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On-going change in film consumption - Is online availability disrupting the offline markets?

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Abstract

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The objective of this study was to look into the online film services in Finland and the theories connected to offering that type of online services. The aim was also to look into these services from the point of view of their disruptiveness to the market. A research was conducted to find out the current status of these online film distributors in Finland from the point of view of the customers. The research was mainly of quantitative nature and it was conducted as an online survey. The survey was answered by 123 people and in addition three persons were interviewed to gather more specific experiences and opinions on certain matters.

The research revealed that most of the respondents would be willing to try online film services in the future but only few already had experience in using them. Currently more people seem to rather find films from illegal sources to download or prefer to watch them from DVD's or Blu-rays. The research also gave implications that purchasing content online is not a novelty for people anymore and what seem to keep people from using these online services are preconceptions on, for example, their quality and pricing.

Furthermore, this study looked into the buying behaviour of people when it comes to the online film services in Finland. The research was also used to find out whether people belong to habitual or variety-seeking buyers when it comes to online films. The study also handles the theory of long tail, how it works in Finnish online film services and the effects of illegal online distribution on the legal distribution.

KEYWORDS: films, internet, online distribution, film distribution, online film services, digital marketing, buying behaviour, long tail

Tiivistelmä

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Tämän työn tarkoituksena on tehdä katsaus Internetin elokuvapalveluihin Suomessa sekä tutustua soveltuviin teorioihin. Tavoitteena oli myös selvittää ovatko nämä palvelut jo aiheuttaneet näkyviä muutoksia elokuvamarkkinoihin. Työtä varten suoritettiin tutkimus, jossa selvitettiin ihmisten suhtautumista näihin elokuvapalveluihin mahdollisina asiakkaina. Tutkimus oli pääasiassa luonteeltaan kvantitatiivinen ja se toteutettiin Internet-kyselyn muodossa. Kyselyyn vastasi 123 henkilöä ja lisäksi kolmea henkilöä haastateltiin, jotta saataisiin selville tarkempia kokemuksia ja mielipiteitä tietyistä tutkimuksen käsittelemistä osa-alueista.

Tutkimus paljasti, että useimmat vastanneista olisivat valmiita kokeilemaan elokuvapalveluita Internetissä, mutta vain harvoilla oli niistä jo kokemusta. Tällä hetkellä vaikuttaa siltä, että useammat ihmisistä mieluummin kääntyvät laittomien latauspalveluiden puoleen tai katsovat elokuvansa DVD- tai Blu-ray-levyitä. Tutkimuksessa tuli myös esiin viitteitä siitä, että ostosten tekeminen Internetissä ei enää ole ihmisille uusi asia, joka estäisi heitä käyttämästä näitä palveluita. Suuremman kynnyksen vaikuttavat muodostavan ennakkoluulot esimerkiksi palveluiden laadusta sekä hinnoittelusta.

Lisäksi tutkimuksen tavoitteena oli perehtyä elokuvien online ostamiseen liittyvään ostoskäyttäytymiseen ja siihen kuuluvatko ihmiset enemmän tavaksi tulleen vai vaihtelua etsivän ostoskäyttäytymisen piiriin. Työ käsittelee myös pitkän hännän teoriaa ja sitä kuinka se toimii Internetin elokuvapalveluissa Suomessa, sekä elokuvien laittoman Internet-levityksen vaikutusta lailliseen levitykseen.

AVAINSANOJA: elokuvat, Internet, Internet-levitys, elokuvapalvelut, elokuvalevitys, digitaalinen markkinointi, ostoskäyttäytyminen, pitkä häntä

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1. Introduction

The Internet has become an increasingly important medium in our daily life. In 2001 Apple released their device that changed the music markets, the iPod. At the same time they also released a software called iTunes to augment the sales of the iPod. (Cocoran, 2007, pp.160-161) Through iTunes people could listen to music on their computers, transfer it into their iPods and, most importantly, they were able to buy music online. Over the last ten years the hardware has evolved and the technology has made it possible for people to access films the same way, using the same gadgets.

In a way it could be seen that the online services are the direct successors of the traditional rental business. In the era of VHS the rental shops offered more films to choose from that anyone could own since the VHS cassettes took a lot of space and were expensive. (Wiese, 1989, p.225) Today the prices of DVDs and Blu-rays are more affordable for everyone and take a lot less space in shelves so competing with the price and selection has become more difficult for rental shops. Also, now there is internet with a selection of films that no one can compete with. Before first DVD's were released in 1997 (Korchek, 2010) VHS, and home entertainment in general, was an aftermarket for the films and the primary source of revenue for the studios was the theatrical distribution. (Wiese, 1989, p.221) In 2007, home video business was almost half of all the studio revenue (Ulin, 2010, p.161).

The question currently in the air is how much of that revenue will in the future come from internet distribution. Major Hollywood studios are currently trying to boost their DVD sales in the United States by delaying the access to new titles for the rental companies. (Szalai, 2012) Time will tell how this type of action will affect the Finnish market where the sell-through and rental release have traditionally been simultaneous. In this dissertation the author looks into the current situation of the online film services in Finland and tries to find out how prominent competitor the online distribution currently is to the traditional distribution forms.

1.1. Online film services in Finland

There are different services online that offer film rentals, purchases or both in completely digital form. There are two main types of them: the ones that sell only digital products and hybrid retailers that offer digital products in addition to physical products. The services that offer only digital products are for example iTunes, Voddler and Film2home. Those who offer digital products along with physical ones are Discshop and CDON.com. Services like Elisa Viihde and Sonera Viihde are entertainment services offered by telephone and internet operators Elisa and Sonera to their own broadband customers. They very likely have the most users of all these services but the author has excluded them from this research as they are side products to their other services and cannot be purchased separately from the broadband connections or pay-TV services. Very likely there are also other smaller online film providers in Finland but in this work the author concentrates on the following:

CDON.com is a hybrid retailer. They sell films, music, video games, electronics, books and clothing in their online store. Since the last quarter of 2011 one of their product categories has been films as video-on-demand (VOD) rentals. CDON.com was founded in 1999 and it is a part of a Swedish CDON Group that owns 11 online stores in Sweden, Norway, Denmark and Finland. Their operations are divided into four groups: entertainment, fashion, sports and health and home and garden. (CDONGroup, 2012)

Discshop is also a hybrid retailer but they concentrate on films and video games. They offer also VOD rentals. They operate in Finland and Sweden and are located in between the two in Åland. Discshop was founded in 1999 and since 2004 has been owned by Bonnier group. (Discshop, 2011 and Bonnier, 2011)

Film2home offers both VOD rentals and sell-through downloads. They claim to have the largest online selection in Noridc countries. They are owned by Bonver Videodata AB which is a Swedish rental film distributor that operates in Sweden, Finland, Norway, Denmark and Iceland. In Finland they operate also in association with the operators

Sonera and Canal Digital. They are also currently the only online film store that sells gift cards for their digital products at shops around Finland. (Film2home, 2012)

Headweb is also a Swedish company. It was founded in 2006 and the VOD rentals are their main product. The company started to operate in Finland in 2010 but has kept quite low profile. (Headweb, 2010)

iTunes is probably the most famous digital store in the world. In Finland they started to offer films to rent and download in September 2011. iTunes is owned by Apple Inc. and it was established in 2001 to cater music for the iPod owners. (Apple, 2011)

SF Anytime is a part of Bonnier group, like Discshop, and it offers VOD rentals in Finland, Sweden, Norway and Denmark. It was launched in 2002 and they claim to be the biggest online film service. (SF Anytime, 2011 and Bonnier, 2011)

Voddler is a Swedish company that offers VOD rentals but unlike the other providers they also have an advertisement funded side in their operation that is free to all customers. They also offer a premium subscription with monthly payment without advertisements, more free content and exclusive offers on rentals. The company was founded in 2005 and it launched the service in July 2010. Their service is currently available in the four Nordic countries and Spain. (Voddlertalk, 2012)

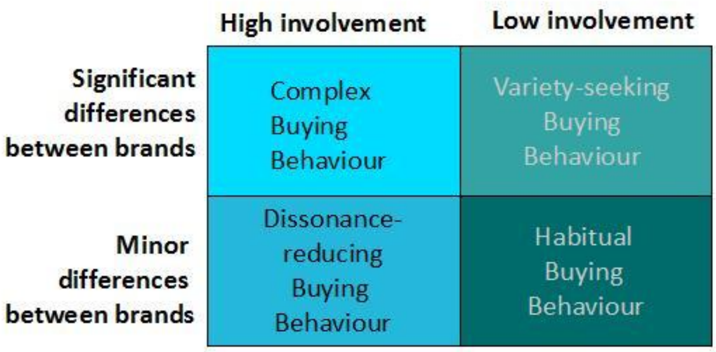
Netflix, a USA based company is also mentioned as an example. Currently they do not have operations in Europe but they are rumoured to plan expansion to United Kingdom. Netflix rents films as DVD's and Blu-rays as well as video-on-demand.

2. Literature review

2.1. Consumer Buying Decision Behaviour

Why consumers make decisions the way they do is a sum of cultural, social, personal and psychological elements. (Kotler and co, 2008, p.261) That is why companies try to analyse their customers, to be able to predict the response to their products and find repetition in their buying behaviour.

FIGURE 1



Four types of buying behaviour according to Henry Assael, 1988
(Kotler and co, 2008, p.262)

In the model shown above, there are four types of buying behaviour. Regardless whether they are bought or rented, from a store or online, films are low involvement products. They are inexpensive, to most consumers they belong to everyday life and purchasing one rarely requires a long evaluation process. When it comes to purchasing films through online services it depends on the customer whether they fall to the category or variety-seeking or habitual buying behaviour. Those customers who go find their films from the service that is the most convenient and often the most familiar, belong to the category of habitual buying behaviour. In that category the differences between different brands or services are very minor or the customer does not pay attention to them and they make their purchases a certain way out of habit more than out of brand loyalty. (Kotler and co, 2008, p.263) To some customers the brand or the service matters more and they pay attention to the differences between different services. They may try out new brands more eagerly or just out of curiosity. These types of customers belong to variety-seeking buying behaviour.

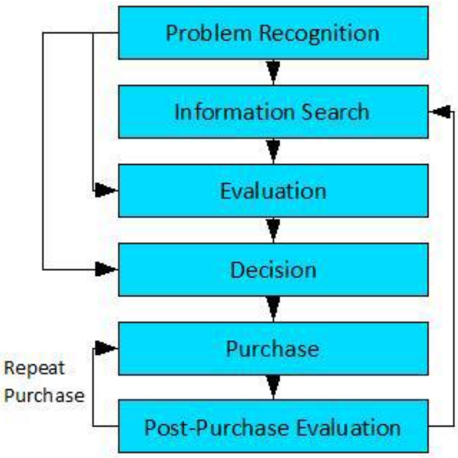
2.2 Consumer decision-making processes

The decision-making processes that consumers go through are usually described with stage models. Figures 2 and 3 are two slightly different stage models, the buyer decision process (Figure 2 by Kotler and others (Kotler and co, 2008, p.265 & Kotler and Keller, 2009, p. 208) and a simple buying model (Figure 3) used by Egan (2007, p.54). Depending on the product the consumer is in need of, all or only some of the steps are used. (Kotler and Keller, 2009, p.208) For example when buying something very common like toilet paper, the consumer recognises the need and then moves directly to evaluation and then to purchase without searching for information. When the purchase needed is more high involvement the consumer goes through all of the steps.

FIGURE 2

Buyer decision process (Kotler and co, 2008, p.265)

FIGURE 3



Simple buying model (Egan, 2007, p.54)

The first three steps of these models are the same. First the consumer recognises that there is a problem or a need that starts the process. Then the consumer begins to gather information about the possible solutions. The most common sources of the information are personal connections such as friends and family, advertisements or other marketing material, media or own experiences with the products. (Kotler and Keller, 2009, p.208) After a sufficient amount of information is gathered, the consumer evaluates it and then makes a decision.

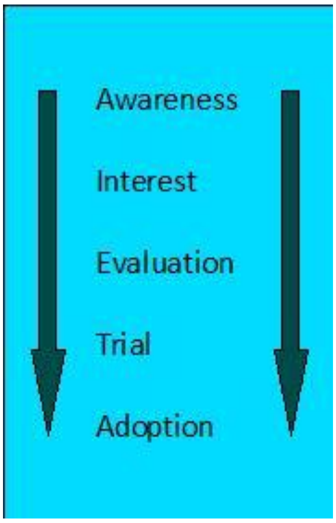
This is where the models start to differ. In the buyer decision process model the evaluation is followed by a purchase decision which either is formed or is not. If the decision is formed the purchase happens. (Kotler and Keller, 2009, p.213) In the simple buying model (2007, p.54) the decision is formed after the evaluation but the consumer must take one more step to the actual purchase. After the purchase is made both of the models move on to post-purchase actions such as repeat purchase or moving back to the information search as the simple buying model shows. (Egan, 2007, p.54)

2.3. Consumer decision-making processes and Web 2.0

When the consumer is making purchases online and has the internet access as a part of daily life it has an effect on the decision-making process. For example, using the simple buying model (Figure 3), there are various internet related factors in each step that influence the process. (Chaffey, 2009, p. 493) In the beginning when the person detects the problem but is still unaware of the products, displays and advertisements on webpages might pull the persons attention and also social media discussions can influence both the forming of the need and push towards the information search. Social connections will also be a part of the information search, for example if the person wants to rent a film online he might post a message on Facebook or Twitter asking for recommendations for a film and also for the best online service to receive it from. In the information search the search engines also have a huge role. When evaluating different options the person will likely read through the webpages of different products, possibly some internet discussion boards about the products in question and again use social media. After the decision is made, the purchase is done online as well. Usually companies have a simple payment system that charges the customer's credit card but with some larger purchases it can be possible to be directed to the customer's online bank to make the payment. If for some reason the product is not available at the moment or has not been released yet, the online retailers and service providers often offer different reminder systems where the customer can have an email or a text message free of charge when the product becomes available. Before, during and after the purchase internet makes it more simple and faster for the customer to be in contact with the retailer or service provider through their website or their social media presence. It makes giving feedback and receiving future recommendations easier. (Chaffey, 2009, p. 493)

2.4. Adoption and diffusion of innovations

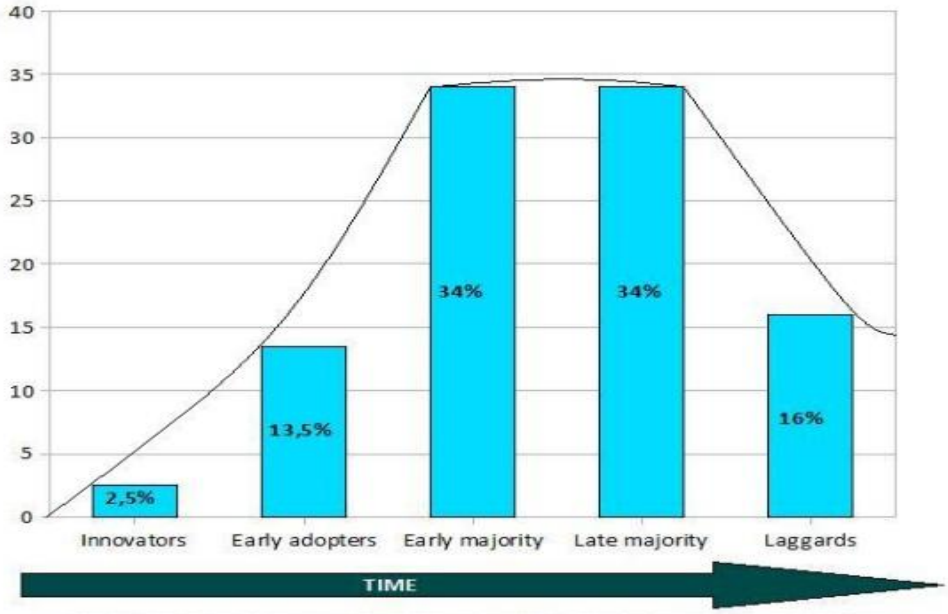
FIGURE 4



The adoption process (Figure 4) is a five stage progress that a consumer goes through when introduced to a new innovation. (Kotler and co, 2008, p.272) The process starts when the person becomes aware of the new innovation but does not have much information about it yet. When the awareness has grown into interest the person starts to look more information about the innovation and after a sufficient amount of information is gathered, the person decides whether to try out the innovation or not. In the trial stage the person tries out the innovation to see if it matches the person’s needs and the information gained. It the trial is satisfactory, the person moves to adoption stage where the product is taken into regular use. (Kotler and co, 2008, p.272) From the point-of-view of the manufacturer or service provider, the adoption process is a guideline on how to assist or push the potential customer to become a regular user of the product or service.

The theory of diffusion of innovation (Figure 5) aims to show how the knowledge about new innovations spread out among possible the customers. (Egan, 2007, p.40) It can also be used to comprehend the situation of whole organisations, for example competitors can be placed on the curve according to their development stage in a particular area to see what the company's own situation is. (Chaffey, 2009, p.242) The first ones to try a new product or idea are called innovators. They often have higher income and do not mind paying extra for being first to try out new things even if there is a risk involved. Typically innovators are not brand loyal and are attracted to novelty. (Kotler and co, 2008, p.273) The next group on the curve are the early adopters. They usually are the key to larger markets and operate as opinion leaders. (Egan, 2007, p.40) Early adopters take interest in new innovations quite early on but are more cautious than innovators. (Kotler and co, 2008, p.273) When the curve reaches the early majority the adoption speed is at its highest. This group considers carefully whether to try new innovations or not but they are not as sceptical towards new ideas as the fourth group, the late majority. When the late majority has accepted the innovation it can be considered as well adopted. (Egan, 2007, p.40) The last group of laggards are people who often resent technology and changes in general. Depending on the innovation, it is possible that this group never fully adopts it. (Egan, 2007, p.40)

FIGURE 5

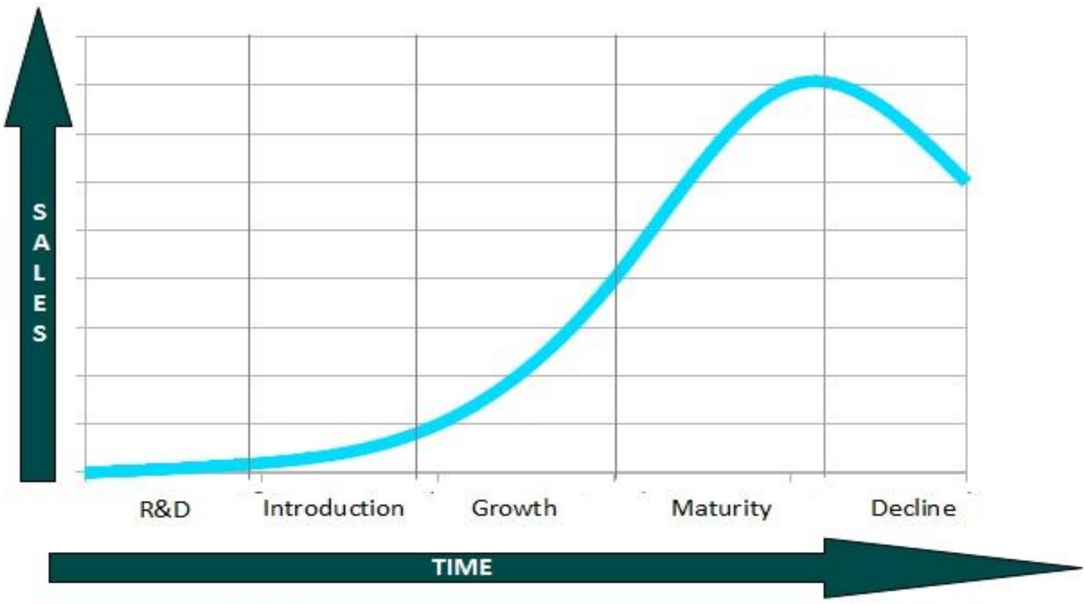


Diffusion of innovation according to Everett M. Rogers, 1983 (Egan, 2007, p.41)

2.5. Product-life-cycle

Product-life-cycle (PLC) is a curve that shows how the sales of a product grow and diminish during its lifespan. (Kotler and co, 2008, p.571) It can be used to optimise the marketing strategy and marketing communications. The first phase of the PLC is the research and development stage before the release where the sale has not yet started. It is followed by the introduction stage where the product is launched out to the market and the innovators of the diffusion curve start to use the product. At this point the sales are still growing slowly. If the product survives the introduction stage, it should next enter the growth period. In this period the growth is faster and the early adopters and also the early majority start to accept the product. During the fourth stage, maturity, the growth of sales starts to slow down since the product has reached most of its potential users. Eventually the growth will end and then turn into decline when the sales are dropping. (Kotler and co, 2008, p.571) PLC theory has been criticised because of it lack of accuracy since it can be difficult to place a product on the curve and know what stage it is in. (Egan, 2007, p.42)

FIGURE 6



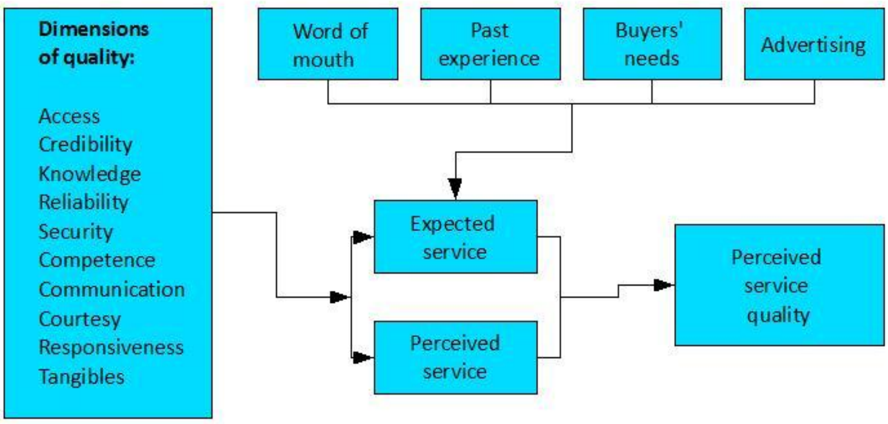
Product life cycle (Kotler and co, 2008, p.571)

Not all products go through the PLC the same way. Some are introduced but do not live further and some reach their maturity and do not seem to start their decline. The online distribution of films is still in its early stage in Finland. The services are recently launched, most during the last one or two years. Some services such as Elisa Viihde and Sonera Viihde may be entering the growth stage since the online film service is attached to other parts of their offerings but most are in their introductory phase. Many services that offer only films online or offer film downloads as a part of their online store seem to have chosen slow penetration as their marketing strategy. They have fairly low prices but they also spend quite little on their promotion. (Kotler and co, 2008, p.574) This is often the chosen strategy when the customers are considered to be quite price conscious but also in the case of these online services, they can keep their operation costs quite low and most likely can afford to raise their clientele slowly. (Kotler and co, 2008, p.574)

2.6. Key determinants of service quality

To asses the quality of service, that how the customers perceive the service quality has to be studied. Basically it means comparing what the customers expect to what they experience. (Kotler and co, 2008, p.609) There are three things to take into account when doing this type of consideration. It has to be found out what the customers expect, what they felt like they received and what factors they use to evaluate the service. (Kotler and co, 2008, p.609) Figure 7 illustrates this process.

FIGURE 7



Key determinants of perceived service quality (Kotler and co, 2008, p.611)

The ten dimensions of quality describe both the result of the service and the process. These dimensions can be used to figure out what the customers expected and perceived and the relation between the two reveals the perceived service quality. When doing such comparisons it should be remembered that different customers value different dimensions to be more important than others, and also that there are outside factors such as word of mouth, past experiences, needs and advertising that affect the expectations. (Kotler and co, 2008, p.611-612)

2.7. Disruptive technology

Online distribution of films is one example of disruptive technology. Disruptive technologies are new innovations that force organisations to reassess their strategies and business models. (Chaffey, 2009, p.52) Previously in the film industry disruptive technologies have emerged for example when DVD was invented and took over the market from VHS format and in further back in the history when television was invented and shook the status of film theatres. The question currently in the air is when will the online distribution become disruptive to traditional distribution methods, especially rental shops, or has it already started to disrupt them.

2.8. Role of internet in film distribution

Internet has multiple roles in film distribution. Films can be obtained through internet both in physical forms and in digital forms, legally and illegally. The most common physical forms of film are DVD and Blu-ray discs which are optical discs that contain the film and possibly some other related material. In the following when referred to physical forms of film it means these optical discs. The other physical forms of film that are in use are HD-DVD disc, VHS and Betamax tapes and 16mm and 35mm reels but these all have become a rarity in regular homes and are mostly used by film collectors and archives. The physical forms of film are distributed traditionally in two ways, by sell-through and rental. (Wiese, 1989, p.222) This has not been changed by internet; instead especially the rental business has in many countries taken internet as its primary trading centre. Companies, such as LoveFilm.com in the United Kingdom or Netflix in the USA, offer films for rent so that you place your order on their internet pages and the DVD or Blu-ray arrives by post and after viewing the film the customer sends it back. This type of service usually has a monthly subscription fee instead of the traditional rental payment where the customer pays a daily fee for each rented title.

The more recent forms of film distribution in internet are the ones where there is no physical product involved. The most common forms of this type of transaction are VOD (video-on-demand) and EST (electronic sell-through). In VOD the customer either watches the film online, which is called streaming, or downloads it onto computer for watching. In streaming the content is in provider's streaming server from where it is sent to customer's media player but not saved onto customer's computer hard-drive whereas in downloading the whole content is first saved to customer's hard-drive. (Stolarz, 2005, pp.144-145) Usually the customer either pays a subscription fee and the content is available as long as the subscription is in force or they pay-per-view when the content can either be viewed limited times or within a limited time. In EST the customer pays for the download and the content is saved on the customer's computer hard-drive and usually the customer then owns the content as if they would do when they buy a DVD. Depending on the provider of the EST the product can have an expiration date after that it cannot be viewed or it can be burnable to a DVD or Blu-ray but the higher quality needed for that might require extra payment.

Internet makes it possible to offer customers several different forms of payment. The most common ones are weekly or monthly subscription (VOD), pay-per-download (EST) or pay-per-view (VOD). The VOD content is usually available through a web page so the customer can access it using different hardware whereas EST content is downloaded to a hard drive of one gadget and is meant to be viewed only with that. That is one of the main reasons why VOD has been estimated more popular and growing faster than EST. In 2011 a new internet service called UltraViolet was launched and it is hoped to change the situation. It works as a digital library where the user can upload films bought online and UltraViolet makes it possible to access them from any device thus increasing the usability of the content. (Digital Entertainment Content Ecosystem, 2011) Also Apple has launched a similar service called iCloud.

Besides home entertainment, the other major distribution forms of cinema are theatrical, free TV, pay TV and pay-per-view (e.g. hotels and airlines). (Ulin, 2010, p.161) Films are released in windows that start with theatrical release followed by the different home entertainment forms and ending with free television usually some years after the theatrical release. (Ulin, 2010, p.35) Partially due to the internet's growing importance in the distribution process the windows are changing and the theatrical period is getting shorter and the DVD and Blu-ray release along with VOD and EST release are moving closer to the theatrical release where they can also benefit from the marketing that is done for the first release of the film and hopefully bring as much revenue as possible. (Guillou, 2004, p.35)

The concept “digital” has many different contexts when it comes to film distribution and most of them are not related to internet distribution. For example 'digital cinema' is the form of theatrical distribution where the film is distributed either on an optical disc or directly from server to server instead of using the traditional film reels. With 'digital distribution' many authors, such as Creeber and Martin (2009, pp.52-53), refer mainly to DVD and Blu-ray distribution and again it has little to do with distribution over internet.

2.9. Legal versus illegal

When it comes to the distribution of any content protected with the intellectual property legislation the problem of illegal distribution and piracy cannot be passed. It has been estimated that unauthorized distribution of films as DVDs and Blu-rays causes losses of over $3 billion each year only in the United States. The analysis was made already some years ago but at that time the estimation was that up to 400 000 films were downloaded illegally every day causing annual losses of $4 billion. (Byers, et al., 2004) In 2006 MPAA (Motion Picture Association of America) estimated that in 2005 the industry lost approximately $6,1 billion due to piracy and about $2,3 billion of that (37,7%) would come from losses over internet piracy. In 2008 MPAA estimated that digital piracy caused about 40% of their annual losses and the figure is growing. (Ulin, 2010, p.70)

In the same analysis Byers, et al. (2004) also noted that the illegal downloading of a film also generates publicity that may have a positive impact on the revenues of the film. The editor of *Sight & Sound*, magazine published by the British Film Institute, Nick James (2009) wrote in his editorial that since the film and television industries have been very keen on accepting the new technologies they should cease lobbying against piracy and start to consider how they could make films more affordable especially for young people.

The most notable attempt to fight against piracy are the digital rights management (DRM) technologies. When it comes to cinema the most common form of DRM are the copy protection blocks that prevent copying the content of a bought DVD or Blu-ray onto a computer or another device. (Electronic Frontier Foundation, 2011) Another much used form of DRM are digital watermarks which are information about the source or the rights' holder of the video embedded into the data. Watermarks do not prevent misuse and piracy on their own but they are used to locate the source of the leak. (Digimarc, 2011) DRM has also faced a lot of opposition since it can prevent the buyer from using the paid product properly and that is why some companies have stopped using them in their products and organisations like Electronic Frontier Foundation (EFF) campaign against DRM. (Electronic Frontier Foundation, 2011)

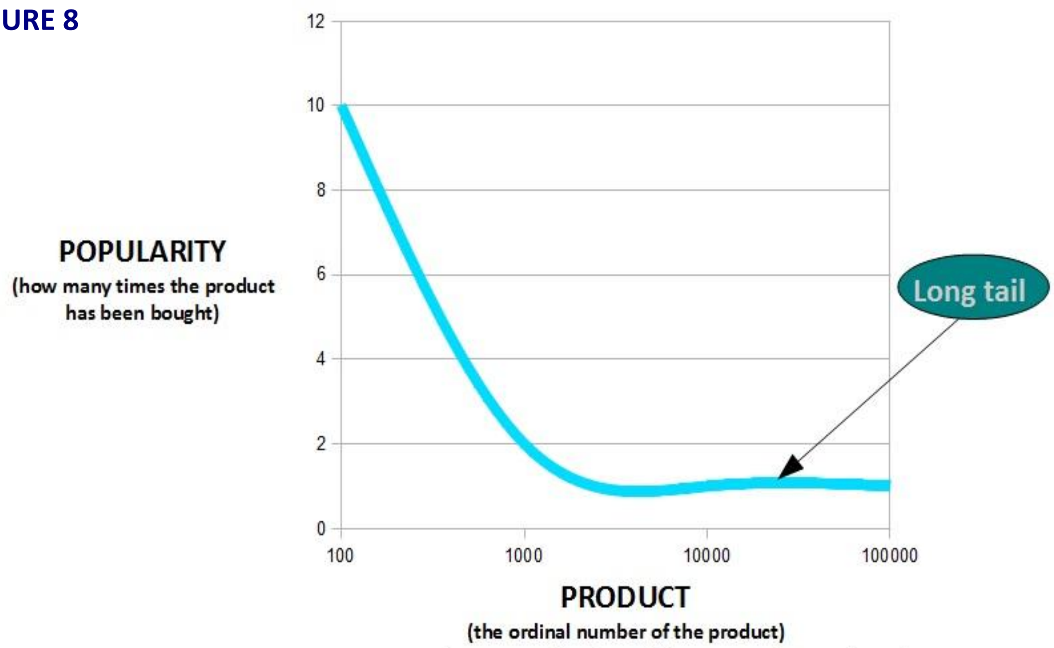
2.10. Long tail

Traditionally Pareto principle, or 80/20 Rule as it is more commonly known, is used to explain the unequal division of revenue brought by products for a business. (Anderson, 2009, pp.130-131) According the rule 20 percent of the products bring 80 percent of the revenue or more generally a small group of products are crucially important for the business and the rest are less meaningful. The editor-in-chief of Wired-magazine Chris Anderson launched the concept of long tail (2009) which means that when there is an unlimited shelf space the 80/20 rule does not apply but instead it becomes a 98% rule.

(Anderson, 2009, pp.7-8) (Figure 8)

According to his research, in online stores with huge selections like Apple's iTunes, Netfilx or Amazon 95 to 100 percent of their products sold at least once in a quarter. (Anderson, 2009, p.8) His conclusion was that regular shops and companies have a problem of locality as they are able to serve only a certain target group and their shelf space is limited so that when a new product is added to a selection another is taken away. (Anderson, 2009, p.17, 40) With long tail this problem does not exist as the space is unlimited and ideally when a new product is added to the catalogue, it will find its audience. (Anderson, 2009, p.22)

FIGURE 8



The Long Tail adopted from C.Anderson (2009)

It has been argued that contrary to what people often think, the long tail theory works only if there is not any previous exposure. (Ulin, 2010, p.245) It would mean that the endless selection is not the thing that creates the incremental revenue, but the one thing that people come to look for from the selection is. In practice, a customer sees an trailer for a film or perhaps misses his or her favourite TV-series and goes to look for it in the online store. The customer may purchase more than just the thing that he was looking for but that one thing, that previous exposure, was the thing that brought the customer to the long tail in the first place. Also the long tail products are often lower priced than the hit products because they have been made with smaller production costs or they are older products that do not have the hit value any more. That is why for them to become really profitable the inventory costs have to be minimal. (Anderson, 2009, p.134) If the inventory costs start to raise it would force the company to move towards 80/20 rule type of retailing because eventually the inventory has to be cut down to keep costs in manageable level. As Ulin (2010, p.299) pointed out, the long tail can offer a wider platform but it will not guarantee increased monetization for that.

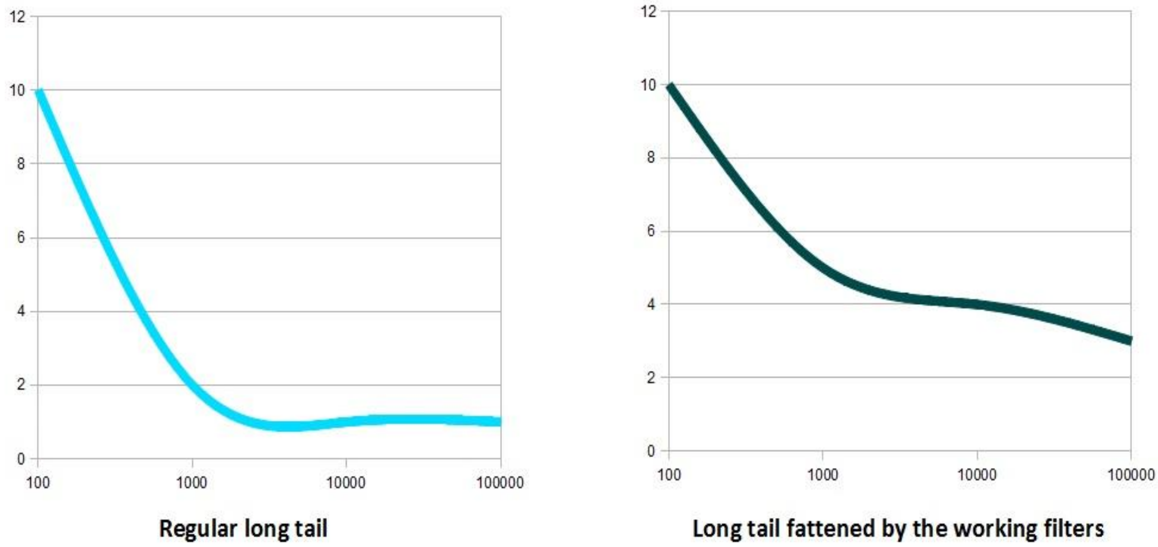
2.10.1. Filters

In his book about the long tail theory Anderson (2009, pp.52-53) points out that regardless of the product group, there are always more niche goods than there are hits but especially on account of developing technology and internet, the costs of reaching them are getting lower. He also points out that variety alone does not create demand but filters are needed to guide the customers towards the tail. (Anderson, 2009, p.53) For the companies that offer films online such filters can be recommendations by other people (word-of-mouth), film reviews, blogs and other public writings about the releases, TOP-lists and other categories created by the company, recommendation after previous purchases (e.g. “People who purchased this product also bought this other one” or “If you are interested in this, you might also find this interesting”). These types of filters lead the customer towards the right product and purchase but there are also filters that can work the opposite way. For example technology can work as a negative filter in cases where a certain product is available only for streaming but not for download, customer wants a High Definition picture but it is not available or it is possible to watch only from a certain type of devices such as only in Apple's iPod, iPad and iPhone and the customer does not meet the requirements.

Kari A. Hintikka, who is a special expert at The Finnish Information Society Development Centre, has written about participation economy of material and immaterial value chains, which require collective action arising from computer networks and thereby create a market. (Hintikka, 2008, p.6) He says that in participation economy it is crucial for the organisations to be able to transform themselves and find new operational models that can possibly be even more profitable that the models previously in use. (Hintikka, 2008, p.12) He uses the long tail theory as grounds for his claim and according to him, with long tail a company can have approximately 20 percent additional sale when they point out products from their catalogue that have been selling low. (Hintikka, 2008, p.12) What he has not taken into consideration is that pointing out a product is only one example of a filter in use and also other filters may bring the same increase in sales.

One of the main ideas behind the long tail is that even with an unlimited selection each title will find its audience and also a title that is not a hit in general can be profitable together with other titles in the same niche. To become profitable the people who are into that particular niche have to be guided to those niche titles. The problem is that while the amount of niches gets larger and the tail longer also the noise around the tail gets louder. (Anderson, 2009, p.119) That is when the importance of the filters become even greater. When it comes to cinema, the niches are formed from different genres and sub-genres that can be divided according to different time periods, directors, lead actors, production countries and so on. When there is enough variety and the filters are working as they are intended to the demand curve of the long tail will become flatter. (Anderson, 2009, p.53) (Figure 9) The more products there is on the catalogue, the longer the tail gets and the more people has access to the catalogue, the thicker it will be. (Anderson, 2009, p.54-55)

FIGURE 9



Both curves adopted from C.Anderson (2009, p. 54-55)

2.10.2. Long tail in Finland

Most online film distributors have only recently entered the Finnish markets so there is no comparable data available about their user volumes, subscribers or revenues. Currently the only proper comparisons can be made on the extent of the catalogues the different services offer.

TABLE 1

Service provider	Amount of titles (rent+download)	Source
CDON.com	3116 films, less than 20 series	Counted by the author
Discshop	2405 films	Reported on the website
Film2Home	+3000 films, 19 series	Reported on the website
Headweb	3249 films	Reported on the website
ITunes	~1940 films	Counted by the author
SF Anytime	~2600 films	Counted by the author
Voddler	2554 films, 93 series,	Reported on the website

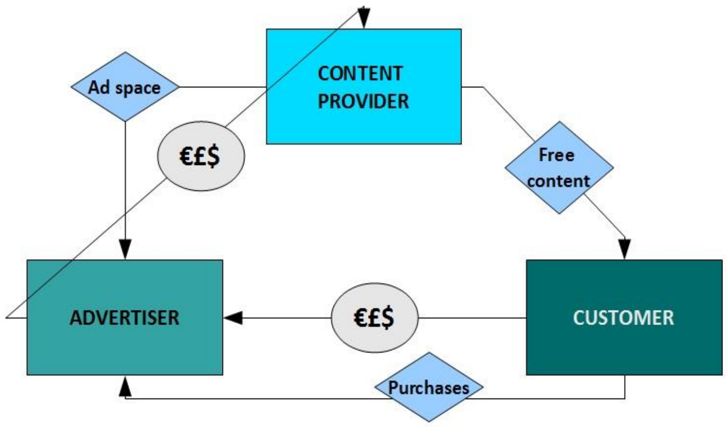
(All information is from the internet pages of each company)

These amounts are still very low and include mostly popular films and recent releases that are the type of thing that customers come to look for after seeing a trailer or an advertisement of the film. The numbers are close to the amounts of titles carried by traditional rental shops which often have from few hundreds to some thousands of films. What are still missing from the selections of the online stores are the real niche products that would help the long tail to form. For the theory to work properly there would have to be a lot more variety and larger selections in these services so that they would be less hit-driven. For that reason it would seem that regardless of the unlimited shelf space they have in theory, these services fall under the 80/20 rule.

2.11. Pricing

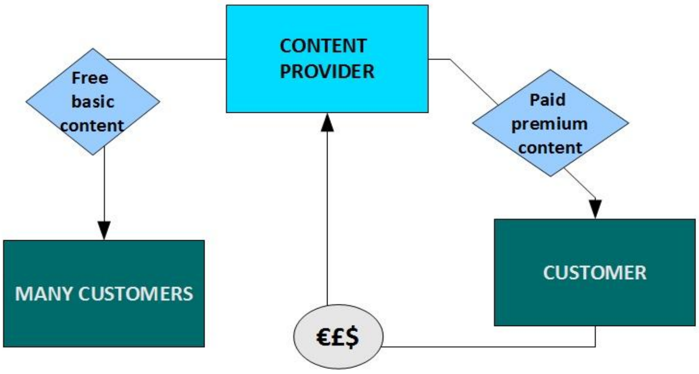
VOD and EST distribution of films seem to still be searching its limits. It has been estimated that there are still quite a lot of air in the EST prices since they are at the same level as the prices of the physical products but their prices do not need to include any of the manufacturing costs that a price of a physical product would have. That is why it should be possible to lower them and still have the same profit margin. (Ulin, 2010, p.312) In the VOD distribution there is more variation in pricing. The rental prices seem to have found their place between one and five Euros across the market but beside the VOD rentals there is also a market of AVODs. AVODs or free VODs are streaming services funded with for example advertisements so that the main content is free of charge. (Ulin, 2010, p.314)

FIGURE 10



The three-party market (Anderson, 2010, p.25)

FIGURE 11

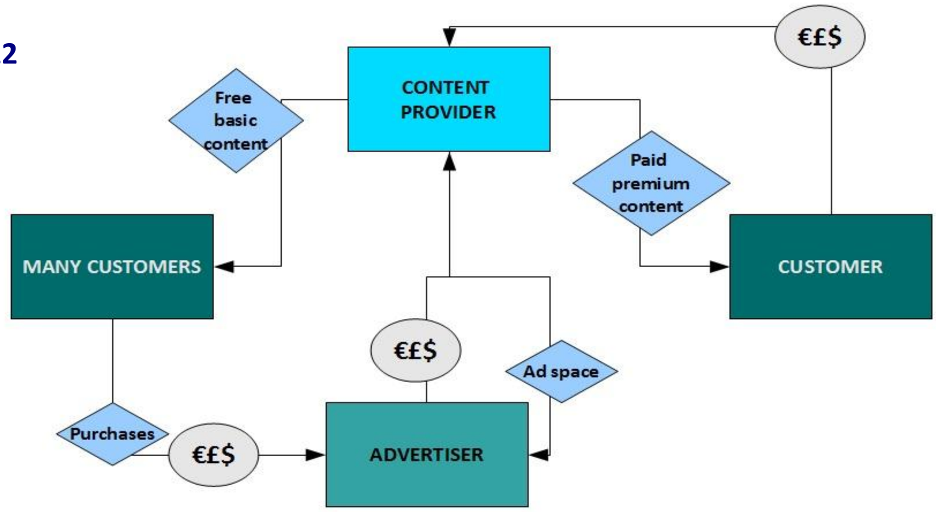


Freemium (Anderson, 2010, p.26)

There are two main models of free VODs: the three-party market (Figure 10) and the freemium (Figure 11). (Anderson, 2010, p.24-26) The three-party market is the model behind typical AVODs. The advertisers pay the content provider for the commercial time attached to the streaming, the customer cannot pass the advertisements but does get the main content free of charge and hopefully will then go and buy something from the advertiser. This is used for example by You Tube. (Anderson, 2010, p.24-25) Another common model is the freemium model (Figure 11) where the customers can choose between free basic service with often limited content and a paid premium service with full content. Those who choose the premium service actually pay for the ones who use the free service as well. It is estimated that approximately 5 percent of users of this type of digital services pay for them and these 5 percentages support the system for all the rest of the users. Such services are for example Spotify for music content and Voddler for films. (Anderson, 2010, p.26-27) These services often trust and hope that as people get annoyed with the limitations on the free content or get used to using the service, they will turn into premium users.

The third more unofficial model is a combination of the freemium and three-party market models. (Figure 12) In this model there is also the possibility to pay for premium content that has no advertisements included in it. The free content might have limitations or not but it does have advertisements that cannot be passed. The free side of the service works as the three-party model.

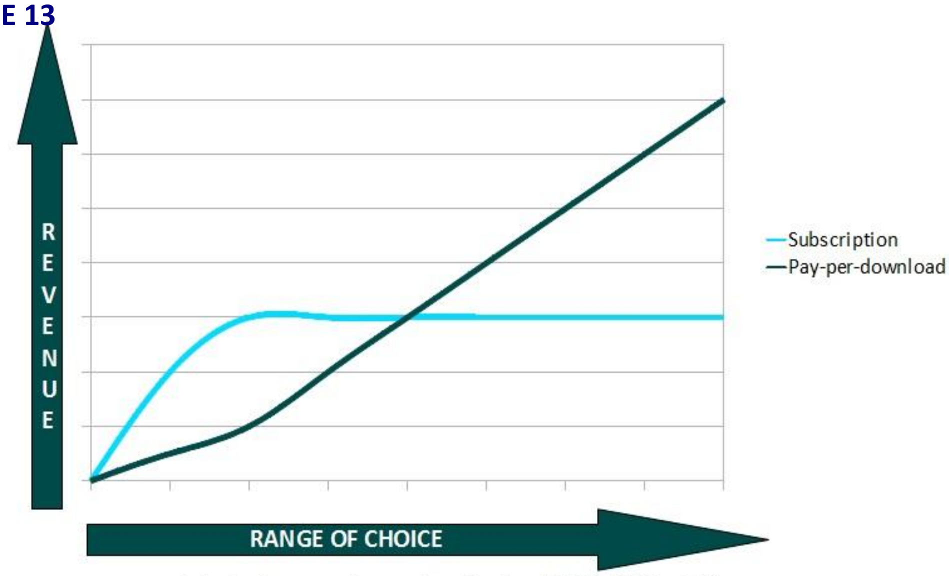
FIGURE 12



Combination model

The key question in pricing the online products is whether to use subscription as a revenue model or charge the customer with pay-per-view (PPV) basis. Currently it would seem that subscription is more favoured by the companies that offer rental titles and PPV model is more used by those who offer downloads and EST. In his book Ulin (2010, p.313) points out that with subscription services there often is a problem that while they add content to their selection the revenue still remains the same. (Figure 13) Of course they can grow their revenue by finding new customers but it is quite unlikely that they are able to grow their customer base at the same rate with the content.

FIGURE 13



Subscription versus Pay-per-download model (Ulin, 2010, p.313)

3. Research methods

This research aims to find out if there really is a visible shift away from the traditional rental services towards online going-on. It also tries to reveal are the people more variety-seeking or habitual buyers when it comes to the online film services and on which ladder of diffusion curve are the services. The research aims to reveal customers' attitudes towards different types of services. To be able to do that, primary data needs to be collected. This is why the research will be of a descriptive design. (Shiu and co, 2009, p.62) The research is quantitative in nature where all of the respondents independently answer the same pre-structured survey constructed by the author. Quantitative research is chosen also because it enables approaching a larger number of possible respondents and makes statistical analysis applicable. (Shiu and co, 2009, p.171)

The chosen research method for this research is an online survey. The internet survey is chosen as the method because over the internet the survey could be spread out to larger number of people and they could answer anonymously. The anonymity is very important in this survey since some of the questions refer to illegal downloading of content. In addition to the survey, a series of three interviews are conducted among different age groups to get more information regarding some of the issues touched in the survey, such as pricing.

The tool used to construct the survey is eLomake which is a browser based questionnaire application. The survey is in Finnish to make it easier for Finnish speakers to answer and it was available online for 12 days. Answering to the survey is suggested directly to people through social media, meaning that someone in their personal network asked them to answer to it. The amount of all those who are directly or indirectly exposed to the survey cannot be estimated. Since the survey is an open online survey a specific target group cannot be determined and exact response rate cannot be calculated. The survey was answered by 123 respondents and three people were interviewed.

3.1. Sampling

The quantitative primary research is conducted using convenience sampling. The survey is online and open to all internet users with the limitation that it is in Finnish language. The survey is about using internet based services and conducted online so the most convenient way to spread it is also online. Convenience sampling is a type of non-probability sampling designs and a non-representative method. (Shiu and co, 2009, p.480)

The problem with convenience sampling is that it cannot be told if the respondents actually represent the intended target group since the respondents can choose whether to response or not. (Shiu and co, 2009, p.480) Since this is an open internet survey, the researcher cannot control who answers the questionnaire but only direct different groups towards it.

Regardless of its flaws, the convenience sampling is the most suitable sampling method for this type of research where the target group is not strictly outlined and the aim is to have as many responses as possible during the given timeframe. Since the responses should preferably cover as many groups of people as possible, this type of random sampling is the best option.

3.2. Reliability

The reliability of research results comes from their transferability across populations and time. Research methods can be considered reliable when the procedures can be replicated and the results achieved are similar as the original conclusions. (Shiu and co, 2009, p.284)

The film services in internet are a very new area of business in Finland so previous research on this topic is not yet available. That is why the results of this research cannot be compared to any previous research and to ensure the reliability of the results a similar research should be made in the future. As mentioned before, because the survey is an open online survey a specific target group cannot be determined and due to that an exact response rate cannot be calculated.

3.3. Validity

Validity of the research means the extent of how well it represents the truth. The validity of a research can be internal, external or construct validity. (Shiu and co, 2009, p.280) As this research is of a descriptive nature, the internal validity of it can be questionable since the internal validity represents the accuracy of causal relationships showed by the research design. (Shiu and co, 2009, p.278-279) As the research is a descriptive one, it cannot reveal reliable causal relationships meaning that it cannot rule out any possible explanations that can cause the findings.

The external validity of the research means how well the research findings represent the whole population or how well they apply in different populations than the one they were made in. (Shiu and co, 2009, p.281) With only one research the results cannot be generalized, only assumptions can be made on how well the results would translate into different populations, and further studies would be needed to verify the representativeness of the findings.

The third form of validity to look at, the construct validity is the extent of accuracy of the variables investigated estimated before making any hypothesis. This is less problematic when the research in question is of a descriptive nature and would be a big concern in a causal research design. (Shiu and co, 2009, p.282)

3.4. Limitations

There are three bigger limitations on this research. The first one is the nature of the sample, the second is time and the third is the knowledge.

When it comes to the nature of the sample the first limitation arises from the fact that there is not a strict target group but the aim is to find out what public in general think. For that reason it was not possible to construct a list of people invited to answer the survey but instead it was in general distribution in the internet. Since the link to the survey is distributed mainly through Facebook and Twitter there is a possibility that the respondents belong to similar groups and have similar interests which may distort the results unless it is not taken into consideration when analysing the results. Usually internet surveys are passive as the respondent must seek them out by themselves. (Shiu and co, 2009, p.253) To lower the passiveness of this survey and increase the response rate a direct link to it was actively distributed around social media.

The limitation created by time can be seen in the amount of responses. Since the survey was an open online survey, the longer it is available online the more responses there will be. The schedule of the research allowed the survey to be online for 12 days and the responses were received evenly through the period. From this it can be assumed that the with longer survey time, there would have been more responses.

The third limitation is knowledge which means that the survey and interview respondents may not know what online film services are or may even be unfamiliar with more traditional film distribution methods such as DVD. Since the survey was done online and distributed mainly through social media it is likely that most of the respondents are familiar with electronic commerce and other online solutions which would make this limitation less severe than nature of the sample and time.

3.5. Ethical considerations

The survey respondents were informed what the collected information will be used for and who are the bodies using the information. As the survey was conducted online, the respondents had the possibility to choose not to answer the survey, and also retreat after beginning to answer. All responses were collected anonymously through eLomake tool and no tracking data was collected to ensure the full anonymity of the respondents. Since the survey was conducted online there was no need of collecting contact information of any of the respondents.

The candidates for the interviews were chosen among the people who volunteered to further study after filling out the online survey. Similarly to the survey, the interview responses were kept anonymous and the interviewees had the possibility to terminate the interview at any point.

3.6. Questions

First in the survey there are three questions that aim to gather some basic background information on the respondents. These questions ask about respondents' sex, age and living status.

The rest of the questions can be divided into two groups, the questions 4 to 13 ask about the consumption habits of the respondents when it comes to watching films online and the questions 14 to 21 ask about how they feel about these services. All of the questions have multiple choices given to make statistical analysis of the responses easier. To gather the information that this type of survey method does not offer, the three interviews are conducted.

All but two of the survey questions are compulsory to answer. The questions

> 8. If you have bought or rented online, from which service? [choose all that apply]
>
> and
>
> 14. If you have rented or bought online films how do you consider the pricing to be:
>
> a) rental? Way too high / Payable but could be lower / Ok / Could be higher
>
> b) download? Way too high / Payable but could be lower / Ok / Could be higher

are voluntary since only people who have experiences on the services are able answer to them. (For the whole survey, see Appendix 1)

The interview is divided into four parts. It begins with general questions about film consumption and preferences, then moves into using of the online film services which are followed by general questions about internet purchasing and downloading and ends with the same three background questions as the survey. The second part of the interview where the interviewer asks about the usage of the services the question series has two alternatives, one for those who have used these services and one for those who have not tried them. (For the interview questions, see Appendix 2)

4. Results and analysis

The survey was responded by 123 people of which close to 69% were women and 31% men. Most of the respondents belong to the age group between 18 and 25 (Figure 14) and the smallest group was the people aged from 40 to 49. 32% of the respondents live alone and 34% with a spouse (Figure 15).

FIGURE 14

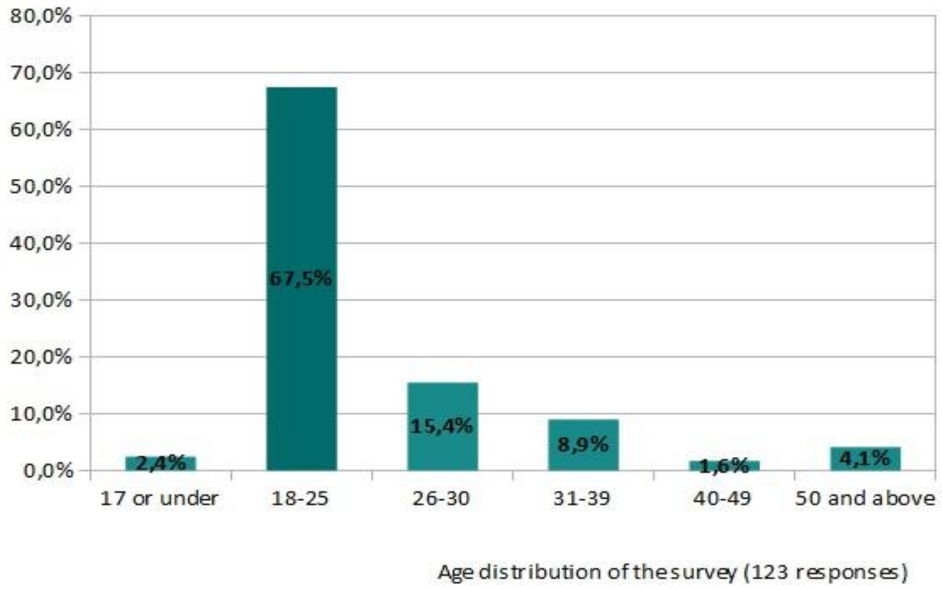
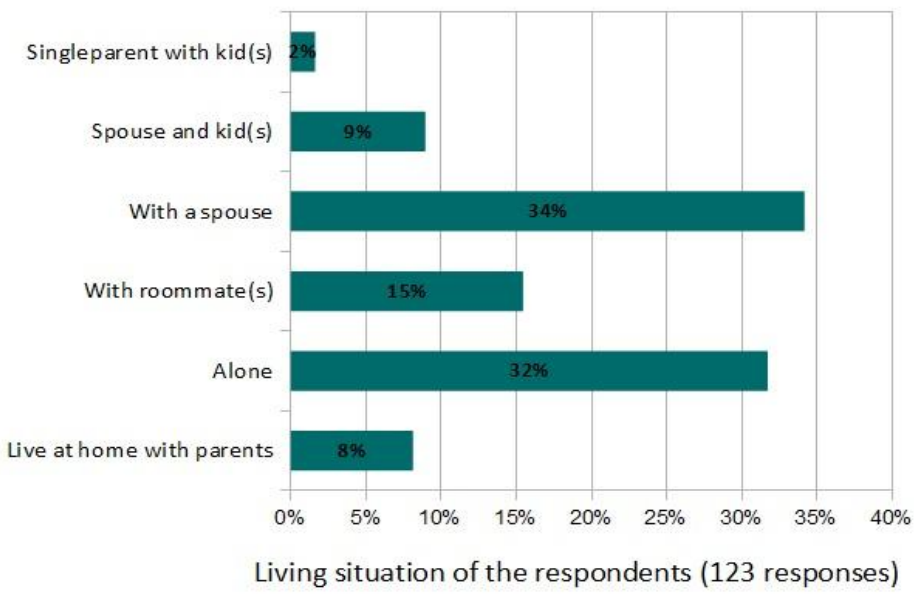


FIGURE 15



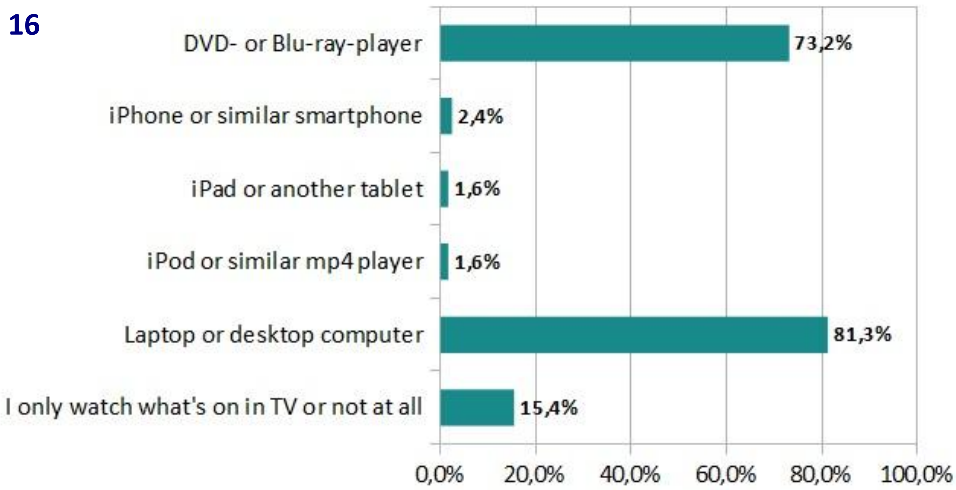
When it comes to the film watching habits of the respondents, over half of them watch films at home weekly or daily (Table 2). The respondents were asked to choose all devices they use to watch films and Figure 16 shows that close to 81% of the respondents use either a laptop or a desktop computer and a bit over 73% say they use DVD or Blu-ray player to watch films.

TABLE 2

	Daily	Weekly	Monthly	Occasionally	Rarely	Never
Watch films at home (elsewhere than theatres)	4,1%	48,0%	33,3%	13,8%	0,8%	0,0%
Have rented films online	0,0%	0,8%	4,9%	4,9%	14,6%	74,8%
Have bought downloads	0,0%	0,8%	0,8%	2,4%	6,5%	89,4%
Have downloaded illegally	0,0%	6,5%	17,1%	22,8%	18,7%	35,0%

(123 responses)

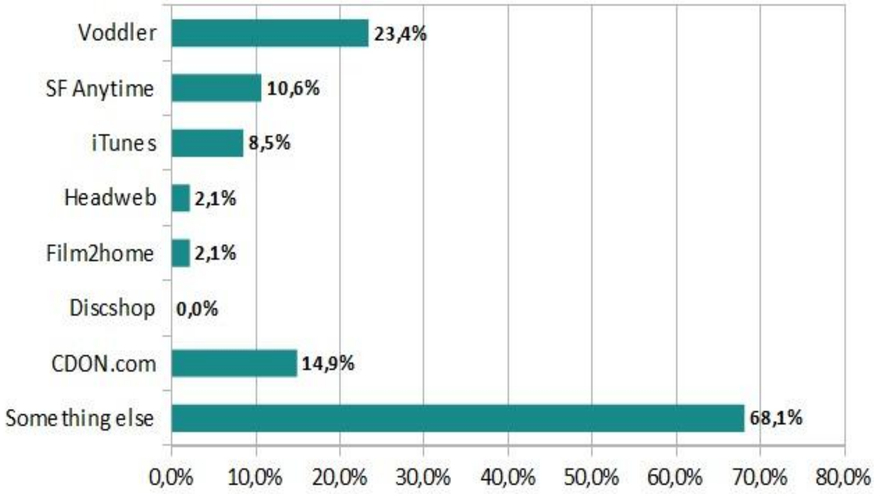
FIGURE 16



Device preferences of the respondents (123 responses)

Regardless that most use computer to watch films, only 10,5% have downloaded and 25,2% have rented a film from an online service at least once. On the other hand 65,1% of the respondents admit having downloaded films illegally. Altogether 29,3% have rented online, bought downloads or both and of those people 19,4% say they do it at least monthly. Illegal downloading was as popular among those who have used the legal services than those who have not. The majority of those who have used these services would seem to be women (58,3%) and be aged between 18 and 25 (61,1%) but these figures are likely distorted since most respondents were women of that age group.

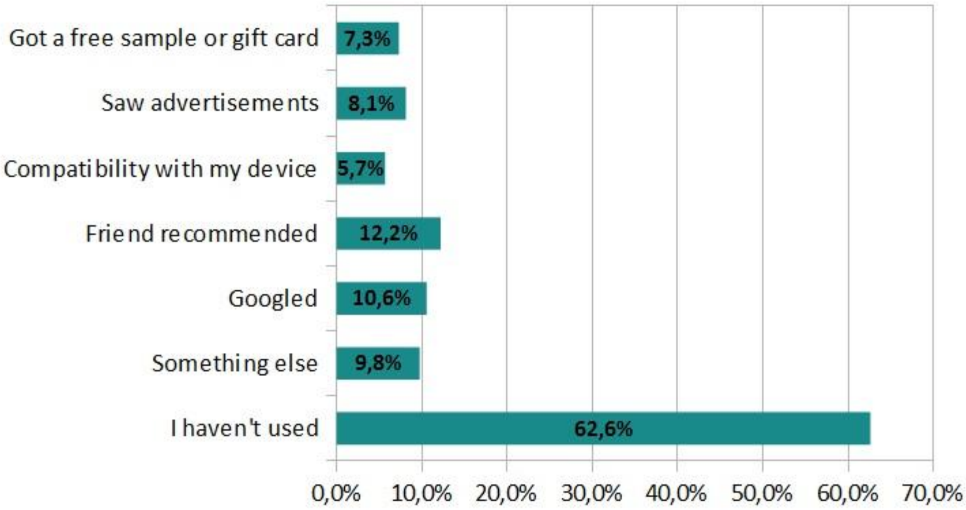
FIGURE 17



Which services have the respondents used (47 responses, 76 empty)

When asked about the services the respondents have used, most popular category was something else (Figure 17). It was an expected result since, like previously mentioned, there are online services that are connected to the television digibox, video game console or some other device, and the service cannot be used without it. Such services in Finland are Elisa Viihde, Sonera Viihde and Apple TV for example. The services listed in the survey are available for all through internet regardless what device or internet connection is in use. Of these services the most popular was Voddler which is an expected result due that they have also the AVOD service. CDON.com had also gained a good amount of users which is not surprising since it is a popular webstore of physical goods also and offer free rental samples to it's customers. A more surprising finding was that Apple's iTunes had been tried only by 8,5% of the respondents even though it is probably the most famous online content store in the world.

FIGURE 18

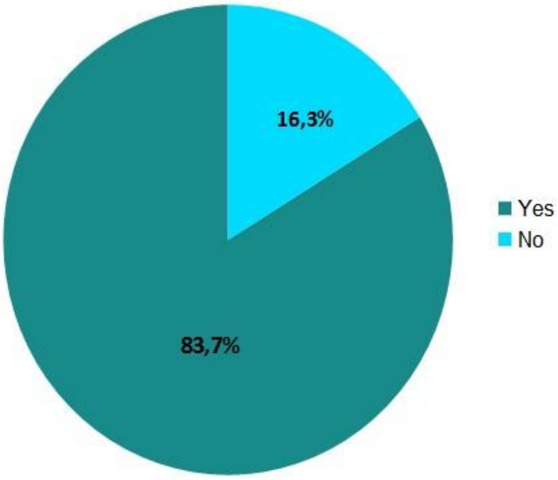


How the respondents chose the services they have used? (123 responses)

When asked about the reasons for choosing the service (Figure 18) the responses were divided quite evenly to all given possibilities but the most common reason was a recommendation by a friend. All three persons who were interviewed also said that they like to discuss films with friends and family and two of them also said that they use social media such as Twitter and Facebook to give and get recommendations on films. Only one interviewee had used the online rental services but that person said that noticing on Facebook that some of the connections had used Voddler and liked it, increased the person's interest towards the service.

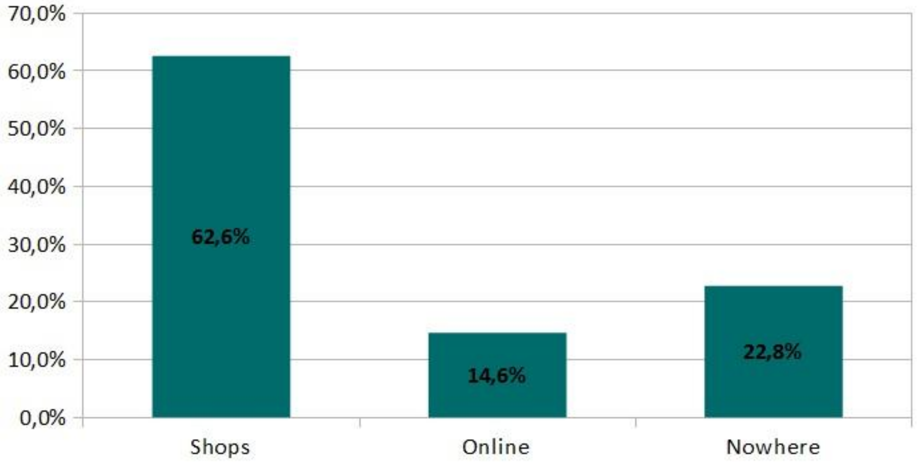
Even if most of the respondents were still unfamiliar with the online film services majority of them would be willing to try them or continue their use in the future (Figure 19). Only about 16% would not want to try them and only one respondent had tried the services and would not use them again but that person admitted downloading films illegally every week. Of those people who would not want to try the services 50% said they download illegally occasionally, monthly or weekly and 45% never. One of the interviewees pointed out that using these online services is not possible for people who do not have credit cards since in most it is the only payment method excepted, and also the reason why this person had not used them but does occasionally download illegally. All of the three people interviewed were positive towards these services and would be interested to use them in the future.

FIGURE 19



Would the respondent be willing to try using or continue to use these services? (123 responses)

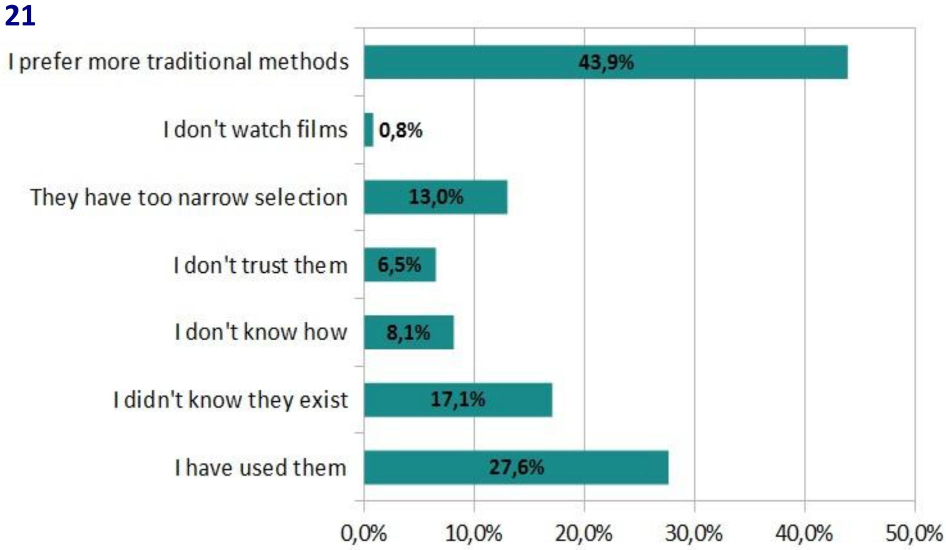
FIGURE 20



From where the respondents prefer to rent their films (123 responses)

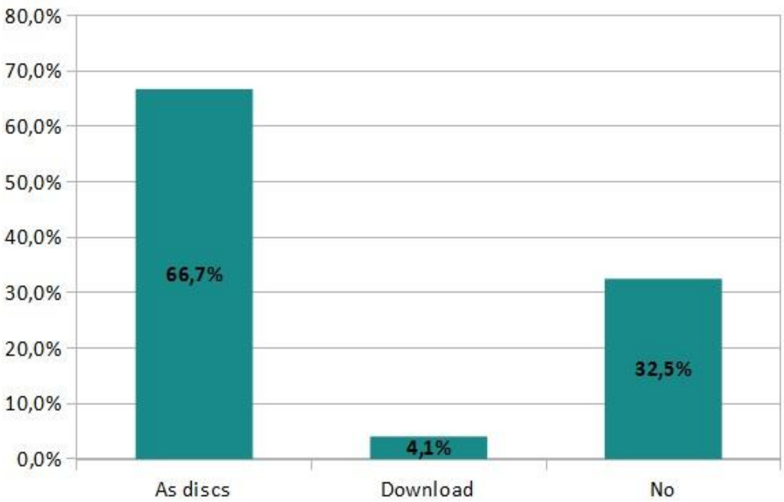
Regardless that majority of the respondents would be willing to try the services, currently most of them prefer to rent their films from the rental shops (Figure 20). Also about 63% said that they prefer having their films on DVD or Blu-ray instead of only as digital versions. That is why it is not surprising that close to 44% of the people who have not tried the services gave their preference of the traditional ways of watching films as a reason for that (Figure 21). Other popular reasons were that people do not know they exist or that they offer too narrow selection of films. The narrow selection is a problem that reflects to the previously discussed long tail theory. In the interviews some reasons outside the choices given in the survey also came up. One was that films should be watched on a bigger screen and another preference to have the physical product.

FIGURE 21



Why the respondents have not tried the services? (123 responses)

FIGURE 22



Has the respondent ever bought films online (either DVD, Blu-ray or download)? (123 responses)

When it comes to online shopping of films in general, nearly 71% of the respondents have bought films online in some form but most of them as DVD's or Blu-rays (Figure 22).
25% of those who said they have never bought any kind of films on the internet (6,5% of all respondents) also said that they would not want to try online renting or downloading in the future. At the same time 62,5% of those people have downloaded films illegally.
All three people interviewed said that they do shop online in general, all of them had ordered DVD's online and two of them have bought music and electronic books as downloads.

People were also asked what they think about the reliability of the online film services (Figure 23) and do they find them easy to use (Figure 24). People were given also a “have not used them” option and these no opinion votes have been excluded from the figures. Slightly over 70% of those who answered the question about the reliability said that they found the services reliable and approximately 79% said that the services were easy to use. The one of the interviewees who had used these services told that using them had been positive experiences and that the services had been easier to use than what the person had expected. Also the quality of the products watched had been better than the person had assumed, especially the High Definition products.

FIGURE 23

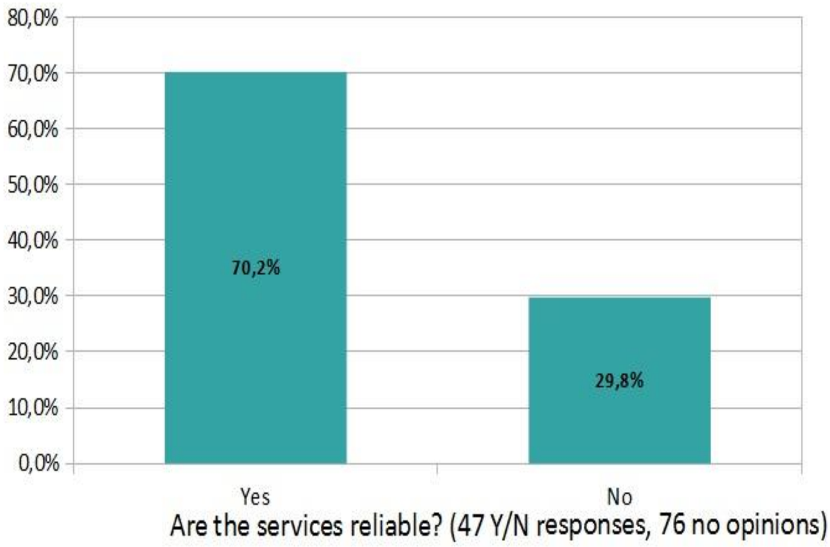
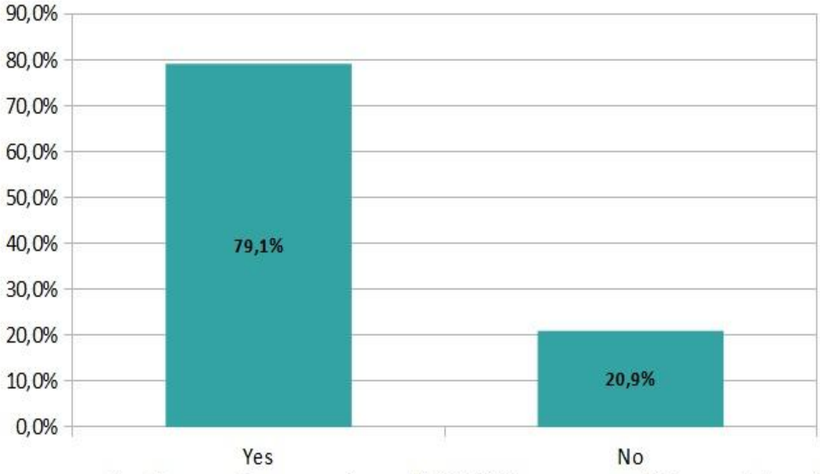


FIGURE 24



Are the services easy to use? (43 Y/N responses, 80 no opinions)

TABLE 3

Pricing of the online services	Low	Quite low	OK	Quite high	Too high
Rental	0,0%	0,0%	55,0%	30,0%	15,0%
Download	0,0%	6,9%	48,3%	34,5%	10,3%

What the respondents think about the pricelevel of the services
(Rental: 40 responses, 83 empty; Download: 29 responses,94 empty)

TABLE 4

Service provider	Rental price €	Download price €
CDON.com	1,95-3,95	
Discshop	1,00-4,50	
Film2Home	3,00-4,00	10,00-17,00
Headweb	1,99-3,99	
ITunes	0,99-4,99	4,99-13,99
SF Anytime	2,00-5,50	
Voddler	0,90-3,70 (+AVOD)	

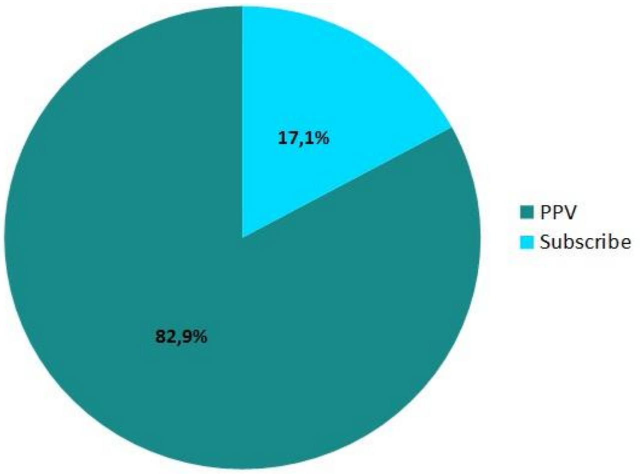
(All prices are normal prices announced on the internet pages of each company on February 7th 2012)

People were also asked questions about the pricing of these online services. Most of the respondents said that the pricing of both rental and downloads are on a good level. (Table 3) When it comes to rentals, no one said that the prices were low or quite low but instead 45% said that they were quite high or high. When asked about downloads, almost 45% of the people said the same. Most of the people who said that the prices are quite or too high had used Voddler or iTunes which in reality offer the lowest prices of the compared services. (Table 4)

All of the three persons interviewed agreed with the survey result and thought that the price level of the services was good. The all said that the rentals should be about the same price regardless of where the product is rented from, whether it is from a shop or online. When it comes to downloads the interviewees all thought that the prices should be approximately the same as the physical products but slightly lower after leaving out the manufacturing costs of the discs. They all considered that the people should get paid for their work and that is why the products should be accordingly priced.

When asked whether people would rather subscribe to an online service and pay a monthly fee or pay-per-view, only about 17% said that they would rather subscribe. Over 57% of the people who said they would rather subscribe were men which is a high figure considering that nearly 70 percent of all respondents were women.

FIGURE 25



Would the respondent rather pay-per-view or subscribe? (123 responses)

In the last part of the survey people were asked how important they consider certain things on a scale from very important to not important at all. (Table 5) People considered fast downloading time to be the most important, which was marked as quite or very important by over 95% of the respondents. Good picture quality was also considered quite or very important by over 94% of the people.

TABLE 5

How important is...	Very important	Quite important	Neutral	Not that important	Not important at all
Fast download time	68,3%	26,8%	3,3%	0,8%	0,8%
Low price	44,7%	45,5%	8,9%	0,0%	0,8%
Good picture quality	65,0%	29,3%	4,1%	0,8%	0,8%
Subtitle availability	24,4%	34,1%	20,3%	14,6%	6,5%
Owning instead of renting	7,3%	21,1%	27,6%	25,2%	18,7%

How important do the respondents consider following things? (123 responses)

Low price was also considered important by most, but not as important as fast downloading or good picture quality. Having subtitles in suitable language was considered important by over half of the respondents but considering that Finnish people in general have very good language skills and most speak and understand English, it is not surprising that over 40 percent said that subtitle availability is neutral or not important to them. When it comes to owning the film instead of renting it, the votes were fairly evenly distributed to all five categories. The smallest group was the people who thought that owning a film is very important and most said that it was indifferent to them. In the interviews it was pointed out that the prices of DVD's in stores drop quite fast after their release and the lower the price is, the more appealing owning the film becomes.

5. Discussion

The results of the survey do not reveal whether the people belong to habitual or variety-seeking when it comes to their online film service buying behaviour. This is due to the low amount of respondents who are using the services regularly. The interviews point towards the direction of rental films leaning more towards habitual behaviour where they find their products more on impulse where it is most convenient. When it comes to buying the film to own and spending more money on it, the behaviour is more variety-seeking and they compare prices and offerings more and tend to try out what services give best value for the money. The same applies for purchasing physical and online products. The interviews also indicate similar behaviour when it comes to renting and purchasing products from stores offline.

Internet is definitely a part of the decision making process regardless whether the final purchase is made online or not. When it comes to choosing films and choosing the services many of the survey respondents, as well as the people interviewed said that they use internet to search for information on films, they use search engines to look for services and they discuss in social media about what they have seen and ask for recommendations for others. Most of the respondents had already bought films online in some form and the interviewees mentioned buying other downloadable products so the barrier of buying from internet instead of going to a store has already been crossed which could lower the threshold towards online renting in the future.

The research implies that the online film services, especially rental services, would be in the stage of early adopters in the diffusion process since over 25 percent of the respondents have at least tried the services. People who have tried the services seem to be regular film watchers and internet users, not only movie-enthusiasts or novelty seekers which would also point towards a shift from innovators towards early adopters. In reality the sample size of the survey is too small to make any definitive conclusions.

When it comes to the product-life-cycle and where these services are situated on the cycle in Finland, it is impossible to evaluate without having comparable figures of the companies' financials and subscriber amounts. The only thing that can be said is that currently they seem to be in the introductory stage going towards growth, in general, and if people are as interested in trying them in the future as the survey results say, they should enter the growth eventually. Finland is a fairly small market area and very different to United States but by looking at the subscriber amounts of USA based online film distribution company Netflix, a trend can be seen. Netflix increased their amount of paid subscribers by 59 percent during a period of one year from 2010 to 2011. (Seeking Alpha, 2011) Netflix has used free subscriptions to lure new customers, similarly what Voddler is currently doing in Nordic countries. The customer amounts of Netflix have been rising quite steadily in the last years but their business does not rely only on online content as they are also a large online DVD rental store. Most importantly, while they have been able to increase their amount of subscribers, at the same time their churn rate has been lowering, which means that less of their subscribers are leaving the service. (Seeking Alpha, 2011)

Some of the dimensions of quality used to determine the service quality were included in the survey and the interviews. As mentioned before, it has to be found out what the customers expect, what they felt like they received and what factors they use to evaluate the service. (Kotler and co, 2008, p.611) Without knowing people's opinion on all of the quality dimensions the perceived service quality cannot be determined but there are indications on what the results could be. In the survey most respondents said that they find the services reliable and easy to use. In the interview with the person who had experience with the services also credibility and security of the services came up. The person mentioned that besides being easy to use, paying the rental was easy and securely done and also that as a film lover the person was pleased that both popular and genre films that are hard to find elsewhere were available for free through Voddler's AVOD. Combining these, it would seem that the perceived quality of the most used services like Voddler for example has been quite good for the people involved in the research. The expected service is individual for each person since it is formed by talking to people, previous experiences, what the person is looking for and what types of advertising the person has seen. When that personal expectation is added to the perceived service, the final perceived service quality could be formed.

One of the interviewed people wished that the online film services would move more towards target group thinking instead of traditional genre thinking. That is connected to long tail and the filters that pull the customers down the tail and to order from a certain service. When the services in Finland develop and start to have a working long tail also the filters should develop and be actively developed to pull more customers, especially those who are not pulled in by the hits. To be able to achieve that, the service providers and the film studios would have to work much more closely together, so that the service providers could have as many films in their selection as possible.

According to the survey most people would be willing to at least try the online film services but it would also seem that it has not yet started to disrupt the DVD and Blu-ray rental or sell-through market. The amount of people who use these services regularly is still low and more admit to downloading illegally. Some of the interviewees pointed out that the prices of DVD's drop fast and especially online it is possible to buy them in very reasonable prices soon after release, which makes purchasing them more appealing than renting from shops or online. These results would point towards thinking that the online services might become disruptive technologies in the future but currently illegal downloading and decreasing disc prices are more disruptive at least to rental market.

6. Conclusion

The research implicated that making online purchases is quite familiar to people and that is not what keeps people from using the online film services. The people's responses show that even those who have used the services wither are not very familiar with the general price level of this type of online content or the prices do not meet the people's expectations which could be one of the reasons why they have not yet started to become more popular.

To confirm the results of this research a similar research should be conducted in the future. It should also be researched whether there are differences in the using habits of these services depending on what device is mainly used for viewing. Also a closer research on how the long tail is working in the Finnish online film services and if there is any development in that area. This research showed that illegal downloading is a bigger disruption to film distribution than legal online services. That might change in the future if the services gain more name among potential users or if illegal downloading becomes more objectionable and that should also be studied.

Ulin points out in his book that DVD and Blu-ray market is still too important for the industry for them to start substituting it with online. (2010, p.298) As long as the situation is that the industry will very likely make it difficult for the online options to fully disrupt the rental or sell-through markets. The development is going towards the online solutions and eventually they will disrupt the market but compared to music or e-book downloads, film EST and VOD services still have a long way to go before full public acceptance.

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Appendix 1: Tutkimuskysymykset / *Survey questions*

Taustatiedot / *Background information*

1. Sukupuoli? Mies / Nainen
   Sex? Male / Female

2. Ikäryhmä? 17 tai alle (alaikäinen) / 18-25 / 26-30 / 31-39 / 40-49 / 50+
   Age group? 17 or under (underaged) / 18-25 / 26-30 / 31-39 / 40-49 / 50+

3. Asumistilanne? Kotona vanhempien kanssa / Asun yksin / Asun kämppiksen (kämppisten) kanssa / Asun puolison kanssa / Puoliso ja lapsia / Yksinhuoltaja ja lapsi(a)
   Living status? At home with parents / Live alone / Live with roommate(s) / Live with a spouse / Spouse and kids / Single parent with kid(s)

Kulutustottumukset (viimeisen vuoden aikana) / Consuming habits (during last year)

4. Katseletko elokuvia kotona (muualla kuin teattereissa)?
   En koskaan / Harvoin / Satunnaisesti / Kuukausittain / Viikoittain / Päivittäin
   Do you watch films at home (elsewhere than theatres)?
   Never / Rarely / Occasionally / Monthly / Weekly / Daily

5. *Oletko vuokrannut elokuvia internetistä?*
   En koskaan / Harvoin / Satunnaisesti / Kuukausittain / Viikoittain / Päivittäin
   Have rented films online?
   Never / Rarely / Occasionally / Monthly / Weekly / Daily

6. Oletko ostanut ladattavia elokuvia internetistä?
   En koskaan / Harvoin / Satunnaisesti / Kuukausittain / Viikoittain / Päivittäin
   Have bough and downloaded films online?
   Never / Rarely / Occasionally / Monthly / Weekly / Daily

7. Oletko ladannut elokuvia netistä laittomasti?
   En koskaan / Harvoin / Satunnaisesti / Kuukausittain / Viikoittain / Päivittäin
   Have illegally downloaded films online?
   Never / Rarely / Occasionally / Monthly / Weekly / Daily

8. Jos olet vuokrannut tai ostanut netistä, mitä palvelua käytit? [valitse kaikki joita olet kokeillut]
   If you have bought or rented online, from which service? [choose all that apply]

9. Mitä laitetta käytät elokuvien katseluun? [valitse kaikki joita käytät säännöllisesti]
   TV / Kannettava tai pöytäkone / iPod tai muu vastaava soitin / iPad tai muu tabletti

/ iPhone tai muu älypuhelin
With what device do you watch the films? [choose all that apply]
TV / Laptop or desktop / Ipod or anohter mp4 player / Ipad or another tablet / Iphone or other smartphone

10. Katseletko elokuvia mielummin levyltä (DVD tai Blu-ray) vai internetistä hankittuna?
Levyltä / Intenetistä / Samantekevää / En mistään
Do you prefer to watch films from DVD/Blu-ray-discs or from online sources?
Discs / online / indifferent / Nowhere

11. Vuokraatko elokuvia mielummin netistä vai vuokraliikkeistä?
Netistä / Liikkeestä / En kummastakaan
Do you prefer to rent online or from shops? Online / Shops / Neither

12. Olisitko valmis kokeilemaan tai jatkamaan online vuokrausta tulevaisuudessa? Kyllä / Ei
Would you consider trying or continuing renting online in the future? Yes / No

13. Oletko ostanut elokuvia omaksi netin kautta?
Kyllä DVD tai Blu-ray / Kyllä ladattavina / En
Have you bought films to own from internet?
Yes DVD or Blu-ray / Yes download / No

14. Jos olet vuokrannut tai ostanut elokuvia internetistä ovatko hinnat olleet mielestäsi:

1. Vuokra? Aivan liian korkea / Menettelee, mutta voisi olla matalampi / Sopiva / Voisin maksaa enemmänkin
2. Lataus? Aivan liian korkea / Menettelee, mutta voisi olla matalampi / Sopiva / Voisin maksaa enemmänkin

If you have rented or bought online films how do you consider the pricing to be:

1. *Rental? Way too high / Payable but could be lower / Ok / Could be higher*
2. *Download? Way too high / Payable but could be lower / Ok / Could be higher*

15. Ovatko online elokuvapalvelut mielestäsi helppokäyttöisiä? Kyllä / Ei
Do you consider that the services easy to use? Yes / No

16. Ovatko online elokuvapalvelut mielestäsi luotettavia? Kyllä / Ei
Do you consider that the services reliable? Yes / No

17. Maksaisitko palvelusta mielummin jäsenmaksua vai kertamaksua? Jäsen / Kerta
Would you rather subscribe or pay-per-view/-download? Subscribe / PPV

18. Kuinka valitsit käyttämäsi palvelun?
Googlasin / Ystävä suositteli / Yhteensopivuus laitteeni kanssa / Näin mainontaa /

Sain ilmaisen näytteen tai lahjakortin / Muuta / En ole käyttänyt
How did you choose which service to use?
Googled / Friends suggested / Device compatibility / Saw advertisements or commercials /
Got a free sample or a gift card / Something else / Have not used

19. Jos et ole koskaan käyttänyt online palvelua, miksi et?
En tiennyt niitä olevankaan / En osaa / En luota niihin / Niillä on liian suppea valikoima /En ole kiinnostunut elokuvista / Suosin perinteisiä tapoja / I have tried
If you have never used online film serivces, why haven't you?
Didn't know they exist / Don't know how / Don't trust them / They offer too narrow selections / Not interested in films / Prefer the traditional way / I have tried

20. Onko joku muu taloudessasi käyttänyt näitä palveluita? Kyllä / Ei /Ehkä
Has someone else in your household used these services? Yes / No / Maybe

21. Kuinka tärkeänä pidät seuraavia seikkoja
(Hyvin – Melko – Neutraali – Matala – Erittäin matala)
-nopea latausaika
-hyvä kuvanlaatu
-matala hinta
-tekstitysten saatavuus
-elokuvan omistaminen vuokran sijaan
How important do you consider (Very – Quite – Neutral – Low – Very low)
- fast download time
- good quality of the picture
- low price
-access to subtitles
- having the film to own instead of rental

Appendix 2: *Questions for interviews:*

Consuming habits

1. *Do you watch a lot of films? What type? Do you prefer to watch them at home or in theatre? Why?*

2. *How do you choose the films you watch? Do you search information online? Do you talk about them with anyone?*

3. *Do you buy or rent DVD's? Do you know or follow their prices? Does the price matter?*

4. *When you rent or buy films do you usually go to find a specific one? Do you usually find what you want? Or do you buy/rent on impulse more?*

5. *Have you used online film services? Can you name any of them?*

6. *Do you shop online otherwise? Have you ever used similar online services for music, books or video games?*

If yes:

7. *What kind of experiences have they been? Did everything work out as expected?*

8. *How was the quality of the products and services?*

9. *Was the streaming and/or downloading easy, fast and working well?*

10. *Why did you decide to download?*

If no:

11. *Why haven't you tried?*

12. *How would the services have to change for you to try?*

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13. *What do you think about the pricing of these services? Do you know what different services charge?*

14. *What would be good prices for this type of products and should they be cheaper or more expensive than physical product?*

15. *Is owning the physical product important to you? When using this type of services would you like to be able to transfer the product to a disc or a memorystick?*

16. *Have you tried downloading illegally yourself and how do you feel about it?*

17. *If you do that often, would you consider renting online? In what circumstanses?*

18. *What devices do you use for watching films? Does that matter on the service choice?*

19. *Do you know what DRM systems are and do they matter to you?*

Background information

20. *Sex? Male / Female*

21. *Age group? 17 or under (underaged) / 18-25 / 26-30 / 31-39 / 40-49 / 50+*

22. *Living status? At home with parents / Live alone / Live with roommate(s) / Live with a spouse / Spouse and kids / Single parent with kid(s)*