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Co-opetition of TV broadcasters in online video markets: a winning strategy?

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Abstract

This article focuses on TV broadcasters adopting co-opetition strategies for launching online video services. It is claimed that the emergence of online video platforms like YouTube and Netflix is driving TV broadcasters to collaborate with their closest competitors to reduce costs and reach the necessary scale in the global marketplace. The article sheds light on online video platforms that were developed following a co-opetition strategy (Hulu and YouView). The establishment of joint ventures in online video, however, has been scrutinised by competition authorities which fear that collaboration between close competitors lessens rivalry and reduces consumer choice. Therefore, several co-opetition projects (among others BBC's Kangaroo and Germany's Gold) have been prohibited by competition authorities.

Keywords

Online video, catch-up TV, TV broadcasters, co-opetition, business model, anticompetitive conduct

Introduction

These days, the impact of the Internet on the business models of private TV companies, either producers or aggregators, can hardly be overstated. Although television still stands as the most effective mass-audience advertising medium in most markets, Internet advertising is the fastest-growing category with double-digit growth all over the world. TV advertising may continue to benefit from steady viewing, but broadcasters' high dependence on advertising makes them extremely vulnerable to fluctuations in economic activity. In the 2008-2009 period, TV advertising income in Europe fell dramatically by 16 per cent due to economic recession (EAO, 2012). Hence, the industry has started looking for alternative and more stable income sources, most notably revenues from subscription services. In addition to pursuing (higher) retransmission payments from cable, satellite and IPTV operators (see Evens and Donders, 2013), TV broadcasters have launched streaming platforms to position themselves in the online video market, and capture a share of the economic value that is created in this burgeoning market (Waterman et al., 2013).

Besides having access to a (potentially) lucrative revenue stream, the rationale behind launching proprietary video platforms is to team up with changing viewing patterns. Indeed, TV content becomes increasingly detached from the regular screen and distributed over multiple platforms and devices. As a consequence, programming is consumed through a wide array of screen technologies, at a moment and place determined by the viewer. In short,

control over the program schedule is said to shift from television networks to the viewers (Mittell, 2011; Simons, 2013). TV companies have responded to convergence by migrating towards a diversified multi-platform approach to the production and distribution of content, maximising consumer value and returns through a multitude of outlets of which conventional TV is just, albeit still the most important, one (Doyle, 2010). Preliminary results suggest such multi-platform strategy pays off in terms of viewership. Ofcom (2012) reports that linear TV remains popular among viewers across the world, with minutes of viewing even increasing in most countries, and that many viewers switch to consume TV programmes via smartphones and tablets.

Although it is impossible to accurately predict tomorrow's business model for TV broadcasting and distribution, there is, however, little doubt that the future value creation models in digital TV will fundamentally differ from those applied in analogue industries (Evens, 2010). Hence, the article focuses on the fundamental organisational change that the TV industry witnesses following the popularity of online video services. Taking a media business perspective, it is claimed that the entrance of disruptive platforms including iTunes and Netflix will drive the TV industry from a linear value chain to a burgeoning business ecosystem, and that cooperating with competitors – referring to the concept of 'co-opetition' – is particularly relevant for private TV broadcasters in online video markets. Furthermore, the article sheds light on how TV broadcasters have implemented co-opetition practices and business ecosystems in the online video market, and how regulatory agencies have investigated co-operative platforms by fear of anticompetitive conduct. The main conclusion is that although co-opetition strategies are highly useful for developing innovative video services they should be handled with ultimate care and in respect to existing competition policies so as to guarantee fair competition in the online video market.

Theory framework

Co-opetition: Sleeping with the enemy

According to game theoretic models that are discussed in Industrial Organisation literature, a firm's competitive strategy tends to follow a non-cooperative approach. Such approach involves strategic interactions in which a single firm has nothing to gain by changing its strategy unilaterally while its competitors keep theirs unchanged, ending up in what economists describe as the 'Nash equilibrium' (Peitz and Belleflamme, 2010). Theories on interaction between rivals either focus on competition or cooperation, but not on the combination of the two types of interaction that businesses can be involved in. In complex technology systems, however, relationships between competitors can take many forms, including strategic alliances, partnerships, joint ventures, service level agreements, technology licensing and so on. Webster (1992) presents a model of the relationship continuum, summing up the various forms of relationships competitors are involved in. Accordingly, relationships vary between a continuum, from pure market-based transactions at the one end to fully integrated hierarchical firms at the other end. Basically, the level and extent of cooperation increases along the presented continuum, with a more competitive attitude towards the

exchange. Depending on the level of transaction costs, both types of control (market versus hierarchy) strive towards more economic efficiency.

Whereas in the past competitors acted like in silos with almost no forms of cooperation and reciprocity, relationship management literature puts increasing emphasis on inter-firm relationships as a value generator and a source of competitive advantage (Day, 2000). Indeed, maintaining and managing inter-firm relationships with suppliers, complementors (third-parties that add value to the company's offer), competitors (substitutes) and even customers are of utmost importance for creating sustained competitive advantage. Increasingly, value is co-created by a series of partnerships and (exclusive) relationships in a value network, in which multiple parties join forces, innovate and co-produce value. Owing to the dematerialisation and delocalisation of industries, no single firm is capable of exploring and exploiting all competencies and resources required for the development of complex technology systems. Hence, (media) firms collaborate in order to share knowledge and access resources that are made available to the value network. In literature, collaboration is found to reduce financial and operational risks, reduce time to market, decrease the cost of product development, and provides access to new markets and technologies (Fjeldstad et al., 2012; Horvath, 2001).

First coined by Brandenburger and Nalebuff (1996), the concept of 'co-opetition' has become one of the most influential business perspectives in recent years, and has induced companies to fundamentally revise their management strategies. Bengtsson and Kock (2000) describe co-opetition as 'the dyadic and paradoxical relationship that emerges when two firms cooperate in some activities, such as in a strategic alliance, and at the same time compete with each other in other activities' (p. 412). Co-opetition thus implies a situation in which (media) firms simultaneously compete and collude, and benefit from such an ambivalent strategy. Whereas vertical relationships between buyers and suppliers are often built upon a mutual interest to interact, horizontal relationships between direct competitors are often conflicting. Nevertheless, co-opetition strategies are inherent in rapidly changing business dynamics and highly competitive ICT markets where rivals can emerge overnight and come up with disruptive business models. The formation of a successful co-opetition strategy, however, is not easy, and requires a governed distribution of power and control in order to ensure that all collaborating partners create maximum value (Jorde and Teece, 1989).

Business ecosystems: Connecting strategic partners

Even though initially co-opetition was seen as an extension of cooperation through strategic alliances and value networks, co-opetition became increasingly associated with 'business ecosystems' in which firms work co-operatively and competitively to develop innovative technology, launch new products and satisfy customer needs (Moore, 1993). Whereas value network theory focuses on a well-designed network of strategic partners and allies to determine firm performance, literature on business ecosystems involves a more holistic approach and claims that superior performance is derived from the 'collective healthiness' of a firm's surrounding environment. In addition to the partner network, many external organisations – firm and non-firm institutions – directly affect, and are affected by, the

creation and delivery of a company's own offerings. A firm's business ecosystem thus not only includes evident business partners (i.e. value network), but also contains competitors and institutions, including banks, regulators, policymakers, standardisation bodies and R&D centres that shape innovative capabilities (Fransman, 2010). As a result, innovation does not stand alone; rather does it depend on accompanying changes in the firm's environment for its own success. These external changes, fuelled by innovation on the part of other actors, embed the firm within an ecosystem of interdependent innovations (Adner, 2006; Adner and Kapoor, 2010).

Business ecosystems can be understood as complex, adaptive systems of inter-firm interaction and tend to continuously adapt and evolve to internal and external mutations. Iansiti and Levien (2004) have used biological systems as a powerful analogy for understanding business ecosystems. Changes in the environmental conditions, such as a new regulatory framework, shifting consumption patterns or economic downturn, might cause a Schumpeterian earthquake to existing business ecosystems. As a result, dominant actors lose their leadership and previously niche players move to the centre of the new ecosystem. Mature business ecosystems can be threatened by rising ecosystems that decide to attack the same product category or geographical market (Moore, 1993). Ecosystems that are successful over longer periods of time have institutionalised technological innovation, even at the risk of cannibalising legacy business models. This implies that ecosystems compete through business models and that firms need to adapt to changes in the external environment in order to innovate business models successfully (Chesbrough, 2007).

Keystone organisations play a critical role in the success of business ecosystems. keystones are active leaders in the ecosystem and tend to improve the overall health of the ecosystem by providing a stable and predictable set of shared assets. Being a catalyst of innovation, keystones create and share value, and exercise power derived from their role of 'hubs' in the network. Obviously, firms that hold gatekeeping positions in the ecosystem typically have a great deal of control over how the ecosystem performs and how the benefits are redistributed over the members (Rülke et al., 2003). However, keystones might become dominators, or 'hub landlords' that exploit their critical position to either take over the network or drain value from it. In emerging ecosystems, such aggressive behaviour might ultimately prove destructive and limit innovation. Dominators extract too much value from the network and leave little for complementors. Nevertheless, niche players often are responsible for the bulk of innovation in the ecosystem (Iansiti and Levien, 2004). Roles in an ecosystem are, however, not static and might evolve over time. Dominators might become niche players, and niche players might eventually become keystones for their own ecosystem.

Collaboration: Public policy concerns

Although strategic alliances and partnerships are well-established in media industries, such collaborative strategies often present a challenge for regulating agencies. In its purest form, a strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives to improve their competitive position and performance. As strategic alliances generally take the form of an entirely new entity (joint venture), the collaborating

organisations remain fully independent so that industrial competitiveness is not reduced (Hitt et al., 2011). This is also the case when no joint venture is established and businesses work together based on co-opetition agreements. Under particular conditions, however, co-opetition might give rise to anticompetitive concerns and trigger off regulatory intervention. In contrast to strategic alliances, collusive strategies could be used to reduce competition and therefore represent an illegal co-operative approach. Jorde and Teece (1990) suggest that the benefits of cooperation for technological innovation often outweigh anticompetitive concerns and that co-opetition enhances competition and consumer choice in the longer run. Nevertheless, it should be emphasised that only a small portion of co-opetition strategies constitute anticompetitive collusion (Hunt, 1997).

Especially when large firms with substantial market power engage in co-opetition strategies, collaboration may raise public policy concerns. The idea behind market intervention is that co-opetition strategies may lead to collective dominance, establish a (quasi-)monopoly and diminish competition in the market. This would eventually result in reduced consumer choice and higher prices. Although an in-depth overview of competition law goes beyond the scope of the article, it is important to make a distinction between two types of collusion. First, *explicit collusion* occurs when two or more firms in a particular industry jointly agree to negotiate directly their strategic choices (relating to the amount of production and/or the price of the products sold) with the obvious aim of reducing rivalry in that industry. Firms using explicit collusive strategies may find competitors challenging their actions, and may find themselves guilty of ‘price coordination’. Second, *tacit collusion* exists when two or more firms indirectly coordinate their production and pricing decisions by observing each other’s competitive actions and responses. Rather than its outcome, the difference between explicit and tacit collusion is the lack of a formal procedure (e.g., company pricing or strategy documents) to communicate and settle on a particular collusive agreement. Owing to its indirect nature, tacit collusion may be hard to prove.

Online video ecosystems

As a result of the evolving strategic context of TV broadcasting and its distribution, partly fuelled by the ever-increasing penetration of the Internet and the popularity of social media platforms like Facebook, YouTube and Twitter, the strategies of TV broadcasters to make money and yield profits in the digital industry largely differ from those deployed in analogue times (Alvarez-Monzoncillo, 2011). For many years, TV broadcasters acquired content further up the value chain, relied on proprietary terrestrial transmitters or managed deals with satellite and cable operators for passing programmes to the viewers, and sold these viewers to advertisers. Basically, the TV value chain was characterised by linearity and one-to-one relationships within the market. In recent years, however, the TV industry went through a fundamental transformation due to numerous reasons. Whereas deregulation and liberalisation allowed new competitors to enter the production and distribution stage of the industry, digitisation and convergence created a window of opportunities for innovative TV services and business models. As a consequence, the digital context of television production, distribution and consumption has evolved in a complex ecosystem that is characterised by the

emergence of (potentially) disruptive business models and a hypercompetitive environment that incumbent multichannel operators can hardly control (Rangone and Turconi, 2003).

As media convergence has paved the way for ICT companies from outside the TV industry to enter, the industry has expanded into a complex, multi-player environment. What once were separate sectors and strictly defined business roles have now been transformed into a converged ICT ecosystem marked by cross-sector competition. Because online video is rapidly rising in importance and revenues – forecasts estimate the global market will be worth about \$37 billion by 2017, which is around 8 per cent of total television revenues – new parties like Amazon and Microsoft are attracted by this profitable industry (Given et al., 2012). Although the online video market is concentrated among a few players, with iTunes, YouTube, Netflix and TV broadcasters, including Hulu, together accounting for about 70 per cent of all online video revenue, four kinds of players are now competing for a stake in this expanding market (see Figure 1). First, the TV ecosystem is populated by independent producers (HBO, Disney) and TV broadcasters (BBC, FOX) that are migrating towards a multi-platform approach to connect with the viewers (and advertisers). Second, CDN and service operators (Sky, Dish, Foxtel) are building *TV Everywhere* platforms to serve their pay-TV subscribers across all screens. Third, online video aggregators (YouTube, Netflix) are expanding into global on-demand video libraries and adopt a ‘find, play and share’ approach. Fourth, CE vendors (Samsung, Nintendo) are becoming an entry point to access TV services and earn profits by selling connected devices (D’Arma, 2011; Evens, 2013). It is clear that for content providers and broadcasters the establishment of a successful multi-platform strategy depends upon a cooperative relationship between all these parties.

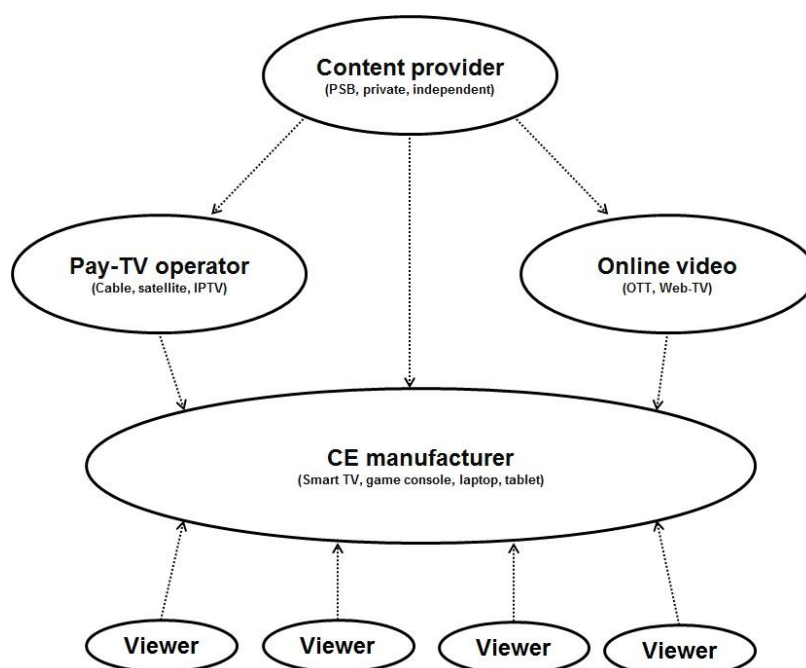


Figure 1 Online video business ecosystem

In such a digital TV ecosystem, TV firms generate value through business models that involve a complex set of exchange relationships and activities among multiple players. This implies that TV broadcasters not only need to secure distribution via mature outlets, but also

need to liaise with emerging platforms that eventually bypass traditional TV distributors. The convergence of broadcast and Internet services, enhancing online video platforms and connected TV devices, requires TV broadcasters to build straight-forward relationships with numerous partners in the TV ecosystem to provide a compelling viewer experience (Venturini, 2011). Hence, the reconfiguration of business activities from value chain organisations to the fluid structure of an ecosystem, and the continuous efforts in fine-tuning business models to connect knowledge and relationships form the major strategic challenge for TV broadcasters. In the contemporary TV business, traditional bureaucratic hierarchical behemoths are replaced by new organisational forms, including strategic partnerships and networks that can be managed in a much more flexible manner (Jin, 2013). Indeed, TV firms are increasingly structured as ‘network organisations’ (Arsenault and Castells, 2008; Colapinto, 2010) whose competitive strategy is largely built upon partnerships and strategic alliances (Liu and Chan-Olmsted, 2003; Oba and Chan-Olmsted, 2007).

Although not always successful, co-opetition seems one of the dominant strategies to build and sustain competitive advantage in the online video ecosystem these days. The network of strategic relationships, via distribution deals, content licensing agreements, revenue sharing contracts, advertising affiliation and/or cross-investments within the TV industry has never been so dense (Daidj and Jung, 2011). Faced by audience fragmentation and declining revenues from advertising, TV broadcasters start launching catch-up TV services. Co-opetition forms an adequate strategy to share financial risks and reduce the substantial costs associated with the development of the expensive platform technology needed for these services. Moreover, content licensing deals with third-party platforms like YouTube and Netflix form a significant new revenue stream for TV broadcasters. Increasing rivalry in the online video market, and the enduring pressure to differentiate from competing platforms puts content producers and TV broadcasters in a powerful position to raise licensing income – Netflix’s licensing spending rose from \$180 million to \$1.98 billion between 2010 and 2012. In total, online video revenues (about \$8 billion) are split 60/40 respectively between content producers and aggregators. This suggests that content producers and TV broadcasters are likely to play a leading role in the future TV ecosystem, especially as connected and mobile devices continue to push viewer behaviour towards multiscreen services and on-demand windows. Furthermore, partnerships with distribution platforms illustrate that co-opetition is not limited to joint ventures between TV broadcasters, but also opens up opportunities to ally with players from other stages in the media value chain (like distributors or CE manufacturers).

Co-opetition strategies in online video

The focus of the article is on TV broadcasters that decided to cooperate with their closest competitors in the TV ecosystem and establish a joint venture. However, it must be stressed that so far co-opetition in online video markets has not always produced satisfactory results. In some cases, competition authorities, particularly in Europe, have prohibited joint ventures on competitive grounds (Richter, 2011). Table 1 provides a brief overview of recent joint ventures established in the online video market, and shows mixed evidence for co-opetition as a winning strategy. The German Bundeskartellamt has prohibited the establishment of a joint

venture twice. In the case of *Amazonas*, the competition authority stated that the platform would strengthen the collective dominance of the broadcasters' duopoly which controls over 80 per cent of the German TV advertising market. In the remaining part of the article, two successful online video platforms (Hulu and YouView) that were established following a co-opetition strategy will be discussed.

Table 1 Overview of broadcasters' online video joint ventures

Year	Country	Project	Partners	Status
2007	United States	Hulu	NBC/Comcast, Disney, FOX	Running
2009	United Kingdom	Kangaroo	BBC, ITV, Channel 4	Blocked
2010	United Kingdom	YouView	BBC, ITV, Channel 4, Arqiva, BT, TalkTalk	Running
2011	Germany	Amazonas	RTL, ProSieben.Sat.1	Blocked
2011	New Zealand	Igloo	Sky, TVNZ	Running
2013	Germany	Germany's Gold	ZDF, ARD	Blocked

Hulu (US)

Hulu is an advertisement-supported video streaming platform that provides subscription-free access to over 70,000 full-length movies and TV shows, and 2,300 TV series (from over 470 content partners) – currently available in the US and Japan. Launched in 2007, Hulu forms a high-quality counterweight to YouTube and allows the TV networks to arm against online initiatives deployed by hardware manufacturers (iTunes, Google TV) and cable companies (e.g. TV Everywhere, a joint venture between Comcast and Time Warner Cable). In contrast to YouTube, US networks can run their full-length series and programmes, sell advertising and eventually share the revenues (about 70 per cent). Since the launch of *Hulu Plus* in 2010, the platform evolved to a subscription service (\$7.99 per month). Like the free version of Hulu, the videos available on Hulu Plus also contain (limited) commercials. However, it offers subscribers an expanded content library in the form of full seasons and more episodes of shows already available through Hulu. Furthermore, Hulu Plus allows viewers to select shows and clips on a wide range of platforms, including smartphones, tablets, Smart TV, Blu-ray players, game consoles and streaming players. In April 2013, Hulu announced its number of paid subscribers had doubled to 4 million (and more than 30 million monthly visitors), with revenues growing to \$695 million up from \$420 million.

The Hulu venture was established in 2007 by NBC and FOX (with an initial investment of \$1 billion), and later joined by Disney (ABC) and Providence Equity Partners (both invested about \$100 million in Hulu). As Comcast inherited a 32 per cent stake in Hulu when the cable operator purchased control of NBC-Universal in 2011, NBC relinquished its Hulu board seat and agreed, as part of the federal approval of the merger, to become a silent partner in Hulu's operations for seven years. In 2012, Providence sold its 10 per cent stake in Hulu for \$200 million, in a deal that valued the video platform at about \$2 billion. Hulu's ownership structure has become complex, with three TV networks financially controlling the company

(it is estimated that FOX owns 36 per cent of the shares, and NBC and Disney each 32 per cent), but with only FOX and Disney in operational control. It is remarkable indeed that three closest rivals (for content, audiences and advertising) have cooperated in establishing an online video platform, and that CBS, the other 'Big Four' network, remains absent. The reason for that is that in 2008 CBS started its own platform named *tv.com* (later CBS Interactive) primarily as an online outlet for scheduling series and wants to keep CBS programming exclusive to its proprietary service. In 2012, the Hulu venture was put for sale but despite bids from interested parties including Google, Amazon, Yahoo, DirecTV and AT&T, all three shareholders decided to call off the auction and invest an extra \$750 million in upgrading the platform to compete against other online distributors like Netflix and Amazon.

Hulu's ownership structure was challenged by NBC-Universal's takeover by Comcast (in a deal worth \$16.7 billion). Thanks to the merger, Comcast acquired control of NBC-Universal and turned into a vertically integrated cable operator. However, concerns grew about the merger's potential anticompetitive effects as it would enable Comcast to restrict access to NBC programming available on Hulu and instead disfavour competing online video platforms to protect its own TV Everywhere service *XFINITY*. As the government was concerned that Comcast would try to impose restrictions on Hulu to protect its core cable business, it barred Comcast from being involved in Hulu's business affairs. After lengthy investigation, both the Justice Department and the Federal Communications Commission approved Comcast's monumental purchase of NBC-Universal, imposing that Comcast must relinquish its management rights in Hulu and make NBC-Universal content available to Hulu that is comparable to the programming Hulu obtains from Disney and FOX. The example clearly illustrates the operational risks associated with a combined role of content provider and shareholder, which is different from regular companies where shareholders only have a vote at the board of governors, but not hold the leverage (like Amazon was owned by book publishers). In a joint venture where shareholders supply the raw materials, one obstinate strategic decision could result in one particular network pulling all its programming from Hulu and thereby destroying the company's value. Once again, selecting trustworthy partners forms a main challenge in a co-opetition strategy.

YouView (UK)

YouView, formerly known as *Project Canvas* but rebranded in 2010, is a connected TV device offering access to terrestrial channels via Freeview (DTT) and Internet-delivered TV services (e.g. BBC iPlayer) via a hybrid set-top box connected with a broadband connection and/or television antenna. The box provides access to BBC One, BBC Two, ITV and Channel 4 with the ability to record all Freeview channels via the EPG (with a backwards functionality and search engine). In addition, the on-demand players available are BBC iPlayer, 4oD, ITV Player, STV Player, Demand Five, Milkshake! and Now TV (premium, powered by Sky). Developing a common technical standard for Connected TV, the venture aims to create a horizontal market for consumer devices which utilise a common specification for on-demand services in the UK living room. The ambition is to establish an open TV ecosystem that allows any CE manufacturer to come up with its own YouView-branded device that is

supported by any Internet service provider (ISP) and content provider. Following the special BT and TalkTalk boxes, Sky launched a Now TV-branded Roku streaming box allowing users to stream *Now TV* content to their TV set, and to consume content from BBC iPlayer, Demand 5, Spotify and Sky News (in July 2013). As YouView aims to maintain the relevance of free-to-air television (via Freeview) without gatekeeping, there is no subscription nor contract for accessing catch-up and Freeview content – albeit there is a one-off payment for the set-top box which may be bundled as a part of a subsidised triple play offer.

YouView is a joint venture with seven equal partners, including broadcasters (BBC, ITV, Channel 4, Channel 5), ISPs (BT, TalkTalk) and DTT network infrastructure provider Arqiva – all partners financially committed to invest a total £126 million in the venture to cover the first four years of operation. The proposed industry-wide structure complied with the conditions of *Project Kangaroo*, which established an on-demand platform offering content from BBC worldwide, ITV and Channel 4 initially expected to launch in 2008 but blocked by the UK Competition Commission in 2009. The Commission ruled that a joint venture between the three partners, which virtually control the UK-originated content market, would restrain competition from existing and future on-demand providers in the market. It was further argued that a joint venture between closest competitors would result in a loss of rivalry, both at the wholesale and retail level, and that UK viewers would benefit from better on-demand services if the parties competed against each other. The Commission concluded that behavioural remedies aimed at removing the wholesaling activities of the joint venture and safeguarding commercially sensitive information were insufficient to mitigate the substantial lessening of competition in the nascent UK online video market and therefore prohibited the proposed joint venture.

Although Project Canvas sounds very similar to Project Kangaroo, the Office of Fair Trading (OFT) and communications regulator Ofcom declined to investigate Project Canvas for its compatibility with competition law. The BBC Trust approved the development of a joint venture partnership and the BBC's involvement in YouView, but found that Project Canvas could have a modest negative impact on the non-DTT pay-TV market. In that context, satellite provider Sky, cable operator Virgin and technology provider IP Vision complained that the project would stifle competition in the online video market, and that the Canvas partners would have an unfair market advantage while potentially withholding content from other platforms. Others held that the UK witnessed a dramatic fall in private investment in the IPTV business since Project Canvas was first announced (from £22 million to £1.6 million). According to OFT, however, the joint venture would have no role in aggregating, marketing or directly retailing any TV content, and each party would retain control over its content. In addition, Ofcom announced it would not investigate the proposed joint venture and gave green light to the project. The proliferation of on-demand services and streaming boxes, and the fact that YouView has so far been installed in over 500,000 homes in the UK suggests that the joint venture has not reduced competition and platform innovation in the UK online video market.

Conclusion

This article focused on the increasing practice of co-opetition strategies among broadcasters to secure their place in the online video market. In the highly competitive environment, TV broadcasters are pressured by a saturated advertising market and changing viewing behaviour, especially among the younger segments that are the most valuable for advertisers. In order to cope with these strategic challenges, TV broadcasters have started operating online video markets so as to diversify revenues and make their programming available across multiple devices. Converging ICT markets, marked by the entrance of powerful newcomers, require that TV broadcasters adapt their business models and step into a cut-throat competition against rivalling platforms. As the online video marketplace is global in nature, TV broadcasters have acted as keystones and cooperated with their closest competitors. In this perspective, industry-wide alliances might help partners in reaching the necessary scale to support the management of expensive technology platforms. So far, broadcasters have focused on rivalling broadcasters to form joint ventures with. Although strategic alliances with cable/satellite operators would allow broadcasters to benefit from the technical expertise CDN operators have, competitive tensions between broadcasters and distributors regarding retransmission payments seem hard to overcome. Theory suggests that vertical relationships between buyers and suppliers are complementary and less conflicting, but in practice conflicts of interest between broadcasters and cable/satellite operators stands in the way of a fruitful collaboration. An industry-wide consensus would, however, help local TV ecosystems to stand the competition from global online video platforms including Netflix and iTunes.

The examples of Hulu and YouView clearly illustrate how TV broadcasters can take advantage of co-opetition strategies in online video markets, and how a collaboration between close competitors may be an opportunity for revenue and survival in turbulent times. As supply-side economies of scale are a central feature of media businesses, co-opetition offers an effective strategy for spreading risks, decreasing costs and reducing time to market. However, competition authorities, especially in Europe, continue to keep a close eye on strategic partnerships, by fear that co-opetition would result in collusive strategies that restrain competition and innovation. Partnerships between several broadcasters in Germany were struck down by antimonopoly authorities, but similar platforms were approved in the United States and New Zealand. We therefore question whether and to what extent the European regulatory approach towards supply-side cartels, in the form of joint ventures, disproportionately limits national TV broadcasters from fully exploiting online video services and claiming platform leadership in the market. This could put a burden on TV broadcasters, who are put at a considerable competitive disadvantage compared with global newcomers such as Netflix and YouTube that operate on a global scale, and could have detrimental effects on the provision of original, domestic programming in the European TV marketplace.

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