.

6.2.4 REVENUE MODELS

Despite these illegal streaming and downloads, through the survey a general willingness to pay became apparent. When asked which payment model they would prefer, more than 50 per cent of the Millennials and 48.8 per cent of Gen Xers choose a subscription service as their preferred way to get access to the content they want (see Figure 8). The second choice for both groups was the advertising funded model; however, at least among the Gen Xers this is closely followed by a model based on pay-per-view. For their first choice, the subscription model, Millennials would be willing to pay up to 14.94 €/month on average, if it carries all the series they want. This figure increases within the group of Gen Xers to 16.66 €/month. These amounts are higher than the current prices for subscription offers in the German speaking countries; however, the market is
downstream compared to the markets in the Scandinavian countries or the UK, where big US companies like Netflix already entered.

To analyse further what the Millennials want and how their needs could be best fulfilled, I conducted a cluster analysis trying to carve out distinct groups of users to better understand their specific needs.

6.3 Cluster analysis

6.3.1 The clusters

There are several differences between the Millennials in the sample. However, when the aim is to develop a business model a major difference between the different Millennials is which financing model they prefer. Based on their answer to the question about financing models, the group of Millennials has been divided into three clusters. The differences and characteristics of these clusters built the focus for this section and the foundation for the subsequent business model. The demographics of the three clusters can be seen in Table 2.

Cluster 1: Video advertisements (ADS). This cluster preferred a financing model based on video advertisements mixed into the content offering. It is formed of 37.8 per cent of the sample with 50.2 per cent male and with an average age of 24.43 years it is the youngest cluster. Furthermore, the cluster showed the highest share of students with 61.5 per cent. The cluster displayed the strongest tendency of the
Empirical findings and analysis

Three clusters towards consumption of live broadcasts on TV sets and is the top user group of free-to-air TV services, but also of streaming websites. They watch the least amount of TV series per week and prefer the weekly release of new episodes to having the whole season at once.

Cluster 2: Pay-per-view (PPV). The participants in this cluster preferred to pay for individual episodes or seasons of TV content. This cluster is formed by 11.9 per cent of the sample, represents the smallest cluster with 53.4 per cent male and an average age of 25.16 years. The members of this cluster show the lowest rating for daily usage of computer/laptop to watch TV content, while at the same time having the highest rating for daily usage of tablet computers and smartphones.

<table>
<thead>
<tr>
<th></th>
<th>ADS</th>
<th>PPV</th>
<th>SUB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n = 279</td>
<td>n = 88</td>
<td>n = 371</td>
</tr>
<tr>
<td>Sex*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>49.8</td>
<td>46.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Male</td>
<td>50.2</td>
<td>53.4</td>
<td>71.4</td>
</tr>
<tr>
<td>Occupation n.s.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>36.0</td>
<td>37.9</td>
<td>44.2</td>
</tr>
<tr>
<td>Student</td>
<td>61.5</td>
<td>55.2</td>
<td>52.8</td>
</tr>
<tr>
<td>Self-employed</td>
<td>2.2</td>
<td>4.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>2.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Age</td>
<td>24.43</td>
<td>25.16</td>
<td>24.95</td>
</tr>
</tbody>
</table>

Notes: Chi-squared tests were applied; n.s. = not significant; *p < 0.01 %

Table 2: Demographic profile of the three clusters

They are the most likely cluster to watch foreign series when they are broadcasted in their home country and the cluster with the highest share of participants who only watch live TV.

Cluster 3: Subscription (SUB). With 50.3 per cent of the sample this cluster is the biggest one with the highest rate of male participants (71.4 per cent) and an average age of 24.95 years. They are the cluster that switched the furthest from watching on a TV set to watching on a computer/laptop with significantly the highest share of people who just watch TV content on demand. They want to be in...
control of what they are watching and especially when and where. With almost 15 hours they also watch the highest amount of TV series per week among the three clusters. They do not want to wait for the broadcast in their home country and the availability of new episodes right after the initial broadcast is one of the most important features for them in a VOD service. However, they are also willing to pay the highest amount per month for such a service among the clusters.

### 6.3.2 Consumption Choices

Regarding the first choice device to watch TV content on a daily basis, the SUB cluster shows the biggest difference between their first choice, a computer/laptop, and the second choice, a TV set. The ADS cluster is following a similar trend, whereas the PPV cluster almost uses the computer/laptop and TV set to the same extent, as can be seen in Figure 9.

![How frequently do you watch TV content on the following devices?](image)

**Figure 9:** Daily usage of the device to watch TV content – Millennial clusters

Looking at the trend of the second screen (as described in section 5.2), it is hard to say, how high the actual attention is that is given to each of the devices. However, as the TV set has always been a laid back device, it is more predetermined for simultaneous second screen usage.

The SUB cluster indicates the most significant trend towards on demand consumption (see Figure 10); whereas the other two clusters show a similar tendency, but still mainly use both alternatives. Looking at the level of agreement to the statement ‘I want to watch TV content whenever and wherever I want’ this
trend is not surprising as the SUB cluster also shows significant agreement with this statement and 78.6 per cent that ‘Strongly Agree’, compared to lower rates in the other clusters (ADS: 61.2%; PPV: 60.9%). The members of the SUB cluster want to be in control of what they see and especially when they see it.

![Bar chart showing preference for live or on-demand consumption among Millennial clusters](chart.png)

**Figure 10:** Live and on demand consumption – Millennial clusters

When asked about the platform of choice through which they consume TV series, the most popular choice for all the clusters are streaming websites that usually include pirated copies of these TV series. The distribution among the clusters can be seen in Figure 11. The ADS cluster’s second most popular option is free-to-air TV, showing again their low willingness to pay when compared to the other clusters. Members of the SUB cluster prefer VOD online (e.g. Netflix or Lovefilm) as their second most popular choice, whereas the PPV cluster mostly lies between the two other clusters except for their significantly higher interest in DVD/BluRay.
Especially the high usage of streaming websites in combination with the general willingness of all clusters to pay, be it through advertising or fees, indicates the potential that is still left untouched. In the next section I want to look closer at the characteristics in consumption behaviour and preferences among the clusters.

### 6.3.3 Consumption Trends

Another potential that could be monetised is the gap between the initial broadcast in a foreign country like the US and the broadcast in a country like Germany or Sweden. A lot of consumers do not want to wait the weeks or months it takes until the episode arrives in their home country. The majority in all the three clusters display this trend as most of them do not wait for the broadcast. Furthermore, this might be one of the reasons for the high usage of streaming websites as there often are no legal alternatives available to watch a new episode of a foreign series straight away. In Figure 12 one can see that the SUB cluster is the most eager to watch new episodes of a foreign series and does not wait for the broadcast in the home country. Moreover, the share of participants that do not watch any foreign series is very low, indicating once again the dominance of foreign TV content that was described in section 4.2.
Figure 12: Consumption of foreign TV series – Millennial clusters

The consumption behaviour in particular of the younger generation has changed in the last years as described in section 5.3. Especially the trend of binge watching is interesting to look at as it moves from physical DVDs to VOD online. This led me to the question raised in Figure 13 whether the weekly scheduled release of new episodes still represents the needs of the customers.

Figure 13: Weekly release or whole season? – Millennial clusters

Recent examples of experiments with new release models include Netflix’s ‘House of Cards’ release of the whole season on the premiere date. Especially for the SUB
cluster this kind of consumption is slightly more appealing than the weekly release as can be seen in Figure 13. However, all three clusters are close to the average of 52.9 per cent for the weekly release.

Looking at how the Millennial clusters are discovering new series there are similarities as well as significant differences among the different groups (see Figure 14). The most popular option ‘Websites about TV series’ is a sign of the bias that stems from the high amount of participants that took part through posts of the participation link on such websites.

![Graph: How do you discover new TV series?](image)

**Figure 14:** TV series discovery - Millennial clusters

In advertising, ‘Recommendations from people known’ is the most trustworthy form of advertising (Nielsen 2009). Similarly, recommendations for new TV series by a friend have been among the most popular ways to discovery new series across the three clusters. The members of the SUB cluster, which also watch the most TV series per week, are slightly more convinced by certain actors to watch a new show compared to the other clusters. Not surprisingly, ‘Ads on TV’ are more popular among the PPV and ADS clusters as they watch more traditional TV compared to the SUB cluster. However, as the SUB cluster is the biggest cluster, formed by more than half of the sample, I am going to look closer at the subscription model they prefer.
6.3.4 THE SUBSCRIPTION MODEL

The graph in Figure 15 shows the experience the different clusters have with subscription offers for video on demand. It is not surprising that the SUB cluster represents the group with the highest share of people who actually have a subscription to a VOD service. However, when looking at the people who had a subscription, the PPV cluster sticks out as the cluster with the highest share of former subscribers. More than half of the members of the SUB cluster can imagine subscribing to a VOD service in the future.

Figure 15: Subscriptions to video on demand services – Millennial clusters

The overall willingness to pay for a VOD service that offers all the TV series the participants want is significantly the highest among the SUB cluster as can be seen in Figure 16. Within the cluster, the current subscribers to such a service show an even higher willingness to pay with a monthly fee of 21.31 Euro. Furthermore, the group of the SUB cluster that can imagine subscribing in the future also show an above average monthly fee of 19.09 Euro.
The participants across all three clusters who can imagine subscribing to a VOD service represent 43.6 per cent of the sample and with 17.07 Euro per month their willingness to pay is almost as high as of the SUB cluster. Especially this group represents a big potential customer segment that platform providers should look at. When narrowing this group down to the participants in the SUB cluster they still account for 26.6 per cent of the sample. One of the most important factors for them in a VOD service, with 82.8 per cent who deem it ‘Very Important’, is the availability of new episodes directly after the broadcast. Only the members of the SUB cluster who once had a subscription show a higher importance for that factor (95.5% rated it ‘Very Important’), representing one possible reason why they have not been satisfied with existing VOD services that did not offer this direct availability.

Furthermore, the members of the SUB cluster that can imagine subscribing in the future are interested in an ‘Option for original language’ (71.1% deem it ‘Very Important’) and the ‘Diversity of series’ (64.8%). These are just some indicators, what a business model for this group should look like. In the following chapter I will go deeper into the matter of business models and will focus on the SUB cluster, and the subscription model they are interested in, as they represent the biggest group with the most data to work with.

**Figure 16:** Willingness to pay – Millennial clusters

The participants across all three clusters who can imagine subscribing to a VOD service represent 43.6 per cent of the sample and with 17.07 Euro per month their willingness to pay is almost as high as of the SUB cluster. Especially this group represents a big potential customer segment that platform providers should look at. When narrowing this group down to the participants in the SUB cluster they still account for 26.6 per cent of the sample. One of the most important factors for them in a VOD service, with 82.8 per cent who deem it ‘Very Important’, is the availability of new episodes directly after the broadcast. Only the members of the SUB cluster who once had a subscription show a higher importance for that factor (95.5% rated it ‘Very Important’), representing one possible reason why they have not been satisfied with existing VOD services that did not offer this direct availability.

Furthermore, the members of the SUB cluster that can imagine subscribing in the future are interested in an ‘Option for original language’ (71.1% deem it ‘Very Important’) and the ‘Diversity of series’ (64.8%). These are just some indicators, what a business model for this group should look like. In the following chapter I will go deeper into the matter of business models and will focus on the SUB cluster, and the subscription model they are interested in, as they represent the biggest group with the most data to work with.
7 BUSINESS MODELS IN THE TV INDUSTRY

‘There are four kinds of business: tourism, food service, railroads, and sales. And hospitals/manufacturing. And air travel.’

Michael Scott in ‘Business School’ (The Office, 2007)

7.1 DEFINING BUSINESS MODELS

Before we can start thinking about business models tailored towards Millennials, we first have to define what a business model is. Ever since people do business by trading goods or services, business models have been part of these activities. However, business models just recently in the 1990s developed into an important topic among scholars in the field of strategy and management research (Teece, 2010: 174). The ascent of the internet has been defined as one of the reasons for this interest in business models in the 1990s (Amit and Zott, 2001: 511). Business models especially have been used to explain new ventures that reap the benefits of the new internet technology like e-commerce marketplaces or content aggregators (Mason and Spring, 2011: 1032). In spite of this increased importance of business models, there is yet no universal definition for what a business model actually is. In their research on business models, Zott, Amit and Massa conclude ‘that researchers frequently adopt idiosyncratic definitions that fit the purpose of their studies but that are difficult to reconcile with each other’ (2011: 1020).

Business models have been described as ‘stories that explain how enterprises work’ (Magretta, 2002), ‘the content, structure, and governance of transactions’ (Amit & Zott, 2001) or ‘a conceptual, rather than a financial, model of a business’ (Tecce, 2010). Mason and Spring identified three key ingredients of business models that have been consistently used among the different definitions: technology, market offering and network architecture (2011: 1033).

Chesbrough points out, that ‘[a]t its heart, a business model performs two important functions: value creation and value capture’ (2007: 12). However, the value created is not limited to the focal business, but according to Zott and Amit it expands beyond the boundaries of the business. ‘A business model is geared
toward total value creation for all parties [...] the greater the total, the greater the focal firm’s bargaining power, and the greater the amount of value it can appropriate.’ (Zott and Amit, 2010: 219).

One of the most important parties in this value creation process is the customer. The development of an attractive customer value proposition (CVP), according to Johnson, Christensen and Kagermann, is the most important part of business model development (2008: 52-53). The CVP is also part of the business model canvas by Osterwalder and Pigneur that is a popular framework to visualise business models (2010). I will work with this framework to analyse three of the most popular existing business models from the TV industry in the following section including a more detailed analysis of the particular business model canvases in the appendix.

7.2 BUSINESS MODELS IN THE TV INDUSTRY

7.2.1 NETWORK MODEL

The traditional business model in the TV industry that has been around for decades is the network model. Usually one big brand or channel gets branched out to subsidiaries and franchises. These affiliates are usually local channels as in the US or channels for regions or countries like in the European TV market (Branston and Stafford, 2010: 276). As mentioned earlier, these networks produce their own content or buy it from production companies through deficit financing. In their business model the customer is not the audience, but the advertiser to whom they are selling the audience as can be seen in the Appendix B that illustrates the network business model. However, their profit formula does not work anymore if the audience skips the advertisements or does not watch the programming through the traditional channels. The biggest part of their revenues comes from advertising that is usually sold as commercials in the broadcasts. An example from the European market is the RTL Group whose biggest revenue source is advertising which accounts for more than 60% of the revenue (RTL Group, 2012). However, this model is threatened most by the developments that came with digital technology like DVRs (see Section 4.4) that undermine the advertising model. A report for Brandweek called these devices the ‘antichrist for
advertisers’ (Ebenkamp, 2001). Moreover, with people skipping ads or switching the attention to the second screen, the inefficient TV advertisement model brings us back to the old saying by John Wanamaker: ‘Half the money I spend on advertising is wasted, the trouble is I don’t know which half.’ (John Wanamaker in: Pringle and Marshall, 2012: 20).

Recent developments in the area of internet technology and services pose yet another threat for the network business model. In a recent article in the New York Times, the author David Carr outlines such services that allow the user to skip advertisements (e.g. Hopper) diminishing the advertisement revenue. Furthermore, other services enable streaming of broadcast channels online (e.g. Aereo) with no need to pay the usual retransmission fees which represent another revenue source for networks in the US. This caused major networks in the US to rethink their business model to the extent that some are thinking about switching from free-to-air channels to cable channels (Carr, 2013).

However, there are several opportunities the network industry is pursuing to adapt to the changed consumer behaviour. The earlier described trend of the second screen (see Section 5.2) for example opens new possibilities to reach the audience on mobile devices simultaneous and relevant to the on-air content. Other possibilities to replace the advertisements include ‘product placement, integration [into the programming], branded entertainment, and sponsorship’ (Lotz, 2007: 24). Nonetheless, in the past other business models emerged that did not rely on the advertising market for their revenue.

### 7.2.2 PAY TV

One of the most successful success stories of a pay TV service that is not dependent on the advertising market is HBO (Home Box Office). This pay TV service emerged in the early 1970s bringing new movies and sports like boxing to the masses with a focus on their audience instead of the advertisers. Especially the focus on the transmission via satellites helped HBO to prosper, build up a big subscriber base and quickly turn into a cash cow for the mother company Time-Life (now Time Warner) (Edgerton, 2007a: 300-301). This shifted focus towards the audience has been a curse and a blessing at the same time. They had to please the
audience to ensure them staying and paying for the service, however, this also enabled them to produce what the audience wants to see rather than what appeals to certain customer segments of advertisers. These possibilities attracted talented screenwriters and other talent that could tell more complex stories on cable than on network TV. One of these was Larry David, famous for co-creating the sitcom ‘Seinfeld’ for NBC, who went to HBO to create his sitcom ‘Curb Your Enthusiasm’ that probably would not have been shown on network TV (Buonanno, 2007: 62).

Over the years HBO increased its share of original programming and invested in such hit series as ‘Sex and the City’ or ‘The Sopranos’ (Edgerton, 2007b: 367).

‘HBO subscribers were more than just viewers: they were paying customers, who shelled out approximately $15 a month to obtain this service. No longer were they settling for the least objectionable programming they could find; they were looking for something different, challenging, and more original on HBO, particularly since they were paying a monthly fee just to tune in.’

(Edgerton, 2007b: 367)

This CVP of HBO entails the promise of original quality programming that the subscribers are willing to pay for. The profit formula works as long as the audience is satisfied and gets what they want, where and when they choose to. That is one of the reasons why HBO early on moved into VOD offerings, first through cable and satellite in 2001 (Edgerton, 2007b: 364) and later on through HBO Go online via computers and mobile devices. An extensive description of their business model can be seen in Appendix C. Especially in the VOD market they are facing competitors that managed to aggregate a comparable, if not even broader assortment of movies and TV series.

7.2.3 Subscription Video on Demand

The biggest international players in this market for streaming VOD content are companies such as Netflix or Amazon Video-on-Demand. Within the local markets they are complemented by local services like the VOD offering of traditional TV networks (e.g. BBC iPlayer, SVT Play, RTL Now). These different services work with different business models, but the group I want to look closer at is
constituted by the services that are built upon a subscription model. This model is quite similar to the model that HBO is employing, however, most of these subscription services do not produce their own content, but act as a kind of content aggregator.

To attract customers to their VOD offerings these companies have to engage in one of their key activities: content acquisition, to provide an attractive assortment of movies and TV series that the customers are willing to pay for. Whereas, for HBO the key is the quality of the content, for the VOD services the size and diversity of their assortment is vital to attract different customer segments with diverse interests. These SVOD (Subscription video on demand) services appeal especially to the customer segment with heavy use of pay-per-view services for which it is just a logical step to switch to the convenience of a subscription. In this offering they can find movies and series from different networks and stream them on a broad range of devices depending on the service. Other important factors of this business model can be seen in Appendix D.
8 RESULTS

‘Gob, I think we both agree, we would do things your way, if you had a business model. Do you have a business model, Gob?’

Michael Bluth in ‘The One Where They Build a House’

(Arrested Development, 2004)

8.1 INDICATIONS FROM THE RESEARCH

8.1.1 GENERAL INDICATIONS

In this chapter I want to look more closely at the indications given by the research that influenced the business model development. As stated in section 6.3.4 I will focus upon developing a business model for a subscription service as this is the preferred model for the Millennial group from the research sample. Furthermore, as the research clearly indicated a trend towards on demand consumption I will work on a VOD business model and not on a pay TV model.

Through the research two important potentials have been identified that will benefit such a subscription service. The first potential lies within the majority of the SUB cluster who can imagine subscribing to such a service in the future. The second factor is the high percentage of users of, mostly illegal, streaming websites across all clusters. These users are already accustomed to the consumption of TV content online and, as the research has shown, they are willing to pay for such services if it meets their needs.

8.1.2 COUNTRY BOUNDARIES AND TIMING OF RELEASE

One issue that became quite apparent while conducting the research analysis is the issue of the boundaries of content syndication. The previously described process of syndication (see Section 4.3) happens between local markets that are usually defined by country borders. These country boundaries in the past usually matched the reach of TV channels the consumers could receive, however, this changed through digitisation and especially the internet.
Consumers today are more aware of what happens in other parts of the world and can more easily follow what new TV series are being produced somewhere else in the world. Nonetheless, the interest or buzz in countries outside the country of production can in most cases not be leveraged directly by the producers of these TV shows as the broadcasting rights first have to be sold to broadcasters in the particular countries. This situation seems like a paradox in the current state of connectivity and the progress in telecommunication technology. It is a misbelief that content in the age of the internet does not cross these borders unless they are syndicated to the particular country.

A current example of this is the HBO original series ‘Game of Thrones’ that according to TorrentFreak was the most pirated TV show in the season 2011/2012 with one of the reasons being the delay of the international airing (TorrentFreak, 2012). HBO recognised this problem and their senior vice president of corporate affairs Jeff Cusson describes their reaction the following way: ‘We think the key to combating piracy is to make content like Game of Thrones available worldwide within the smallest window possible...to 176 territories within the week of the U.S. premiere.’ (Jeff Cusson in: Pinchefsky, 2013). The research in this thesis supports this high interest in foreign shows with more than 80 per cent of the SUB cluster who watch these shows promptly after the initial release. In most cases this interest cannot get satisfied in a legal way driving consumers to the previously mentioned streaming websites. Therefore, it is important to rethink the syndication boundaries and to create legal alternatives to leverage the international interest and buzz.

8.1.3 CONTENT OFFERING AND LENGTH

When developing business models for the video on demand market once again an old proverb applies: content is king. Especially for SVOD services the content assortment is one of their most important assets and an important part of the CVP. Current players in the market such as Netflix have realised this early on and are investing about 2 billion USD every year in acquiring and producing content for their platform (Netflix, 2013). For more than 60 per cent of the SUB cluster the
diversity of series on a video on demand platform is 'Very Important', making it more important than fast loading times or high definition video quality.

Nonetheless, most of the content on the SVOD platforms is produced by the major networks and broadcasting networks. If the consumption behaviour continues to endanger their advertising revenues (see Section 7.2.1), the budgets for original productions might decrease or be shifted towards cheaper reality TV productions. This might put an end to the praised abundance of content. However, video on demand providers such as Netflix started to produce their own original content. According to Netflix, they will keep on doing so in the coming years with investments representing about 10 per cent of their content expenses (Netflix, 2013).

Such original series are not constrained by the traditional episode length that has been defined by the advertising slots of traditional TV. Whereas, an episode of a network drama series accounts for around 42 minutes (with the remaining 18 minutes being advertisings and promotions), on cable TV they can almost fill the whole hour with one episode. In the survey it became apparent that the audience is already conditioned on the usual lengths of an episode when asked how long an episode should be. The preferred average length of a drama episode was 50.6 minutes in the SUB cluster and an episode of a sitcom episode 27.6 minutes. These values lie in between the usual lengths on networks and on cable, however, with a slight trend toward the lengths on cable. In production every minute of an episode costs money and with limited budgets there is always a trade-off between length and production quality. Furthermore, there might be additional options to fund original series on such platforms that I will try to include in the business model.

8.1.4 FUNCTIONALITY

Looking at the functionality of such a service for the Millennials, fast loading times of the videos and the option for the original language are among the most important functions for the Millennials. Furthermore, these issues are more important for them compared to the Gen Xers who value for example high definition video capability higher than the Millennials. Even though the
RESULTS

Millennials do not see social functions within a service as important features, they play an important role in increasing the reach of such a service. ‘Recommendation by friends’ is among the most popular ways to discover new series content. Combined with the fact that 23 per cent of the Millennials share their thoughts on TV series with their friends this is a strong argument to implement social sharing possibilities in such a service to increase its reach.

To create switching costs for consumers and to lock in the consumers to your service is a common practice in business to retain these consumers. However, services like Netflix have broken with that rule and enable their customers to cancel the service at any time and even keep the user’s information so he can conveniently sign up again without having to set up for example his preferred genres again. An easy cancelation and signup process are among the most important issues for the Millennials that took part in the survey with overall 63 per cent deeming it ‘Very important’. Especially among the PPV cluster this is an important issue (75% ‘Very important’) representing a group of consumers that does not like to be locked in.

8.1.5 PRICING AND WILLINGNESS TO PAY

Looking at the willingness to pay that the participants stated in the survey (see Section 6.3.4), there is a gap between their price point and current pricing of SVOD services representing a future revenue potential. However, this potential should not be tapped by just raising the price for the monthly subscription. Even though the current pricing models might not fully exploit the possible budget of the consumers, they adapted towards this price point and every change of pricing should be justified through an improved offering. An increase in the monthly fee does not seem to be the best way to dip into the revenue potential, even though it is important to broaden the content assortment. There are other possible revenue sources that should be created to tap into the gap of potential revenue. In the following section I want to outline a business model that addresses the needs and demands of the Millennial Generation that will include some of these new revenue sources that could be exploited in the future.
8.2 The Millennial Business Model

The following business model was derived from the research conducted in this thesis and describes an ideal concept for the Millennial Generation. Even though this business model in general should be of interest for all Millennials, it was built upon the cluster of Millennials who prefer a SVOD service and pose a big potential revenue source for such services. There are certain similarities to existing solutions; however, these solutions did not fully address all the issues. This model is set in the transition period from live broadcast to on demand usage and, therefore, sets a precondition of a still existing network of broadcast channels that provide a certain amount of content.

The business model canvas in Figure 17 displays the nine key areas that will be explained in the course of this chapter. The black notes address general issues that apply to the main customer segment, the mass market. Notes in grey address special features and issues for the two niche segments: the early viewers and the binge viewers.

![Business Model Canvas](https://www.businessmodelgeneration.com)

**Figure 17:** Business model canvas - SVOD business model for the Millennial Generation (Own illustration based on: Osterwalder and Pigneur, 2010; under Creative Commons licence from www.businessmodelgeneration.com)

**Customer Segments:** Additionally to the main target group, consisting of the mass market, the two niche segments represent two groups with particular needs
that manifested themselves in the research. The ‘eager viewers’ do not want to wait for new episodes to be released in their country and as there are just few opportunities to watch them legally, they move to illegal streaming websites (see section 6.3.3). However, they are still willing to pay for content if there is a convenient solution to watch it. SVOD services have to provide a service that is more convenient and easier to use than existing illegal options, if they want to attract the user groups who watch on illegal streaming websites or through illegal downloading. The other customer segment consisting of ‘binge viewers’ is also willing to pay; however, they consume series differently and like to watch a whole season within a short time period (see sections 5.3 and 6.3.3).

**Value Proposition:** The two most important features of the value proposition are the content offering and the platform it is available on. As described in section 8.1.3, the diversity of the content offering is as important as the size of the assortment. Even though the Millennials are used to handling all kinds of technology, a convenient platform that is easy to use through a clean user interface is another important feature, to appeal to all the different segments. To create value for the two special customer segments, they should be offered certain upgrades from the basic streaming service. In this case, these upgrades will either involve an early release of new episodes or a release of the whole season of a series.

As mentioned in section 7.2.1, the network model as a content source is endangered and SVOD services like Netflix already started producing their own original content. However, as it will be difficult to produce enough content funded by the subscription fees to counterbalance the losses, I suggest an additional option to produce TV content in the future: crowd funding. Platforms such as ‘Kickstarter’ have shown how money can be raised for creative projects outside of the network and studio structure. Furthermore, recent examples like the ‘Veronica Mars’ movie or Zach Braff’s newest project have proven that one can raise millions of USD within just a few days through a loyal fan base (Thier, 2013). However, so far, the business concept is missing in these projects and crowd funders only receive non-monetary returns. As long as the people putting money in such projects cannot receive returns on their investments, it will be difficult to
turn it into a viable part of the business model. Nevertheless, if you give fans a chance to invest in projects they believe in, the engagement might be higher and the content offering can geared more towards what the audience really wants to see.

**Channels:** The research has shown that the computer/laptop is the device of choice for the Millennials to watch TV content on (see section 6.2.2). An online platform seems like the best choice to address this consumption behaviour and creates the possibility to build applications upon this platform to stream the content to other devices. Even though the usage of mobile devices for streaming seems to be not popular yet (see section 6.2.2), it is important to enable the consumer to stream the content on the device of choice to keep the service convenient.

**Customer Relationships:** Like in other SVOD services, I propose a self-service relationship with the customers. The nature of the business and the amount of customers create the need for automated systems that help the customer to navigate the platform and choose the content he wants to see. Even though a recommendation engine was not important in the discovery of new content (see section 6.3.3), it can help to recreate the laid back consumption situation and the traditional flow (see section 5.3) by stringing together different episodes that match the users interest.

**Revenue Streams:** The main source of revenue will be the basic subscription fee that all users of the service have to pay to access the content offering. To increase spending per customer, there are two additional options that create value and appeal to the niche customer segments. First of all, the previously described option of an early release of new episodes will appeal to the ‘eager viewers’ segment of users who do not want to wait for the broadcast in their home country or the general availability of a new episode. They pay an extra fee per month for general early access. For users from the ‘binge viewers’ segment who want to watch the whole season at once and cannot wait until the season is finished there is an offer to pay an additional fee for access to the whole season. To avoid cannibalisation between those offers there will be a clear distinction in pricing.
The offer for a whole season being more expensive than the early release of new episodes as the whole season bears higher exclusivity. Moreover, syndication of the original content will create another revenue source for the SVOD service that will be shared with investors such as the crowd funders.

**Key Resources:** The most important asset of this business is the content library and its quality as well as diversity (see section 8.1.3). Content is among the most important reasons to subscribe to a SVOD service and if the offering is not satisfying customers will leave the service. Almost as important as the content is the actual platform where the customers stream the content. A good user experience of the platform combined with a smooth performance and communication with the servers are significant to provide the fast loading time of videos which is another vital issue for the target group (see section 8.1.4).

An important asset that most people forget is the customer base itself. Customers can become brand ambassadors spreading the service to friends, they can turn into investors through the crowd funding service or fans who just want to help to improve the service in the future. SVOD services should grasp the potential that lies within the customer base and attend to the needs of the customer base with customer retention being one of the most important activities.

**Key Activities:** The activities that are important for the business model are related to the key resources. To provide a broad and diverse content offering the acquisition of such content is one of the most important activities, either by buying the rights to stream the content or by producing original content. The development and maintenance of the platform is an important activity to cultivate this key resource and to keep it up to date. With the subscriber base being the most important revenue source it is equally important to acquire new customers as well as retaining and satisfying existing customers. Therefore, customer relationship management (CRM) is another one of the key activities.

**Key Partnerships:** There are several important partners that are key for a well-functioning SVOD service. Production companies deliver the content or produce it in cooperation with the SVOD service. A close relationship with internet service providers ensures a good streaming experience for the customers. To keep up to
date with new devices and to work out special arrangements, like having the service or the application pre-installed on these devices, it is beneficial to cultivate relationships with the most influential device manufacturers. Running a crowd funding platform presents a whole new kind of business and process; therefore, it would be advantageous to collaborate with an existing platform that can be integrated into the SVOD service. Through this crowd funding service, the customers become valuable partners in creating content as co-producers for the platform.

**Cost Structure:** The biggest part of the cost structure is the content that is either acquired or produced. However, through the crowd funding initiative a part of the production costs for original content can be shared with the crowd funders that later also reap the benefits of syndicating this content further to networks or foreign markets. Additionally, marketing activities, including the CRM efforts, account for another big part of the budget.
9 CONCLUSION

‘Hello, IT. Have you tried turning it off and on again?’

Roy Trenneman in ‘Yesterday’s Jam’ (The IT Crowd, 2006)

9.1 DISCUSSION

Maybe the TV industry needs a reboot to meet the needs of the Millennial Generation? This thesis dealt with the following research question to identify these needs:

*How does the Millennial Generation consume TV series and how should a business model for this content aimed towards Millennials look like?*

Based on the research the consumption behaviour of the Millennial Generation can be described briefly as on demand viewing on computers through streaming websites. Compared with previous generations like the Gen Xers, the Millennials prefer this way of consuming TV series to the traditional broadcast. Furthermore, they tend to watch foreign series promptly after the release, in the original language and want to consume the TV content when and where they want. The Millennials in the survey watched most of the TV content on streaming websites on their computers, however, most of them still own a TV set.

The previously described business model (see section 8.2) tries to address the needs and consumption behaviour of the Millennial Generation. Despite the business model’s focus on the SUB cluster, a subscription service is also of interest to other clusters even though their preferred choice would be an advertising or PPV model (see section 6.3.4). In various aspects there are similarities to existing businesses showing that the awareness to these needs has already caused shifts in the market. However, the research showed that the Millennials are still not satisfied with the current offers on the market. A big part of the Millennials is willing to pay quite a high price for a SVOD service they can imagine to subscribe to, however, they have not done so yet. The reasons for them not to subscribe to a SVOD service could not be identified in this report, but this poses an interesting area for future research. The potential market these non-
subscribers pose should be of interest for current services on the market as well for potential entrants to the market that might be able to appeal to that market segment and satisfy the needs existing offers did not match.

In the following I will look back at the additional research questions and briefly answer them:

**Which devices and platforms do they use to do so?**

The first choice device for watching TV among the Millennials that participated in the research is a computer, followed by the traditional TV set. Other devices like smartphones or tablet computers do not yet play an important role for watching TV for the Millennials that participated in the survey. One of the results of the consumption on computers is that the platforms where the Millennials consume TV are mainly online. More than 60 per cent of the Millennials consume most of their TV content online. Whereas, for only around 20 per cent ‘Free TV’ is the platform where they consume most of their TV content.

**Are they watching the broadcast live or on demand?**

Through the research a significant trend towards on demand consumption became apparent. Around 55 per cent of the Millennials watch mostly or only on demand. This could also be seen in the low rates for consumption of ‘Free TV’ and the fact that streaming websites and VOD platforms are the primary source for the majority of the Millennials from the research sample.

**Which financing option do they prefer (e.g. advertising, subscription, etc.)?**

The first choice for the majority of Millennials is a subscription offering, when given the choice between this offering, an advertising model and a pay-per-view offering. For 38 per cent of the sample the advertising model is the first choice and for 12 per cent it is the pay-per-view model.

The business model that was developed based on the research results can serve as a starting point for TV executives to think about what they can do to better meet the needs and demands of the Millennial Generation in the future. The shifts and trends described in this thesis have and will continue to change the TV industry significantly. However, if they manage to innovate and adapt to the changing
Conclusion

consumer behaviour, the TV networks can survive these changes and even profit from them. Furthermore, there are several opportunities for new entrants to the market that might cause disruption within the industry through innovative solutions. The TV industry will continue to change and transform in the future. However, the central functions of entertainment and the possibility to escape everyday live will always be fulfilled by the TV content independent of the platform or device we are consuming it on.

9.2 Future research

Especially the contradiction between the high usage of streaming websites and the general willingness to pay for SVOD services is an interesting starting point for future research. What are the reasons for these consumers not to switch to a legal SVOD service? Is it the content offering, the platform, the price or something completely different? These questions could be raised in a deeper investigation of the described contradiction.

Due to the bias towards people interested in TV series, the sample was quite homogenous and did not show significant differences across the different clusters. Through research into a more representative sample, one could more clearly define these consumer groups and in a second stage look into what they want. Furthermore, this thesis focused on the Millennial Generation, whereas the ‘Generation Z’ or ‘Homeland Generation’ is already around the corner. The Millennials grew up in a world full of technology, but in a time where the world was first trying to adapt to these changes. Members of the next generation grow up with these devices in a world that has embraced the possibilities and where the internet has been around for decades. How are they using TV content and how will this shape the future of the TV industry? These and other questions can be raised and investigated in future research on generations and TV usage.
9.3 SUMMARY OF KEY FINDINGS

In this section I will summarise the key findings from the research.

<table>
<thead>
<tr>
<th>Key Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 6.1 General results</strong></td>
</tr>
<tr>
<td>- 1,206 participants in the survey with an average age of 28.75</td>
</tr>
<tr>
<td>- Within the target markets 753 Millennials and 300 Gen Xers</td>
</tr>
<tr>
<td>- Bias towards men and heavy users of TV series</td>
</tr>
</tbody>
</table>

| **Section 6.2 Millennials vs. Gen Xers** |
| - A computer is the first choice device to watch TV for Millennials |
| - Trend towards on demand consumption across both generations |
| - Both groups consume a lot of TV series (average of 14 hours/week) |
| - Streaming websites are primary source for TV series among the Millennials; the sources of the Gen Xers are more diversified |
| - Both generations prefer subscription, before advertisements or PPV |

| **Section 6.3 Millennial clusters** |
| - Three clusters based on the preferred model: ADS, SUB and PPV |
| - ADS cluster shows the highest usage of the TV set |
| - SUB cluster shifted the most towards on demand consumption |
| - Majority of all clusters does not wait for the broadcast of foreign series |
| - There is a general willingness to pay for a subscription to a VOD service across all the clusters |

| **Chapter 7 Business models** |
| - Developing a common definition for business models is still difficult |
| - The network business model is endangered by the changed consumer behaviour through skipping advertisements and on demand watching |
| - Quality programming is the key value proposition of cable TV |
| - SVOD services need to build a broad assortment to attract subscribers |
| - Customer acquisition and retention is important for pay TV and SVOD |

| **Chapter 8 Results** |
| - Users of streaming websites that are willing to pay pose a big potential |
| - Country boundaries in licensing are outdated in the internet age |
| - Future business models need to involve new ways of funding content production that could include crowd funding |
| - Additional offerings can create value for segments like binge viewers |
| - Services should perceive the customer base as a resource and partner |

Table 3: Key findings from the research
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# Appendix A - Survey Questionnaire

## General TV (page 1/4)

**How frequently do you watch TV content (e.g. series, sports, films) on the following devices?**

<table>
<thead>
<tr>
<th></th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Never</th>
<th>Don't own the device</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television set</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer/laptop</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tablet computer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smartphone</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Do you watch TV content live when it is broadcasted or later on demand (e.g. streaming, DVD)?**

<table>
<thead>
<tr>
<th></th>
<th>only live.</th>
<th>mostly live.</th>
<th>both live and on demand.</th>
<th>mostly on demand.</th>
<th>only on demand.</th>
</tr>
</thead>
<tbody>
<tr>
<td>I watch TV ...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**How strongly do you agree or disagree with the following statements?**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I want to watch TV content whenever and wherever I want.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I easily find something relevant on traditional TV for me.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Do you have a subscription to an online video-on-demand service (e.g. Netflix, Lovefilm, Maxdome)?
- I have a subscription.
- I had a subscription, but not anymore.
- I don't know about the offering.
- I can imagine to subscribe to such a service in the future.
- I cannot imagine subscribing to such a service in the future.

TV series (2/4)

On which platform do you mainly watch TV series?
- Traditional channels on broadcast/free TV (e.g. ITV, ProSieben, TV3)
- Pay TV (e.g. Sky, Viasat)
- Video-on-demand through IPTV (e.g. via telecommunications providers)
- Video-on-demand online (e.g. Netflix, Lovefilm, Maxdome, BBC iPlayer)
- Streaming websites (linked to by websites like Cucirca or TVLinks).
- Other: [ ]

On average, how many hours do you spend watching TV series per week?
(hours per week) [ ]

When do you predominantly watch new episodes of foreign series (e.g. US series)?
- I don't watch foreign series.
- I watch them promptly after the initial release in the original version.
- I watch them when they are broadcast in my country.

If you had the choice, would you prefer a weekly release of new episodes or having the whole season be released at once?
- Weekly release
- Whole season at once
APPENDIX A - SURVEY QUESTIONNAIRE

How do you discover new TV series?
(multiple answers possible)
- Advertisements/editorial content in magazines
- Advertisements/editorial content on TV
- Outdoor advertisements
- Websites of TV channels
- Editorial websites and blogs about series
- Recommendation by friends
- Social networks (e.g., Ads, Sponsored Posts, Likes, Shares)
- Recommendation engines (e.g., "People who liked this series also watched...")
- Based on certain actors
- Other: 

Which of the following applies to you?
(multiple answers possible)
- I follow at least one TV series on a social network (e.g., Facebook, Twitter).
- I search for additional information on a TV series online.
- I share my thoughts on a TV series with my friends on social networks.
- I use a social TV app (e.g., GetGlue, Like.tv, Misu).
- I use online services to keep track of the series I watch (e.g., Clicker, Sidereel, TV.com).
- None of them apply.

How long should an episode of a sitcom (e.g., Friends, The Office) ideally be to fit your lifestyle best?
(length in minutes per episode)

How long should an episode of a drama series (e.g., Breaking Bad, Downton Abbey) ideally be to fit your lifestyle best?
(length in minutes per episode)

Business models (3/4)

Which payment model for watching TV series would you prefer?
- Video advertisements (multiple 15-30 second spots)
- Subscription model (monthly or annually)
- Pay-per-view (pay for individual episodes or seasons)
### APPENDIX A - SURVEY QUESTIONNAIRE

#### How important are the following factors for a platform to watch TV series for you?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not important</th>
<th>Of little importance</th>
<th>Moderately important</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity of series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of episodes directly after broadcast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High definition video capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fast loading times of videos</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Option for original language</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharing options for social networks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Possibility to communicate with other fans or viewers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### If there are video advertisements in the TV content, should they appear before the content or in the middle?

- Before the content (pre-roll)
- In the middle (mid-roll)

#### How important are the following factors for a subscription service for TV series that you would possibly use?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not important</th>
<th>Of little importance</th>
<th>Moderately important</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible subscription periods (e.g. monthly, annually)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy signup and cancellation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How much would you be willing to pay for a subscription to a platform that offers all the TV series you want?
(amount in Euro per month)

Demographics (4/4)

What is your gender?
- Female
- Male

How old are you?

What is your occupation?
- Employed
- Self-employed
- Student
- Other: [ ]

Which is your country of residence?
[ ]
APPENDIX B - BUSINESS MODEL CANVAS - BROADCAST NETWORK

The following business model canvas and description of the canvas are based on an analysis by the author founded on his knowledge and experience.

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production companies</td>
<td>Content acquisition</td>
<td>Free to receive TV content</td>
<td>Self-service</td>
<td>TV audience</td>
</tr>
<tr>
<td>Media agencies</td>
<td>Marketing activities (B2C and B2B)</td>
<td>Laid back entertainment</td>
<td>Personal assistance</td>
<td></td>
</tr>
<tr>
<td>Market research institutes</td>
<td>Program content</td>
<td>Reach of million of viewers</td>
<td></td>
<td>Advertisers</td>
</tr>
<tr>
<td></td>
<td>Audience ratings</td>
<td>Different audience segments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Channels</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program content</td>
<td>Broadcast network</td>
<td>TV audience</td>
</tr>
<tr>
<td>Audience ratings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs for content</td>
<td>Sale of licensed goods</td>
</tr>
<tr>
<td>Marketing activities</td>
<td>Revenue through ad sales</td>
</tr>
</tbody>
</table>

Figure 18: Business model canvas - Broadcast network (Own illustration based on: Osterwalder and Pigneur, 2010; under Creative Commons licence from www.businessmodelgeneration.com)

The traditional network business model addresses two customer segments: the general TV audience and the advertisers who want to reach this audience. The audience can receive an entertaining TV program that they can consume laid back in their living rooms. Advertisers can reach this broad audience that in the big markets like Germany or the UK often consists of millions of viewers. Depending on the genre of the content and the time of day, the advertisers can reach different audience segments through the TV broadcast.

The TV signal is distributed through a broadcast network to the audience in front of their TV devices and in that sense it is a self-service offering. Advertisers on the other hand most often have direct contact with the TV network, get personal assistance from the sales force and often tailored deals to their needs and demands. The key resource to attract the audience is an appealing content...
offering and to acquire and plan such an offering is one of the most important activities of a TV network. Furthermore, the TV networks have to do marketing towards both customer segments. On the one hand, they need to market their content offering to the audience so they watch their channel, thereby increasing the audience rating. On the other hand, they need to convince the advertisers to advertise on their network; here the ratings and the different audience segments are the most convincing arguments.

Looking at important partners, in terms of content, the production companies are the most important ones for the networks. They produce the content and sell it to the networks, either as a first-run or as a syndicated re-run. Media agencies are another important partner as they often liaison between the networks and possible advertisers, booking slots for commercials or negotiating the deals for the advertisers. Furthermore, TV networks collaborate with market research institutes like Nielsen to determine how to measure the ratings which are an important part of the business model.

The cost structure mainly consists of the costs to acquire or produce content for the TV audience. Furthermore, the marketing activities, both towards the audience and advertisers, account for another big part of the costs. On the other side, the revenues, as mentioned in section 7.2.1, are mainly generated through the advertisements within the program. Additional revenue sources come from the sale of licensed goods like merchandising.
APPENDIX C - BUSINESS MODEL CANVAS - PAY TV

The following business model canvas and description of the canvas are based on an analysis by the author founded on his knowledge and experience.

![Figure 19: Business model canvas – Pay TV provider](www.businessmodelgeneration.com)

The pay TV providers are addressing a niche market of audience members who value their premium content and are willing to pay for it. Additionally to the premium content, pay TV channels like HBO produce original TV content with exclusive first-runs on their channels. Furthermore, as stated in section 7.2.2, many pay TV providers offer video on demand via cable/satellite or through online platforms to stream it to different devices. Like in the network model, the audience get a self-service offer where they can choose what they watch through automated processes within the platform.

The premium content that the pay TV channels secure through multiple-year contracts with the major studios is their most important asset. Moreover, these pay TV providers invest into building a strong consumer brand through marketing activities and especially through the type and quality of the original programming.
they produce. These marketing activities go as far as to slogans like ‘It’s not TV. It’s HBO’ to distinguish themselves from the offerings of the networks and emphasise the quality of their content.

Close relationships with the studios and production companies are important for the pay TV providers to secure future quality content, both movies and series. Furthermore, they work with the network providers for the cable and satellite transmission as well as nowadays the internet service providers that are important partners in the video on demand via online platforms. The main cost drivers in this business model once again are the acquisition and production of content and the marketing activities to attract and retain subscribers to the service. This subscriber base is another important asset as they represent the primary revenue source through their subscription fees. Additional revenue is generated through the syndication of the original content to other networks and foreign channels.
APPENDIX D - BUSINESS MODEL CANVAS – SVOD

The following business model canvas and description of the canvas are based on an analysis by the author founded on his knowledge and experience.

![Figure 20: Business model canvas – SVOD service (Own illustration based on: Osterwalder and Pigneur, 2010; under Creative Commons licence from www.businessmodelgeneration.com)](image)

Business models for SVOD services usually address the mass market with their broad content offering. They have created easy to use services with integrated recommendation services that suggest new content based on the user’s viewing history, his interests or what his friends are watching, depending on the provider. The online platform is the central element of these services. Through applications users can access these platforms with different devices ranging from smartphones, to tablets, video game consoles or smart TVs. The relationship is as with the other services on a self-service basis with automated services, like the recommendation engine that helps the user to decide what to watch next.

Once again content is king with the content library being the most important asset of SVOD services. The platform and a solid service infrastructure are important as well to provide the customers with a solid streaming experience. Additionally to
acquiring new content and marketing the service to the mass market, it is a key activity to develop the platform and ensure the smooth performance of the streaming servers. It is important for SVOD providers to stay up to date on new devices that users are using to stream the content like set-top boxes or new mobile devices. Therefore, the device manufacturers are an important partner for them, to for example implement the service directly in the new devices. Other partners are once again the production companies and studios to secure new content and the internet service provider to ensure a stable streaming service towards the consumers.

The main cost drivers are the content, the marketing activities and the costs for the IT infrastructure as well as server capacities. Within the costs for content are also the production costs for original series by the SVOD services. Netflix for example stated they would spend up to 10 per cent of their two billion USD content budget on original series production in 2013 and the following years (Netflix, 2013). To monetise the offering, the SVOD services rely on the subscription fees as their major revenue source.