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# EXPANDING VIDEO BUSINESS MODELS BEYOND TELEVISION

Case: Live Stream Finland

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ABSTRACT

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Television (TV) has been experiencing a lot of changes in recent years. These changes have blurred the lines of the definition of TV and what it consists of. Internet video has been gaining popularity during the past decade, and video on demand (VoD) has become a part of people's lives. VoD provides viewers with the option to view video content when best suited for them, and by this it has had a replacement effect on traditional TV. Instead of watching something on TV on the moment it is aired, the program can now be viewed online when it is most convenient for the viewer. This study focuses on the business aspect of Internet video. The increasing popularity of Internet video brings along new business opportunities. This study focuses on the case company Live Stream Finland's (LSF) new video business model. The aim is to research whether there is a viewer demand for the product.

The study is performed deductively by using both qualitative and quantitative methods. The study consists of information gathered through secondary sources in the form of literary publications and the Internet, as well as information attained from primary sources such as interviews with the founder of LSF and a survey conducted with end users.

The case company, as well as the new product is analyzed with the help of different tools. These analyses provide LSF with e.g. information about the environment they are competing in and provide useful recommendations on actions to take to become a market leader. This important information is provided with the help of competitor analysis, SWOT analysis, and of Porter's 5 Forces.

The study results identify that there is a viewer demand for the new product due to the popularity of VoD. The target viewers are identified to be less than 40 years old, but in the survey conducted, all age groups, even the group over 50 years old, viewed Internet video content. The product is found to have a displacement effect on traditional TV as well as TV channel websites due to its similarities. In addition, the new product simplifies services even further as well as provides the viewer more opportunities.

Key words: television, Internet video, VOD, video portal, age group, demand, displacement

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TIIVISTELMÄ

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Televisio (TV) on kokenut paljon muutoksia vuosien mittaan. Nämä muutokset ovat mutkistaneet TV:n määrittelmää. Nettivideot ovat kasvattaneet suosiotaan viimeisen vuosikymmenen aikana, ja suoratoistovideoista on tullut osa ihmisten arkea. Suoratoisto mahdollistaa videomateriaalin katselun katsojalle parhaana ajankohtana, ja näin suoratoistolla on korvaava vaikutus perinteiseen TV:hen. Sen sijaan että ohjelman katsoisi lähetyshetkellä TV:stä, sen voi nyt katsoa netistä silloin kun katsojalle parhaiten sopii. Tämä opinnäytetyö keskittyy nettivideoon liiketoiminnan näkökulmasta. Nettivideon kasvava suosio tuo mukanaan uusia liiketoimintamahdollisuuksia ja tämä tutkimus keskittyykin kohdeyrityksen Live Stream Finlandin uuteen nettivideo tuotteeseen.

Tutkimus suoritetaan deduktiivisesti käyttäen sekä laadullisia että määrällisiä menetelmiä. Tutkimuksessa kerätyt tiedot koostuu sekundäärlähteiden, kuten kirjallisuuden ja internetin avulla kerätyistä tiedoista sekä primaarilähteistä, kuten LSF:n perustajan haastatteluista ja loppukäyttäjille tehdyn kyselyn tuloksista.

Sekä kohdeyritys että sen uusi tuote analysoidaan erilaisten työkalujen avulla. Nämä analyysit tuottavat hyödyllistä tietoa LSF:lle sisältäen esim. tietoa kilpailuympäristöstä sekä suosituksia siihen kuinka edetä markkinajohtajaksi. Tämä tärkeä informaatio on pystytty tuottamaan kilpailija- ja SWOT-analyysin avulla, sekä Porterin viiden kilpailuvoiman mallia hyödyntäen.

Tutkimus osoitti että uudelle tuotteelle on kysyntää, johtuen suoratoistovideoiden suosiosta. Tuotteen loppukäyttäjäkohderyhmäksi muodostui alle 40-vuotiaat, mutta kyselyn vastausten mukaan myös yli 50-vuotiaat katselevat nettivideoita. Tuotteella todetaan olevan korvaava vaikutus sekä perinteisen TV:n katseluun että TV kanavien nettisivujen käyttöön, koska tuote on hyvin samanlainen ominaisuuksiltaan. Uusi tuote yksinkertaistaa palvelut entisestään ja antaa katsojille enemmän uusia mahdollisuuksia.

Asiasanat: televisio, nettivideo, suoratoisto, videoportaali, ikäryhmä, kysyntä, korvaavuus

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# 1 INTRODUCTION

## 1.1 Background

According to an American study in 2012, an average American spent 34 hours in a week watching TV (Nielsen 2012). For Finnish people, according to Finnpanel, the equivalent in 2013 was a bit more than 3 hours a day, adding up to over 21 hours per week (Finnpanel 2013). Lately, TV as a concept and its watching habits have been changing rapidly and new forms of TV have entered the market. Traditionally, TV has been known as on-air program listings (Monderoy 2014). There are a certain amount of channels and all of these channels have their own listings viewers can choose from. A program airs at a given time and it needs to be watched, or recorded by viewers own equipment at that time. Now, new options for TV are provided. There are companies offering video-on-demand, which from now on in this work will be addressed as VoD. VoD is streamed video content and the viewers can watch their favorite TV shows when they decide to. This can be a threat for TV channels because the viewer is now able to choose the time most suitable for watching programs. For this TV channels have started offering a similar service; after a program is aired you have a limited time to watch it online if you did not catch the on-air showing. This is also considered VoD, for it is viewable when so desired, but in this work it is separated from VoD from time to time, for it is connected with TV channels and it is viewable for only a certain period of time.

A study on online video platform's affect on TV, by an assistant professor in film and video studies program in George Mason University, Jiyoung Cha, revealed that the more people spend time on video platforms, the less they spend time watching TV; depending on the video viewed, a displacement effect did exist (Cha 2013). This means that TV is somewhat replaced by new mediums. In the time between February 2011 and February 2012 the amount of online videos watched around the world grew 660% and the amount of time spent on watching online video in a month grew up to 21.8 hours (Quickplay.com 2012). The amount of video watched online is growing and it is estimated to keep on growing



rapidly in the future too. Already by now most of the Internet traffic is video. (Cisco 2013.)

The author is using her knowledge gained by experience from a five-month long practical training period with the case company Live Stream Finland. From this point forward, the company will be referred to as LSF. LSF is expanding its market with new online video cloud software, which aims to make online TV channels simple to build and run. A cloud software is a software hosted on a server that can be accessed online from any computer, it can be compared to traditional software where as it needs to be installed on the computer which uses the software and can only be accessed from that particular computer (Monderoy 2014). The product will be introduced in more detail in Chapter five. With this study, the author aims to provide useful information and recommendations for the company concerning the new product Kanava TV.

## 1.2 Thesis objectives and research questions

The objective of this thesis is to study the new opportunities created by rapid changes of video business models that go beyond television. Researching new opportunities and changes in the TV industry is important, for during the time of Internet TV, it's watching habits have started changing. Various new opportunities lie in the industry of online video, thus finding and taking these opportunities are crucial for the survival of media companies. A streaming company LSF is launching a new online video product, and this research paper will focus on researching the market for that product, from the end users; the viewer's point of view.

To study this objective, the following was identified as the main research question: *Is there a viewer demand for the Kanava-TV product?* Without a viewer demand, the client company as well as LSF will be making a loss, rather than a profit with the product.

The secondary questions to provide answers were identified to be:

- *What are the trends in online video?*
- *What is the displacement effect of the product Kanava TV?*

- *What services do exist in the market?*
- *Who would be the target viewers of Kanava TV?*

### 1.3 Research methods and data collection

Generally, there is a strong distinction made between quantitative and qualitative research. Qualitative research focuses on the hard, numerical data when qualitative on the other hand focuses on quality; it has a more personal approach. (Walliman 2005, 270-271.) The author uses both quantitative and qualitative methods to gain as much information as possible. There will be numerical data collected and analyzed through a survey, and people from the online video business field will be interviewed.

There are two approaches to a study; inductive and deductive. In inductive research individual observations are formed into a theory, when in deductive research the theory already exists and it's tested with observations (Saunders & Lewis 2012, 108-109). The research approach the author uses is deductive. The theory somewhat already exists, and the author is comparing her research results to the already existing theory.

How data is collected is also crucial in a research paper. Data can be collected through primary or secondary sources. Primary data is collected through interviews, observations and questionnaires, whereas secondary data has been collected by others and is usually found e.g. publications (Walliman 275-276). The author collects primary data through a survey, interviews, and her own observations. A survey is conducted to collect data of the TV watching habits. The survey is written in Finnish, thus the results are based on Finnish speakers. The founder of the case company is interviewed in the form of an unstructured interview, by a few discussions to get a better picture of the industry and to learn more about the technical side, and own observations and discussions are made during the practical training period. Also a competitor analysis is conducted to find out who are the competitors and what they can offer, and thus answering the secondary research question of what services exist in the market. Secondary data is collected in the form of publications.

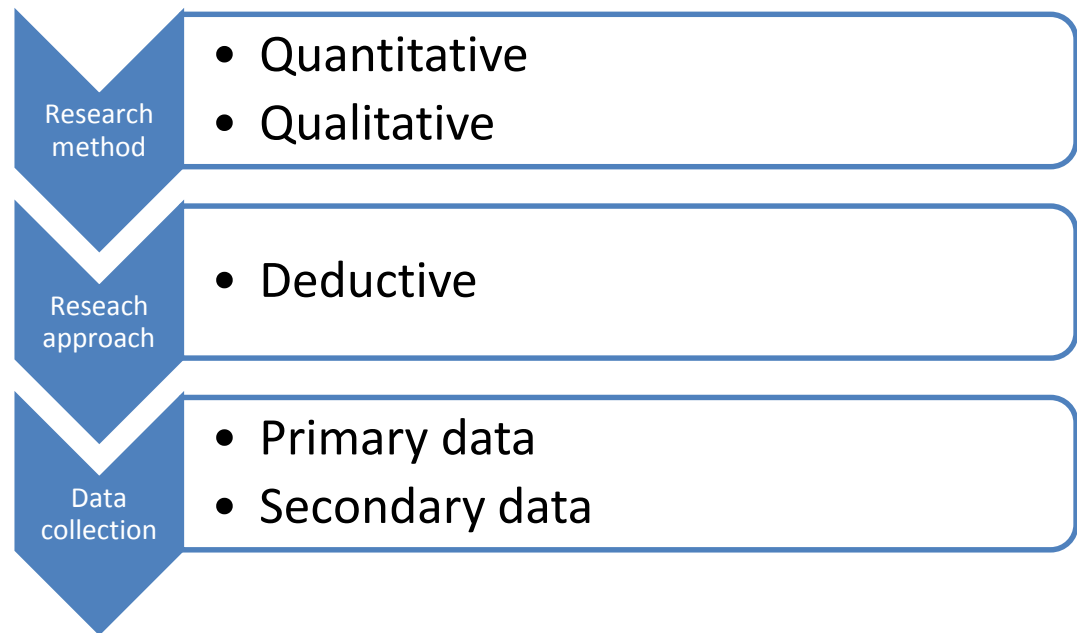


FIGURE 1. Research methods and data collection

#### 1.4 Theoretical framework

To help understand the subject, theory of what TV is and what forms it has is included. This theory is collected from reliable internet sources and literate publications. Key terms are defined to help understanding the subject and statistics will be provided to show the change in the viewing habits of TV, the information for the statistics is acquired from previous publications as well as the author's own findings.

A situational analysis is provided by observing the internal and external environments of the company, and is part of the strategic planning process in this work. The strategic planning will further be elaborated on in Chapter 3. The strategic planning process used in this work is built with the help of academic publications.

#### 1.5 Scope and limitations

This thesis concentrates on the changes in TV watching habits and what type of new business opportunities it brings. The focus is on the case company LSF and its new product Kanava TV. By researching the changing habits of the viewers

the author aims to answer the question of whether the product the case company is launching has potential in the expanding market.

This study focuses exclusively on the “end customer” which in this case is the viewer. The case company sells the service to companies who then provide the service to the viewers. The aim is that the case company could use the result of this study for selling the service to companies.

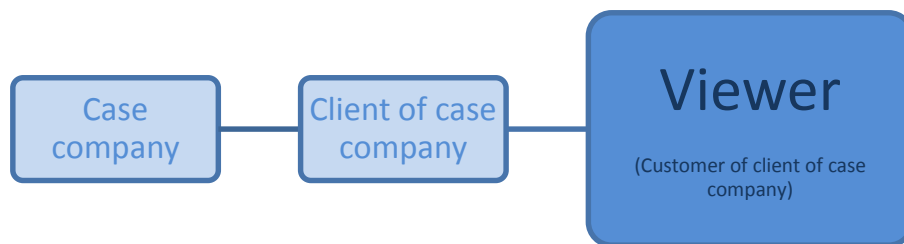


FIGURE 2. Focus group

The study does not concentrate on the client of the case company. Kanava TV could potentially internationalize, but first it is just focused on the Finnish market. Even though a lot of sources used in this study are e. g. American, due to limited studies conducted in Finland, the main focus is on Finland and the Finnish market.

The popularity of online video is on the rise and this offers new business opportunities. In her work, J. Cha, separated user-generated video and branded video, and concluded that user-generated video is more likely to have a displacement effect on TV (Cha 2013). In this study these two types of online videos are defined but not separated, because of the case company’s product’s features, still assuming that there is somewhat an existing displacement effect.

## 1.6 Thesis structure

This study aims to provide a clear and thorough answer to the identified research questions. For reaching this goal this study has the following structure.

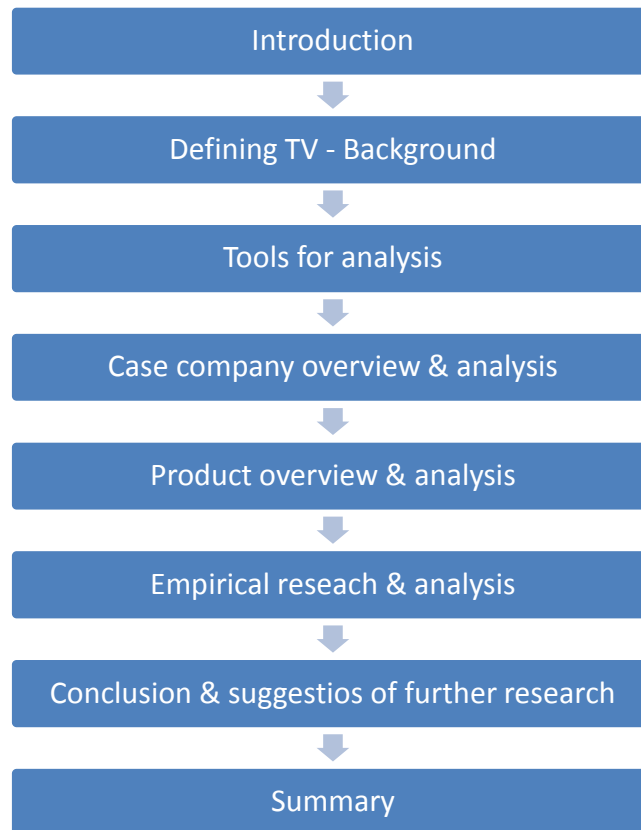


FIGURE 3. Thesis Structure

This study consists of theoretical as well as empirical study. Chapter two provides the theoretical knowledge this study is based on. The background knowledge of TV is followed by an introduction of tools later on used in Chapters four and five to analyze the case company and their new product. Chapters four and five also provide background information of the company and their new product. The empirical part of the study includes a survey and an analysis based on it. This is followed by the conclusion of the study which provides answers to the research questions, and suggestions for further research. Also validity and reliability are considered in Chapter eight as part of the conclusion. In the end the study is finished with a summary of the whole content.

## 2 DEFINING TELEVISION

Horace Newcombe, a professor of telecommunication in the Gready College of Journalism and mass communication at the University of Georgia, has tried to come up with an appropriate definition for television. In the 80's he referred to it as "a central storytelling medium for the culture and society", but now concludes that multiple ways of living with television have always existed, and those ways have multiplied varying from screen to screen and connection to connection. There are variations among and within individuals, and these variations are affected by personal, social and cultural aspects. (Newcombe 2012, 281.)

What is considered as TV seems to be blurred to viewers. For example a study conducted on U.S. College students by Louise Barkhuus, an associate professor at Stockholm University, concludes that for the students who participated in the study, defining what TV is was not obvious, and there were differences between what the students considered as TV. Instead of focusing on the term TV, the students referred to 'shows', 'episodes' and 'movies' (Barkhuus 2009). In this study the author decided to use Newcombes definition, and define TV as storytelling medium with variations. This brings us to the next question; what are these variations? First, the author chose to divide TV into two categories; Traditional TV and Online video. Online video then is divided to subcategories which are TV channel websites and VoD. Online video could also be divided into branded and user generated video, but the author does not see this essential for the study.

### 2.1 Traditional TV

"When are we going to see some dollars in this thing Farnsworth?" some investors asked Philo Taylor Farnsworth, the inventor of the ancestor of modern television. This electronic television was first demonstrated in 1927. (Stephens 2000.)

Traditionally TV has been understood as on-air program listings (Monderoy 2014). This means that from your TV monitor you can watch what is on-air at that moment. There is a limited choice on channels to choose from. In Finland, in

2003 there were 4 free TV channels to choose from, and in 2013 this number was already 13 (Finnpanel 2014). The amount of new TV channels means that there are more choices for people to choose from, and thus more choices on the variety of TV shows and movies.

Instead of focusing on just watching TV, people tend to multitask. According to a study conducted by a research and consulting firm Temkin Group, people spend as much time online as they do watching television (Temkin Group 2013). Some of this time spent online is spent in front of the TV as well. From Finnish people, aged 35 and under, 41% are simultaneously online on their computers while watching TV (Finnpanel 2014). The author assumes that during the time viewers spend on the computer while watching TV, they are not simultaneously viewing video content online. Thus the assumption is that viewers are usually not watching multiple video contents simultaneously. However S. Monderoy, the founder of the case company LSF, points out that sports fans are likely to watch multiple sports events/games simultaneously. When watching sports through the internet, the viewer can have multiple windows/tabs open with different sporting events, while watching traditional TV at the same time. (Monderoy 2014.)

## 2.2 Online video

In 2012, from all Internet traffic 57 percent was video and this is estimated to grow to 69 percent by 2017 (Cisco 2013). In her study, Cha defined two categories for internet video; branded videos and user generated videos (Cha 2013). Branded videos are for example TV shows also shown on TV, and these can be found for example on TV channel websites. User generated videos on the other hand are videos created by fellow internet users, and can be found for instance on YouTube. Instead of dividing online video into these groups, in this study it is divided into TV channel websites and VoD, which will be elaborated on in the following subchapters.

### 2.2.1 TV channel websites

TV channels upload some of their shows to their website after they have aired on the channel. This way, in the event of missing an episode, you have a defined time

period to watch it online. Usually the video is removed following the defined time period, to keep people following the show on TV. This way the TV channel website does not become a VoD provider, resembling e.g. Netflix. This type of video content can be defined as branded video. TV channel websites are also a part of VoD, which will be defined in the following chapter, while the difference is that TV channel websites also air live broadcasts.

### 2.2.2 Video on demand

As the name already reveals, VoD is video that can be watched when so desired. It is streamed video content, which virtually means that the video is loading while it is being watched, but is never downloaded on to the device. VoD can be one of two types, it can be either branded video or user generated video, as already defined in prior chapters (Cha 2013).

Branded video content is such provided by TV and movie companies, in comparison to of one's own making. The best known example of branded VoD is Netflix. Netflix is a video content provider that provides movies and TV shows which can be viewed without limits for a monthly payment.

An example of user generated VoD is YouTube. On YouTube users can upload their own videos and these videos can be watched whenever so desired. All content on YouTube though is not user generated for original clips from shows and movies etc. is uploaded to YouTube by users. Though YouTube contains original clips, it is often not considered as TV, for it does not encompass from content that is watched in its full length (Barkhuus 2009). In this study YouTube is considered a form of TV, for it is video content that is part of the term VoD.

VoD has had the biggest effect on the sales and rentals of movies. The following table was constructed by the author based on the statistics by Suomen elokuvasäätiö.



TABLE 1. Unit total of sales and rentals

Year	DVD	Blu-Ray	Total	% Change from Previous Year
<b>2009</b>	11 585 914	357 550	11 943 464	
<b>2010</b>	11 769 919	730 084	12 500 003	4.7
<b>2011</b>	10 345 846	966 374	11 312 220	-9.5
<b>2012</b>	9 036 972	1 233 979	10 270 051	-9.2

From the table above, we can see that the total amount of DVD and Blu-Ray sales and rentals have gone down during the past couple of years. Even though there is a slight increase in Blu-Ray rentals, due to changes in technology, the increase is not big enough to cancel out the decrease in DVD rentals. It is likely, that VoD and online rental possibilities have affected this change, since online video has been gaining market share in Finland for the past few years (Suomen elokuväsäätiö 2014). The author assumes for the decline in sales and rentals to have continued rapidly in the following years as well.

### 3 TOOLS FOR ANALYSIS

This chapter provides an overview of the market analysis tools used to generate a deeper understanding of the market environment. These are important for finding out where the company stands at in the industry. Defining the strengths and weaknesses of the company, and the industry it works in, is important for the positioning the company and for managing the risk. For this study, the author wants to find out what kind of an industry the case company is operating in, and how they are situated. This information is valuable to the company for it gives them an overview of what others are doing, how they are situated in the market, and what could be a possible outcome.

#### 3.1 TV in the face of change

TV has always been watched, not just for leisure, but also for social purposes. It has been watched together with family and friends, and it has been a discussion topic in the society. A study done on university students now shows that TV is not time-critical anymore, thus TV shows are not merely watched because of social reasons, but rather just for own entertainment. Though through new communicational tools, such as text (SMS) and instant messaging (IM), talking about shows and video clips, while watching them, is common among college students. (Barkhuus 2009.)

In the United States, a growing number of people are cutting their expensive subscriptions to TV content providers and turning to a cheaper option – Internet video. In just one year, from 2010 to 2011, homes that relied on the Internet or on free broadcasts rose by almost 22.8% (Lishanti 2012). On demand video providers, as for example Netflix, offer cheaper option for online video consumption. In his article Lishanti also points out that people do not have the same kind of a need to see the show when it first airs, as they had before (Lishanti 2012). Netflix users are ready to wait for weeks or even months to see their favorite shows. In Associate Professor Barkhuus's study, participants had said that they use streamed and downloaded content when they have not followed the season on TV (Barkhuus 2009).

As common sense may suggest, young adults are the heaviest consumers of internet video. According to a study by Dr. K. Purcell, out of ten adult internet users, seven have watched or downloaded a video from the internet (Purcell 2010). The author presumes that this number has increased as well in the past few years.

### 3.2 Strategic planning

The process of strategic planning, also known as strategic management, is aiming to achieve a competitive advantage. Strategic management is a set on analyses that will help the firm to increase the possibility of choosing the right strategy. (Barney & Hesterly 2008, 5.)

Strategic planning provides an operational framework, and it is useful for companies when they are diversifying their products or services (Schraeder 2002, 8). Because the case company is launching a new service, strategic planning needs to be paid attention to. Strategic planning is included in this study to give an overview of the company and their new service, and to look at the viability of the service.

First thing to take a look at in strategic planning is the company's mission statement, and whether the mission statement truly states the mission of the company. The next step the author takes following the missions statement is to conduct a SWOT analysis of the new service, and in this way evaluate the internal and external environments. The SWOT analysis will function as a situational analysis for the company. The following chart is a slightly altered planning process for the needs of this work, introduced by Dr. Schraeder (Schraeder 2002, 14), and further modified to the needs of this work by the author.

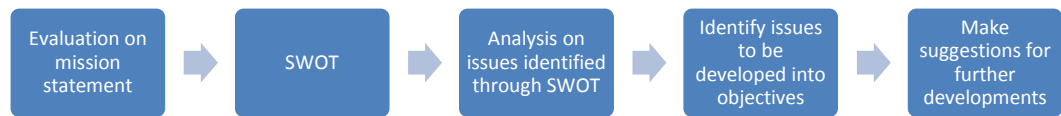


FIGURE 4. Steps of strategic planning

The steps in the chart above will be defined step by step in the following subchapters, and used for analysis in later chapters.

### 3.3 Mission Statement

A mission statement begins the strategic management process of a company, and it is the most important communication device of informing investors of the company's values, for it can improve performance and profitability to investors (Barney & Hesterly 2008, 5) (King 2012). Mission statements are typically short statements describing the most important characteristics of a company (King 2012). The statement should form an outline for objectives that a company will aim to accomplish. It also provides guides and inspiration for employees and will provide direction when doing business (Rajasekar 2013), and it should affect employee behavior (Barney & Hesterly 2008, 5). If the mission statement does not affect employee behavior, the reason behind this should be studied further, for the employees are not working to fill the mission. The statement should consist of three elements. Firstly a mission statement has to define what the company is and what it does. Secondly it defines company's publics, which are all the publics or groups involved in the business; this includes the employees, customers, community and shareholders. Thirdly the mission statement should state how the organization plans should operate. (Roach 2009.)

### 3.4 Situational analysis

A strategy formulation always begins with a situational analysis. A situational analysis is strategically working external opportunities and internal strengths together, while seeking to evade external threats and internal weaknesses

(Wheelen & Hunger 2008, 138). In other words, it is an analysis of where and how the company is situated in the market. To find out the company's situation in the market, both external and internal environments need to be taken into account. The external environment will be viewed from both; macro and micro levels. The author uses SWOT analyses together with competitor analysis, to answer the secondary research question of what services are existing in the market, by taking a look at the industry and competitors.

#### 3.4.1 SWOT analysis

Each company is faced with both internal and external forces affecting business, and to help manage in this dynamic environment, SWOT-analysis tool provides a simple way to view the dynamics (Houben , Lenie & Vanhoof 1999, 125). It is one of the most used analysis tools and the common component in most strategic plans. The SWOT analysis is effective for identifying the driving forces a company should consider and it helps to analyze both; the internal and external environments.(Schraeder 2002, 12.) The letters S-W-O-T stand for; strengths, weaknesses, opportunities, and threats, and it aims at defining the previously listed aspects of the company. SWOT-analysis is simple to use and can be used for analyzing almost anything (Hetherington 2007).

Identifying the strengths and weaknesses of a company is crucial when aiming at building a profitable company. These factors should be measured at different levels, e.g. group level, individual company level, and product and market level. (Houben, Lenie & Vanhoof 1999, 127.) In this work the author uses SWOT analysis to analyze both the company LSF as well as the new product, by using the expertise gained during her five-month long practical training period with the company. For LSF is a small company; dividing group level and individual company level is not necessary. The findings will be demonstrated in a SWOT table for simplicity, as well as written out for clarity.

#### 3.5 Competitor analysis

A competitor analysis provides insight of the competitors the company has in the market and this way helps developing successful business strategies (Aaker 2008,

38). It seeks to help understand the competition and what challenges it may bring to the company, as well as helps determining whom to compete against. By researching the competitors, a company can learn from others and stay competitive, which is vital for the survival of the company. (Wilson 1994.)

The author is interested in the products existing in the market, thus the competitor analysis focuses identifying the competitors existing in the market and the services they offer. This is in great importance to the case company for them to stay competitive in the business environment.

### 3.6 Porter's 5 Forces

Porter's 5 Forces is an essential tool in understanding the competition in an industry. It reveals the current profitability of an industry, and helps to predict the future profitability by identifying environmental threats. A threat is any individual, group, or organization that is not part of the firm and is aiming to reduce the firm's performance. (Barney & Hesterly, 2008.) The five forces are defined as; rivalry among existing competitors, threat of new entrants, bargaining power of buyers, threat of new substitute products or services and bargaining power of suppliers. The strongest of these forces determine the profitability. (Porter 2012.)

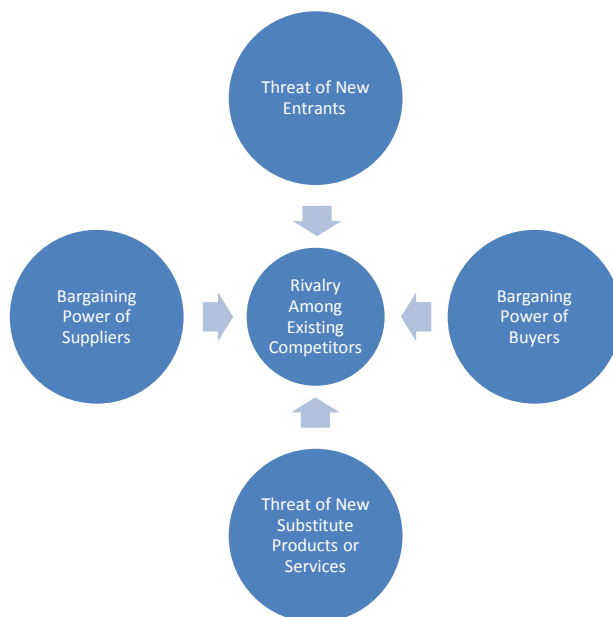


FIGURE 5. Porter's 5 Forces

Porter's 5 Forces tool is included as a part of this study to determine future profitability, as the future profitability heavily depends on the market environment. In the following subchapters the threats will be briefly elaborated on.

### 3.6.1 Rivalry Among Existing Competitors

The threat of rivalry focuses on the intensity of competition within direct competitors. Rivalry among existing competitors threatens a company by creating a risk of decrease in profit. Profits can be reduced by frequently having to cut prices and introducing new products. Also, advertising campaigns are costly and bring down profits of a company. (Barney & Hesterly 2008.)

### 3.6.2 Threat of Entry

The threat of entry exists when there is a possibility of new competitors entering the market. New entrants can either be new firms that have already entered the market, or firms that might start operations soon. (Barney & Hesterly, 2008.) If this threat exists, the profitability stays low to keep the company competitive enough, so that there will not be new entrants to the market. If entering the market is not beneficial to the new company, they will less likely start business in the field. This is referred to as a barrier to exist. There are seven major sources of barriers to exist, and these barriers keep some possible entrants from entering the market:

- 1 Supply-side economies of scale: The larger volumes the company produces; the lower is the per-unit cost.
- 2 Demand-side benefits of scale: The more buyers the company has, the more other buyers are interested and willing to pay.
- 3 Customer switching costs: Costs that a buyer faces when switching suppliers. These can be e.g. modified product specifications, retraining of employees and modifying existing processes and information systems.
- 4 Capital requirements: New entrants would need large investments to be able to compete.

- 5 Incumbency advantages independent of size: The existing company may have cost/quality advantages, e.g. more advantaged technology, better access to raw materials, most favorable geographical location, better brand identity or more experience which leads to better efficiency.
- 6 Unequal access to distribution channels
- 7 Restrictive government policy: The government can limit or aid entry. Limits can be made with e.g. licensing or limits of foreign investment. (Porter 2012.)

### 3.6.3 The power of suppliers

Suppliers provide the company with raw materials, labor and other assets (Barney & Hesterly 2008, 47). A powerful supplier can charge more for its products or services, for it is e.g. more concentrated on something than the industry it sells to. It is not heavily dependent on the industry for revenues, the buyers face switching costs if changing suppliers, what the supplier offers has no substitute, or the supplier is able to threaten to integrate forward into the industry. (Porter 2012.) Forward integration means that the company is able to sell the products straight to the end customer, i.e. the producing company makes what their customer sells (Metcalf 1993). An example of this, brought to the field of streaming, would be that the server that LSF uses would start offering a streaming service.

### 3.6.4 The power of buyers

A powerful buyer can pressure a supplier for price reductions, demand better quality or more services. How can they do this? There are only few buyers or buyers purchase in large quantities, products in the industry are highly similar, there are few switching costs from supplier to supplier or the buyer can threaten to integrate backward, thus start to produce the supplied product. (Porter 2012.) In a scenario where a company has only a single buyer or just a few buyers, the buyer poses a threat to the supplying party (Barney & Hesterly 2008, 49), for if the buyer(s) switch suppliers, the original supplier will either lose a big part of its' revenues or simply go out of business. However the price sensitiveness of buyers



depends e.g. on their earned profits, how much the products affects buyers business, and whether the product has an effect on other costs. (Porter 2012.)

### 3.6.5 The threat of substitutes

A threat of substitutes exists when the product of a competitor is able to meet the customers' needs in a similar way (Barney & Hesterly 2008, 47), i.e. a substitute is a different product that performs the same function. A high threat of substitutes lowers profitability, thus an industry needs to find a way to differentiate to achieve growth potential. The threat of a substitute is high when the price-performance tradeoff is good and when switching to a substitute is cheap. (Porter 2012) An example relative to this research is that a customer does not have to go rent a movie from a video rental shop, for they can view it streamed on the computer. This is a service that for example Netflix offers for a monthly payment and online video rental services provide as pay-per-view, where you pay per movie you watch. Here the online streaming service substitutes the service provided by the video rental store. Another example of this is when events, as sports or concerts, are viewed as a stream instead of physically being present at the event.

### 3.6.6 Forces in focus

From these five forces the focus is narrowed down to the most relevant ones for this research. 'Rivalry among existing competitors', 'threat of new entrants', and 'threat of new substitute products or services' were identified as the most relevant forces. Rivalry among existing competitors is considered relevant for it helps answering the secondary research question of existing products. It is also beneficial for the case company to understand what type of existing rivalry there is in their field of business, and what the required actions to take to stay competitive are. The most relevant forces to focus on are the threat of new substitute products or services as well as the threat of new entrants, for the nature of this study is to research the opportunities for the new product of the case company. Identifying the threat of new substitute products or services helps providing an answer to the secondary research question of competitor's products

and services. Analyzing the kind of a threat new entrants pose on the other hand helps to identify where the company stands in the market and how new entrants affect the business. Bargaining power of suppliers is also a relevant force, but in this case hard to research for the supplier of a streaming company is their server, and the server information is always private for security reasons. For this reason it is left out from the study. Also the power of buyers is left out from this study for the author does not see it being relative for LSF has many customers providing the company's income rather than depending on big buyers.

## 4 CASE COMPANY

This chapter provides a profile of the case company, with the help of the tools introduced in the previous chapter. The mission statement provides an overview of the company's mission, followed by a competitor analysis to identify the competitive environment the company operates in. A SWOT analysis is provided to identify the internal and external factors affecting the company, and Porter's 5 Forces to view the forces influencing the company. These tools are elaborated in Chapter 3, and used in practice to help defining the company as well as the environment it operates in.

### 4.1 Company overview

LSF is a small Finnish based online video company founded in 2010, providing personalized streaming services such as live broadcasts, video conferencing, VoD, and Pay-per-view. At the moment the company employs 3 full time, as well as 3 part time employees. (Monderoy 2014.)

LSF helps to set up and stream, and provide video to their customer's viewers with the support of their experts. Video can be broadcasted in any format to the viewer; whether the viewer is viewing the content with a computer in RTMP format, android in RTSP format or apple device in HLS format. The company also provides IP camera, cell phone and VoD streaming. IP stands for an Internet Protocol camera, which sends video directly from camera over the Internet instead of requiring software to encode the footage. These cameras are used as surveillance cameras. With LSF it is possible to stream straight from Android and Apple phones through a live broadcast phone application. The VoD provided by LSF is reliable due to scaling of the demand. Scaling the demand means distributing evenly the amount of viewers to different edge servers, and this prevents the possibility of a server "crash". A server crash in this case would be a result of too many viewers on the same server. The company also offers transcoding, which means that the viewer gets their media no matter what their Internet connection is. Also, all the streaming done through LSF is secure. (Monderoy 2014.)

LSF is the developer of a product called Sport TV. Sport TV is an online video portal bringing Finnish sports to the viewer's living rooms. In addition to watching the sport event the viewer is able to interact with other viewers of the live broadcast.

#### 4.2 Mission statement

In this chapter the mission statement of LSF is stated and analyzed according to the theory in Chapter 3. LSF's mission statement includes their core goal and actions to achieve it stated as follows:

*"LSF's mission is to provide high quality, reliable video distribution for the Finnish market, by applying our unique and efficient load balancing technologies to supply video to all of our customer's viewers."*(Monderoy 2014.)

The author's opinion is that this concise mission statement provides the stakeholders and employees clear objectives of the company's mission. Even though the whole statement fits in a single sentence, in the authors' opinion it includes enough information for a small private company such as LSF. It defines what the company is and does in the first part of the sentence, and in the second part tells how the company will do it. For now the company functions with merely few employees, thus they also state who will provide what to whom, and in this way fills all the requirements of a mission statement. It also includes the core of this study by stating the following: *"by applying our unique and efficient load balancing technologies to supply video to all of our customer's viewers"*. By this LSF's mission statement stresses the importance of this study.

#### 4.3 Competitor analysis: LSF

A competitor analysis was conducted to identify the competitors and what they can offer in comparison to the case company. This competitor analysis only includes domestic competitors, for this study focuses on the Finnish market. By researching the Internet the author was able to identify 25 domestic competitors, which became part of the competitor analysis. The company benefits from the competitor analysis by evaluating market pricing and competitor services. In this

study the competitor analysis also helps with providing an answer to the secondary research question of what services exist in the market.

Finding the services and prices LSF's competitors are offering was challenging for varying definitions of services. The biggest confusion seemed to be on the terms webcasting and live streaming. Based on the acquired knowledge from the author's practical training period with the case company, she understands webcasting as a synonym for live streaming. Webcasting was the first term used to describe live broadcasting on the Internet. (Mondeory 2014.) By offering webcasting a company is offering live streaming, but some competing companies would say they e.g. offer webcasting and live streaming which the author finds confusing. The definition of services in the domestic market varied greatly. To avoid misinterpretation, for the following table, the author kept webcasting and live streaming as separate terms. The identified services were webcasting, live streaming, VoD, production, video conferencing, and equipment rentals. The following table is constructed by using the information obtained on the company websites.

TABLE 2. Competitors and services

	Webcasting	Live Streaming	VoD	Production	Video Conferencing	Equipment Rentals
Apogee Oy	x	x	x	x		
Arcturia		x			x	
Arte Povera		x			x	
Arvotuoatanto Oy		x				x
Contum Oy		x		x		
DeCo Media	x	x	x	x		
Digita		x	x			
Fiste Oy		x	x	x		
Filmlike Oy	x	x		x	x	
Global network	x	x	x			
Goodmood	x	x		x		x
Gplussa					x	
Infocrea Oy		x	x			
Innoventum Oy	x	x	x			
Kejit Systems Oy	x	x		x		
Live Stream Finland	x	x	x	x	x	x
Magneetto Media Oy	x	x	x	x	x	
Mobile-Tv Oy		x		x		x
Netvideo Helsinki	x	x	x	x		x
Qualitron Oy Ab						
Siltaloppi Productions Oy	x	x		x		
Streamteam Nordic Oy		x	x	x		
Studio Replay		x				
Summit Media Oy		x	x	x		
Videomedia Oy		x		x		x
Webmediamate		x	x	x		

The prices of services were also challenging to compare. Most competitors do not list prices on their websites, but recommend contacting them for an offer. The author found only two companies that listed an average price on their website, and these prices were much higher than those that the case company LSF offers. LSF is the only company that offers all of the identified services, and compared to the competitor prices that could be found, also offer the lowest price.

#### 4.4 SWOT: LSF

In this chapter the company's micro as well as macro environments will be analyzed in the form of a SWOT analysis, to help position the company in the market. Analyzing the macro and micro environments of the company is important for the company to be able to become more profitable. This is done by identifying what the company is good at and what needs to be improved, as well as what opportunities and threats these qualities pose to the company. The following analysis was made with the help of S. Monderoy, a founder of LSF. Below the identified qualities are presented in a SWOT-table, and later elaborated on.

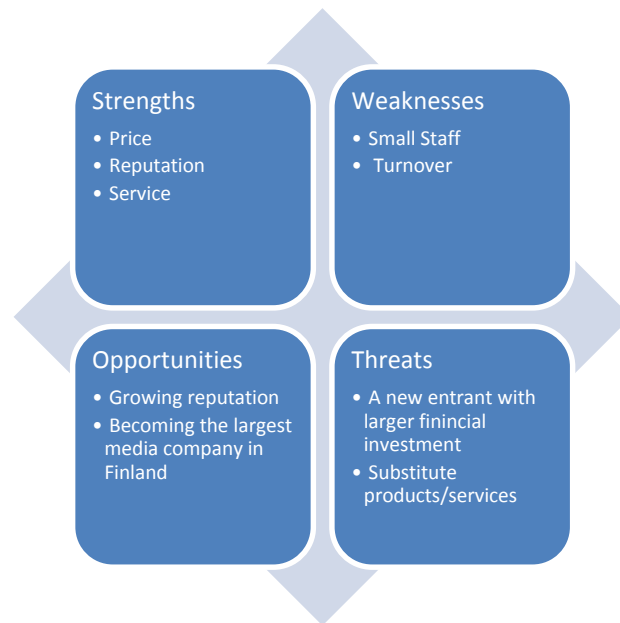


FIGURE 6. SWOT: LSF

### *Strengths*

The biggest strength that LFS has against competitors is pricing. They are able to offer the lowest price for they are a small company with little expenses, which most media companies are not able to do in order to cover their costs. Though LSF is able to offer the lowest price, the quality of the service does not suffer, but also the level of service is identified as a strength. LSF is able to provide personalized service to its customers, by listening and working with them instead of just simply providing a steaming service. This way the company is able to identify the customers' needs and offer the most favorable solution. LSF has built a good reputation, which is a definite strength for the company, especially for due to limited funds, they are not able to put large investments towards marketing. Their good reputation brings them new big customers, which provide the company with a chance to increase their turnover.

### *Weaknesses*

As all companies, LSF has its weaknesses too, and identifying these weaknesses will help the company to avoid the threats they bring along. The biggest weakness of the company is the size of the staff as well as their turnover. Due to the small

size of the staff, the amount of work that can be done simultaneously is limited. The small staff also limits the expertise of the staff, for not every employee is able to perform the same tasks. The turnover of the company on the other hand affects the credibility of the company as well as the marketing power. For big clients, service providers with sizable turnovers seem more credible than ones with fewer funds. The limited funds also limit the marketing power that a small company has versus a big company with greater funds.

### *Opportunities*

The identified strengths help establish the opportunities the company has. In the case of LSF the strengths lead to the following opportunities; growing reputation, and a possibility of becoming one of the largest media company in Finland. The work LSF has done so far with its service and pricing has created a good reputation for the company, and this has brought publicity to the company as well as new customers. The growing reputation presents big opportunities, and can possibly even enable for LSF to become one of the largest media companies in Finland.

### *Threats*

As already established, the weaknesses LSF has are mostly financial, thus the biggest threat the company has is rivalry. A new entrant with larger financial investment entering the market may be fatal to the company, for they have capital to hire more qualified staff as well as to invest in promotion of the company. Due to limited capital, LSF does not invest into marketing, which a company with bigger funds could afford. Substituting products pose a threat to the company as well, for they can replace the products or services of LSF, possibly making older services obsolete. The threats will be further discussed in the following sub chapter of Porter's 5 Forces.



#### 4.5 Porter's 5 Forces: LSF

In this analysis of Porter's 5 Forces the author focuses on the selected forces; rivalry among existing competitors, threat of new entrants and threat of new substitutes. The focus was narrowed to these three forces for the author saw them being most relevant for this study. The power of buyers is left out for the author does not see it posing a threat to the case company, and the power of buyers could not be analyzed for security reasons. Some information from the company SWOT and competitor analysis is brought into analyzing the forces as well for some of the same matters are being discussed.

##### 4.5.1 Mild Rivalry

The intensity of competition between streaming companies is fairly low at the moment for most streaming companies are fairly small, or streaming is not the main service. An example of this is that none of the competitors identified above in the competitor analysis have advertising campaigns. The companies do not actively market themselves, including LSF which relies on its good reputation to bring business. An advantage LSF has is that its website is the first one to appear on Google search engine, and this way a person searching for live streaming in Finland will first find [livestream.fi](http://livestream.fi) which is the web address of LSF. In the case on competitive bidding; competitive pricing plays a role. As identified in the competitor analysis, most companies do not list prices on their websites. The case company does not have a price listed either, though they do claim to offer 'the best price in the market'.

##### 4.5.2 Early in the field

Online video is a growing business so a high threat of entry exists. LSF was founded in 2010, when online video in Finland was in its infancy, and ever since their mission has been to become a market leader by gaining the trust of buyers before other big players enter the field. As already identified in the SWOT analysis of the company, the biggest threat for the company is a new entrant with larger financial investment entering the market. A competitor with higher turnover and bigger staff has more marketing power to make itself known among buyers,

thus the reputation that took LSF years to build, a competitor could built fast. A higher turnover can also feel more trustworthy to big clients, like past experiences have shown to LSF, their competitive pricing and quality services are not the criteria for all buyers when total turnover is lower than competitor's (Monderoy 2014).

#### 4.5.3 Substituting software and equipment

New substitute products and services pose a big threat to LSF, for technology is continually changing, and the company with the newest and most efficient technology usually gets the clients. This is one of the main reasons for LSF to come up with the new software product Kanava TV making online video streaming easier for clients. Clients often prefer easy and professional solutions, which LSF is able to offer with Kanava TV. Thus, the new software by LSF can substitute services offered by competitors. A similar product by a competitor in the future can threaten LSF as well.

Broadcast hardware, the equipment used for streaming, is expensive and because of the rapid development of technology it can be considered outdated in a short period of time. New substituting equipment pose a threat for new technology requires large investments, which a competing company may be able to make. Keeping equipment up to date and competitive is the key for success in the streaming industry.

## 5 KANAVA TV

### 5.1 Video portal

Kanava TV is a linear streaming system where anyone can start their own TV channel. Linear streaming system is where everyone sees the same video at the same time, thus now we are talking about traditional program listings put online. (Monderoy 2013.) In other words it is like a TV channel streamed online. The viewer is able to watch the stream with the shows set up to start at specific times. Another option is to watch the shows aired already from a specific date. An example of this is a video, which was part of programming two days ago, can be viewed today as a separate VoD file, i.e. all material, which make up a playlist is also available as VoD. (Monderoy 2014.)

The product is targeted to companies and organizations e.g. to be used for promotional and educational purposes. It is somewhat simplifying a TV station to one software where a single person, without extensive IT knowledge, can run the entire process. LSF will set up the service to suite the client's needs and take care of the video distribution; the rest is in the hands of the client.

The pricing of the setting up the portal and streaming license will be kept low in order to make the product more attractive and cost effective. The price to set up the portal ranges from about 3000€ to 4000€. The price for streaming will be charged per streamed GB, thus according to the amount of viewers – more viewers mean more streamed GBs. Also the higher the video quality – the more GB's are used.

#### 5.1.1 Examples of usage

With Kanava TV, instead of selling the rights to your content, e.g. a TV show, to a TV channel, you can keep the rights and start your own TV channel where your show is broadcasted. On this channel you can also show more of your own content or purchase the rights to other content produced by others.

Kanava TV can also be used for advertising at various locations. For example a restaurant would be able to make their own program listing and have their channel playing on the screens they have at a location. This listing could consist of advertisements, specials, upcoming events, or anything the company wants shown to their customers.

## 5.2 Earning model

According to Statistics Finland, in 2011, the breakdown of the revenue of television was as follows: 40% TV license fees, 28% advertising, and 22% pay TV (Statistics Finland 2011). There is no TV license in Finland anymore; in 2013 it was changed to TV tax. These three are the different earning models for television; license/tax, advertising, or pay TV. For online video the financing options are advertising or pay-per-view. If the content is free for the audience, income needs to be generated from another source. From the year 2008 to 2009, the TV ad market experienced a decline of 21,2%, when the revenue of online advertising grew by 8,3% (Marketing Charts 2010). This shows that advertising in online video is on the rise, and selling advertising space for online TV, depending on the popularity of the medium, can be highly profitable.

As a user of Kanava TV you can generate income in two different ways. You can sell advertising space on your channel or you can make your channel pay TV (Monderoy 2013). Thus it is possible to sell slots for commercials on the channel, the same way tradition TV has commercial breaks. These commercials can be situated e.g. between videos. In the case of not wanting to use advertising, the channel can be made pay TV by either charging e.g. a monthly payment, as e.g. Netflix is doing, or it can be made pay-per-view where a set price is paid for certain video content.

This is why there is a demand for this study. For the case company LSF to be able to market the product to companies, they need to convince them that there will be viewers and that the company can benefit from it. Whether the company benefits from it by using it as their own advertising forum or as online TV channel is up to them. LSF can use information generated from this study to market the product to

their customers, by showing that the amount of video on the Internet is increasing and what the demand for online video is.

### 5.3 SWOT: Kanava TV

In this subchapter the author is using the analysis tool SWOT to analyze the product to help identify the internal as well as external factors affecting the product. The following chart was constructed together with S. Monderoy, the founder of the case company, and is based on the constructed analysis of the strengths, weaknesses, opportunities and threats. First the characteristics of the product and its environment will be presented in a SWOT-chart, and later elaborated on.



FIGURE 7. SWOT: Kanava TV

#### *Strengths*

As well as in the company SWOT analysis earlier, the price of the product has a big role. Kanava TV offers an affordable solution which is also simple to use. The price and simplicity are important factors when looking for streaming solutions, for mostly the buyers of the service do not have expertise in the information technology, and competitive pricing can help cut costs of the buyer. The product can be used for multiple purposes, and because of this it can work as a solution to

anyone in need of streaming services. When purchasing the product, most of the work is already done for the customer, including the setting up of the service as well as licenses for streaming.

#### *Weaknesses*

The size of staff is a weakness in the case of LSF, for they have a highly limited amount of employees. The shortness of staff can lead to limited development, for they have fewer inputs. The uniqueness of the product can also be seen as a weakness. The product is one of a kind, thus people do not have prior experience and for this the product is harder to sell compared to something the customers are already familiar with.

#### *Opportunities*

With this new product, the case company has an opportunity to create a whole new video model that may create a whole new type of TV. In the case of Kanava TV becoming extremely popular, LSF can get new customers and thus make more profit. With increased income the company is able to make new investments in new technology and have a chance to grow as a company.

#### *Threats*

The product is also faced with threats. An internal threat is limited funding. Without enough investment, the product will not be the best it could have been or in worst-case scenario it will never be produced. Another threat is copying. Once a new product enters a market and has demand, other companies will want to replicate the products with something similar in order to compete, and increase their market share.

## 6 QUESTIONNAIRE DESIGN

Questionnaires are efficient tools for collecting vast amount of information in minimum time, and for gaining accurate information the design process of the questionnaire is important. For a questionnaire to be useful for the conducted research it should have the following characteristics; it collects data that is needed to answer the research questions, and the data is collected from large enough group. It is also important that the questions asked are interpreted the same way by everybody. (Saunders & Lewis 2012, 142.) To achieve a reliable result, the following steps in conducting the survey were considered. These steps will be further addressed in their own subchapters.

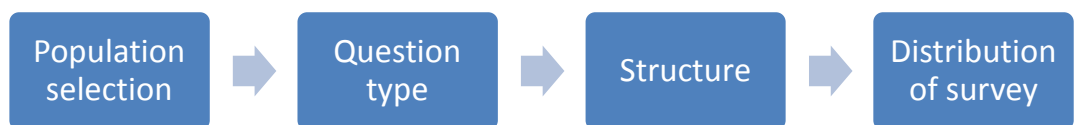


FIGURE 8. Steps of questionnaire design

### 6.1 Population selection

For this survey the author did not see a reason to limit the population more than to Finnish speakers, for the desired outcome is to find out the TV viewing habits of Finnish people. TV and video content in general is part of all of our lives and the author is trying to find the target group of internet video. Finding out demand for the product is the core of this study, and researching Finnish demand is essential for the case company, for they are operating in the domestic market. By selecting the population to be Finnish speakers, the outcome will be the video viewing habits of Finnish people. The population is narrowed down to Finnish speakers by constructing the questionnaire in Finnish language.

## 6.2 Question type

How the questions of a questionnaire are answered often depend on the way the questions are constructed and worded. Thus it is important to choose the right type of a question. There are seven different question types that can be used in a questionnaire:

*Open question* – Open questions are used when a detailed answer is required or when the researcher is interested in what the respondent is thinking exactly,

*Listing* – Listing makes sure that the respondent really considered all the possible options

*Category* – Category questions are used to narrow the respondent down into a category, thus helping the researcher gain information on certain groups, e.g. women vs. men.

*Ranking* – Ranking questions will let the respondent put the options into an order, for example in the order of preference.

*Rating* – Rating is used when trying to find out the respondents opinion of a matter.

*Quantity* – Quantity gives information of amounts, e.g. when the interest is in finding out the amount of hours spent doing something.

*Matrix* – A matrix is an appropriate question type when there is a set of possible answers that can apply to several distinguished questions. (Saunders & Lewis 2012, 143-144.)

In the conducted survey, the most used question type was listings, for the author wanted to make sure the respondents consider all the answers. Also the due to the subject, the author could not assume the respondents are aware of all options without them being given. The questionnaire also includes one open question where the respondent can type in their age, as well as one category question to identify the gender of the respondent.



### 6.3 Structure

The author aimed at keeping the survey as short as possible, for more reliable results. When filling long surveys the respondent might lose interest and become careless, which would then cause for the survey to be less reliable. The questions should be kept simple and clear for the respondent to interoperate them as desired, and they should meet the objectives of the study. (Saunders & Lewis 2012, 145.)

The survey consisted 16 questions in total, starting with a category question concerning gender, and followed by an open question with a maximum of 2 characters finding out the respondents age. The remaining 14 questions were listings with mediums grouped together into categories, and further broken down to three categories; “on week days”, “on weekends”, and “in a week” to avoid miss interpretation, and to keep the respondent focused.

## 7 CONDUCTED RESEARCH

The previous chapter elaborates on the design process of the survey. In the following subchapters the author will describe the data collection progress and the collected data. The collected data will be analyzed by using a statistical analysis program SPSS.

### 7.1 Data collection process

As stated above, primary data is collected through a survey. The survey was published using online survey software Webropol. The timetable for the collected data is illustrated in the figure below.



FIGURE 9. Data collection timetable

The author started designing the questionnaire in May 2014. The first version of the questionnaire was tested on 5 test respondents, and changes were made based on the information acquired from the test respondents. The final version was tested on the same group of test respondents before the survey was published on May 23<sup>rd</sup>.

The survey was shared on social media, through Facebook, and it was also posted on a discussion forum specifically associated with thesis writing on Suomi24. The survey was closed after one month of data collection. Although the survey was

spread through Facebook, the respondents are not limited to the authors Facebook friends for the survey was further shared by other Facebook users.

## 7.2 Data analysis

The collected data will be analyzed in this subchapter to answer the main research question. The main research question will be answered by first providing answers to the secondary research questions of what are the trends in online video, what is the displacement effect of the product and who would be the target viewers. A survey with 16 questions focusing on TV viewing habits was conducted, and in the one-month period the survey was open, 114 answers were submitted. None of the submitted answers were abandoned, for everyone had all required information and all answers appeared reliable.

### 7.2.1 Demographic data

Demographic data refers to data, which describes the population; examples of these are age, sex, marital status, income, and ethnicity. In this survey the collected demographic data is sex and age. The author would like to point out that all respondents had to have an understanding of Finnish language to be able to understand the survey, though this does not mean that all the respondents were native Finns. Thus nationality cannot be stated as a demographic data.

Out of the respondents a majority were women; 78 women and 36 men took the survey. In percentages 68% of respondent were female and 32% men. These percentages are demonstrated through a pie chart below.

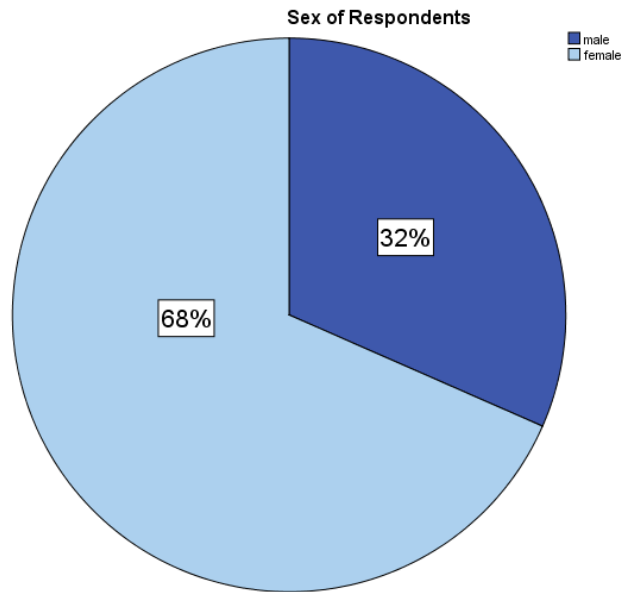


FIGURE 10. Sex of respondents

The age of respondents ranged from 14 to 63 years old. This said the range appears wide, but when looking closer it is seen that most respondents are in their 20s, the mean age rounding to 29.

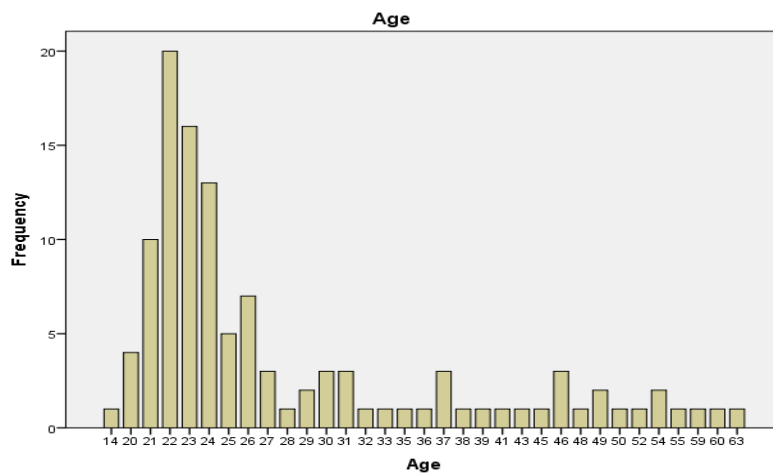


FIGURE 11. Range of age

It is visible in the chart above, that the range skews to the right, though it does distribute widely. The biggest respondent group consists of 22 year olds, being 17,5% of the population. The range skewing to the left is possibly caused by author's age, for the survey was spread through social media and a forum for thesis writers.

The author chose to group the respondents by age into 4 groups. The groups were identified as follows: (1) under 30, (2) 30-39, (3) 40-49, and (4) 50 and over.

People under 30 years old are in the same group, for the author defined them as young adults. The second group is people in their 30's, and third group is people in their 40's, for it being a common way to divide people by age. The last group is people over 50, and these are considered to be mature viewers. The author does not see necessary to further group over 50 year olds, for only two respondents in their 60's took the survey, and she believes that the viewing habits of 50 and 60 year olds are somewhat identical.

### 7.2.2 Comparing age groups

As stated above, the author divided respondents into age groups. The viewing habits of different age groups were compared to help answer the secondary research question of who are the target viewers. In the survey, the modes of TV where divided into 3 groups: traditional TV, VoD (includes YouTube), and TV channel websites. First the modes will be viewed separately and later together.

#### **Traditional TV**

The most common answer from each age group is visible in the table below, and the fraction of respondents choosing the option is shown as a percentage of the group. Without closer inspection the viewing habits of traditional TV seem to be fairly equal, thus a closer inspection is needed for confirmation.

TABLE 3. Viewing of traditional TV

Traditional TV (Mon-Fri)	
Less than 30	1-3h (37,8%)
30-39	1-3h (53,3%)
40-49	1-3h (77,8%)
50 and over	1-3h (62,5%)
Traditional TV (Sat-Sun)	
Less than 30	1-3h (37,8%)
30-39	1-3h (40%)
40-49	1-3h (77,8%)
50 and over	1-3h (62,5%)
Traditional TV (Week)	
Less than 30	1-5h (26,8%)
30-39	5-10h (26,7%)
	10-15h (26,7%)
40-49	10-15h (44,4%)
50 and over	1-5h (37,5 %)

When inspecting the time of viewed TV during a day, both weekdays and weekends, the age groups first seem to have the same habits, but when inspecting the percentages, a difference can be seen. The author wants to point out that though the most common answer for under 30-year-olds was 1-3 hours; only 37,8% of the group chose this option. In other words, 62,2% of the group chose some other answer. What is not visible here are the means of the groups. The following chart shows the means of the answers in a line graph and as is visible through the line graphs, the means of answers for younger viewers were smaller. Though the options are not scale variables, the options in the survey were in ascending order, i.e. the first options were less time spent viewing TV than the last options.

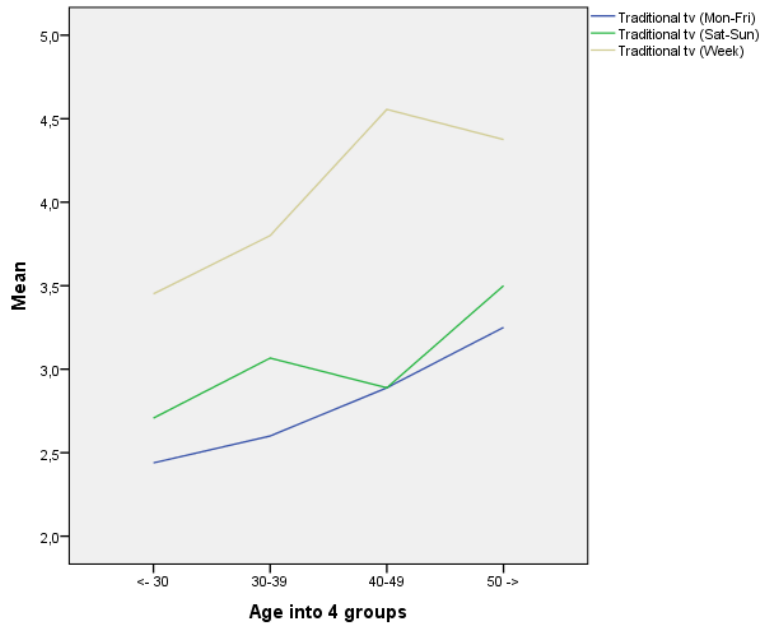


FIGURE 12. Comparison of age groups (Traditional TV)

The answers varied slightly depending on the question; though in average the time spent watching traditional TV was ascending by age. In conclusion, respondents under 30 years old spent the least time watching traditional TV and over 50 year olds watched it the most.

### VoD

The most common answer of each age group can be seen in the table below and the size of the group choosing that option is presented by a percentage.

TABLE 4. Viewing of VoD

<b>VoD (Mon-Fri)</b>	
Less than 30	1-3h (40,2%)
30 - 39	1-3h (40%)
40 - 49	Doesn't watch (55,6%)
50 and over	Doesn't watch (75%)
<b>VoD (Sat-Sun)</b>	
Less than 30	1-3h (37,8%)
30 - 39	Doesn't watch (26,7%) 1-3h (26,7%) 3-5h (26,7%)
40 - 49	Doesn't watch (44,4%)
50 and over	Doesn't watch (62,5%)
<b>VoD (Week)</b>	
Less than 30	1-5h (25,6%)
30 - 39	Doesn't watch (26,7%) 1-5h (26,7%) 5-10h (26,7%)
40 - 49	Doesn't watch (44,4%)
50 and over	Doesn't watch (75%)

The first thing visible from the table above, that the author wants to point out, is that for all different categories: weekdays, weekends and weeks, the two oldest age groups have mostly chosen the option of not watching. This result was predictable for the limited knowledge of technology of older people. From the following chart it is possible to see that in contrast to the chart for traditional TV, younger people view VoD more than older people. For this the explanation may be as simple as technological knowhow, older people often do not have the skills to access Internet video or may not have the desire to learn to use new mediums.



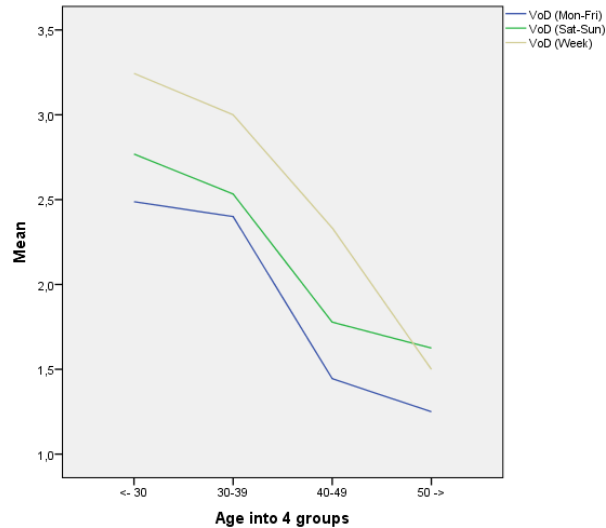


FIGURE 13. Comparison of age groups (VoD)

From the table above the author wants to point out an interesting finding; the group 30-39 fell into three equal categories based on their viewing habits of VoD. On weekdays the majority chose the same option, but on the weekends three separate groups can be identified. The same three groups appeared also in the viewing total of the week. Reasons for this might be the type of job the respondents do, their life style, or family life. People in their 30's are most likely to have steady jobs, and depending on the nature of the job they might not have vast amounts of spare time during the weekends. This is also the age group most likely to have young children, thus having children can explain the limited time spent watching VoD.

To provide an answer to the secondary research question on who are the target viewers, the author wanted to investigate how each age group's answers were distributed. The following table describes how the viewing of VoD distributes in separate age groups.

TABLE 5. VoD Monday - Friday

Age	Doesn't watch	< 1 hr	1 – 3 hrs	3 – 5 hrs	5 – 7 hrs	> 7 hrs
< 30	24,4%	22%	40,2%	8,5%	3,7%	1,2%
30 - 39	26,7%	20%	40%	13,30%	-	-
40 - 49	55,6%	44,4%	-	-	-	-
>50	75%	25%	-	-	-	-

TABLE 6. VoD Saturday - Sunday

Age	Doesn't watch	< 1 hr	1 – 3 hrs	3 – 5 hrs	5 – 7 hrs	> 7 hrs
< 30	20,7%	15,9%	38,8%	18,3%	6,1%	1,2%
30 - 39	26,7%	20%	26,7%	26,7%	-	-
40 - 49	44,4%	33,3%	22,2%	-	-	-
>50	62,5%	12,5%	25%	-	-	-

TABLE 7. VoD week total

Age	Doesn't watch	< 1 hr	1 – 5 hrs	5 – 10 hrs	10 – 15 hrs	15 – 20 hrs	> 20 hrs
< 30	20,7%	11%	25,6%	23,3%	8,5%	7,3%	3,7%
30 - 39	26,7%	6,7%	26,7%	26,7%	6,7%	6,7%	-
40 - 49	44,4%	-	33,3%	22,2%	-	-	-
>50	75%	-	25%	-	-	-	-

The tables above reveal that the author's assumption of VoD being more popular among younger age groups is true. The tables show how the amount of VoD viewed decreases by age group under thirty-year-olds being the biggest viewer group, and over 50-year-olds the smallest. This assumption can be made because the younger the age group, the smaller percentage of people report not watching VoD. Also younger age groups seem to have more heavy users.

### TV Channel Websites

As for the previous TV forms, the most popular choice on an age group, and the percentage of the age group choosing the option is shown in the following table. From the table we can clearly see how viewing through TV channel websites is not as popular as other forms of TV.

TABLE 8. Viewing of TV channel websites

TV Channel Website (Mon-Fri)	
Less than 30	Doesn't watch (51,2%)
30 - 39	Less than an hour (46,7%)
40 - 49	Doesn't watch (44,4%) Less than an hour (44,4%)
50 and over	Doesn't watch (75%)
Tv Channel Website (Sat-Sun)	
Less than 30	Doesn't watch (48,8%)
30 - 39	Less than an hour (46,7%)
40 - 49	Doesn't watch (55,6%)
50 and over	Doesn't watch (70%)
Tv Channel Website (Week)	
Less than 30	Doesn't watch (50%)
30 - 39	Doesn't watch (53,3%)
40 - 49	Doesn't watch (44,4%)
50 and over	Doesn't watch (50%) Less than an hour (50%)

The table above shows that TV channel websites are not popular, especially among young adults, meaning people under 30. It seems that people in older age groups use TV channel websites more than people under 30. When looking at the line graph below, of the means of the answers, it can be seen that the oldest age group; people above 50, is the smallest audience. This can be explained the same way as the unpopularity of VoD among the same age group: it is likely that the people in this age group do not have the technological knowhow for viewing TV online.

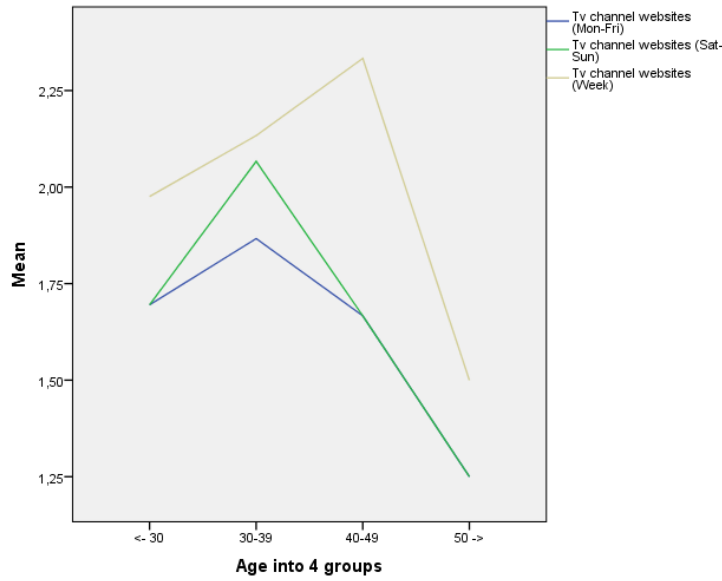


FIGURE 14. Comparison of age groups (TV channel websites)

### YouTube

In every age group the most common viewing habit of YouTube videos was occasional viewing. The result does not differentiate from author’s prediction for the author sees YouTube as a channel for occasional videos. YouTube was included in this questionnaire to prove the authors predictions.

TABLE 9. Viewing of YouTube

YouTube videos	
Less than 30	Occasional videos (54,9%)
30 - 39	Occasional videos (46,7%)
40 - 49	Occasional videos (88,9%)
50 and over	Occasional videos (50%)

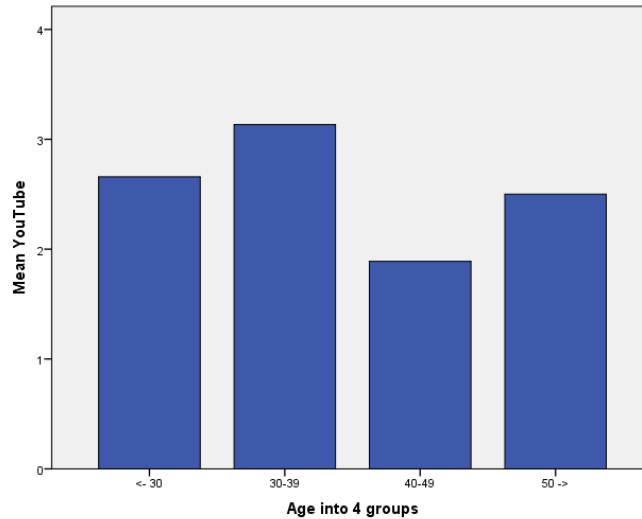


FIGURE 15. Comparison of age groups (YouTube)

From the chart above the means of each age group can be seen. The highest mean seems to be within the age group of 30 to 39, though the differences are not significant, for the mean of each age group stays in the same area of options 2 and 3.

### 7.2.3 Preferences

The survey included four questions related to preferences. These questions consisted of a question identifying the preferred media for TV show viewing, which equipment are used, and preferred to TV show and movie watching, and a question finding out whether the viewers preferred to watch video on their computers or whether they rather connect the computer on their TV screens and watch from the TV set. The results for these are presented below in charts and tables, and elaborated on.

The respondents had three choices of preferred medium to choose from for viewing TV shows. These were traditional TV, VoD, and TV channel websites. The most popular medium was still traditional TV by consisting 56,14% of the respondents, but VoD became second with 37,72%, and TV channel websites, which are another form of VoD with 6,14%. To simplify this, the distribution was

56,14% to 43,86%, with traditional TV leading merely by a few percentages. This highlights the demand for online video, and the opportunities created by it.

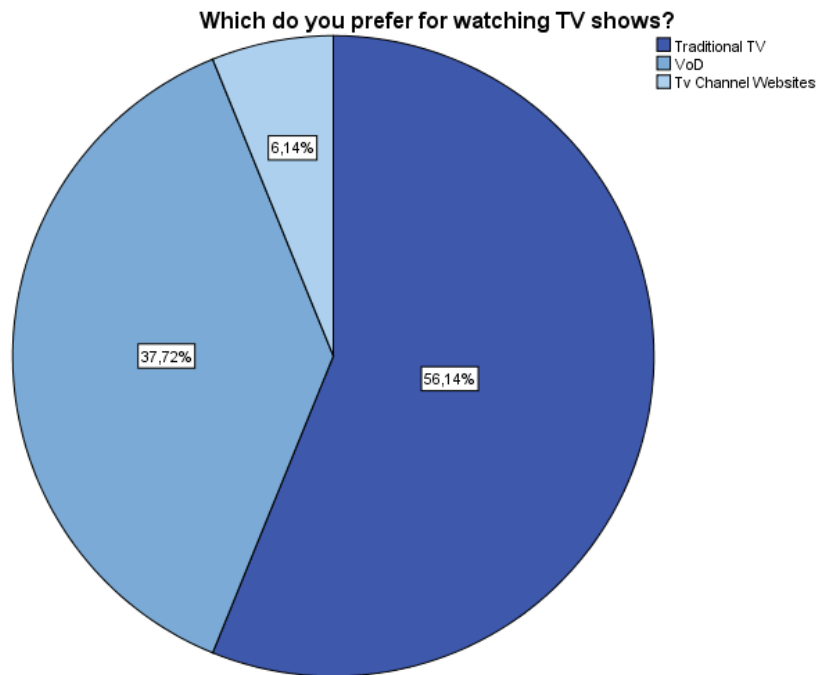


Figure 16. Preferred medium for watching TV

The author kept VoD and TV channel websites separate in this, for the interest of finding out how popular TV channel websites were among the respondents. Knowing this helps answer the secondary research question about the displacement effect of Kanava TV. Generally TV channel websites are considered as VoD. The author believes that the people choosing TV channel websites as the preferred medium for viewing TV shows follow TV shows that air on TV but are not available to view them at the time the show is aired. TV channel websites give the viewers the opportunity to choose the viewing time to suit them best.

6,14% said to prefer TV channel websites over the other two mediums for watching TV shows. The author thinks the reason for this might be that these people follow certain TV shows but aren't available at the time the show is aired. As shown in the pie chart above, VoD, including TV channel websites, is the preference of nearly a half of the respondents. This shows demand for new VoD portals.

The author was interested in finding out how people view online content with their computers, to see how much of Internet video is viewed as TV from the TV set. The result exceeded the author's expectations. Nearly half of the respondents reported to connect their computer to the TV set when viewing TV shows or movies from their computer. This shows how linked TV and internet video are.

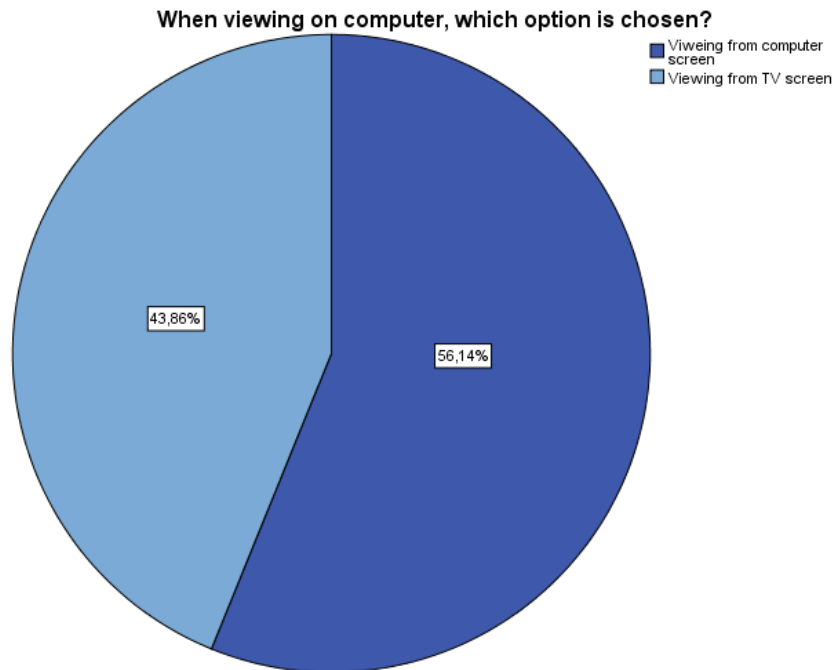


FIGURE 17. TV set vs. computer screen

The following table presents the results of what equipment the respondents use for viewing TV shows and movies, as well as what equipment would be preferred. This is investigated to help identify the displacement effect of Kanava TV. The table below shows how ready people are to watch "TV" on other devices. Kanava TV can be seen to replace traditional TV if viewers are ready to view the content on their other devices as well, and thus view the video outside of their homes.

TABLE 10. Equipment used and preferred

	<b>Television set</b>	<b>Computer</b>	<b>Tablet</b>	<b>Smart phone</b>
<b>Equipment used for TV-show / movie viewing</b>	85 74,5%	91 79,8%	28 24,6%	20 17,5%
<b>Equipment preferred for TV-show / movie viewing</b>	95 83,3%	62 54,4%	25 21,9%	11 9,6%

Here we can see that even though a TV set would be the preferred equipment also computers, tablets, and phones are used for viewing video content. More people announced to view TV shows on their computers, rather than a TV set, which again shows how computer, and Internet centered people's watching habits are. Computer is clearly a popular piece of equipment for viewing video content; almost 80% of respondents use it for video watching. Almost one fourth of the respondents viewed TV shows and movies from tablets, and nearly one fifth used smartphones for viewing these. This shows that there is a demand for video content viewable on mobile devices such as tablets and phones.



## 8 CONCLUSION AND SUGGESTIONS ON FURTHER RESEARCH

This chapter provides answers to the research questions identified already in the first chapter. Also the validity and reliability of the results will be inspected closer to provide information on how reliable the findings of this study are.

### 8.1 Answers for research questions

The case company LSF has been analyzed, literature reviewed and a survey conducted. This chapter concludes all of the chapters by providing answers to the research questions identified in the first chapter. The research question is stated first and then continued with an elaborated answer.

*What are the trends in online video?*

Chapter two focused on defining television and it included knowledge gained through previous studies. A study done by Temkin group identified that people spend as much time on the Internet as they do watching TV. People also tend to multitask, so time spend watching TV overlaps with time spend online. The author assumes that people are not simultaneously viewing video content on each, however the founder of LSF acknowledged that sports fans might watch multiple sports events simultaneously.

The conducted survey revealed that nearly half of the respondents prefer VoD to traditional TV. Only a small fraction of respondents preferring VoD rather choose TV channel websites. This shows that VoD from different platforms, e.g. Netflix, are extremely popular. Occasional viewing of YouTube videos also occurred with each respondent.

*What is the displacement effect of the product Kanava TV?*

Kanava TV can be considered to have a displacement effect on TV channel websites. From Kanava TV you can either view the current broadcast on the channel or the video content earlier released on the same channel. Also, the research on the equipment used revealed how much video is viewed on computers and mobile devices such as tablets and smart phones.

As seen through the conducted research, online video is on the rise. Especially younger respondents seemed to be familiar with streamed content, and it had a clear displacement effect on their TV watching.

As revealed in a study by Jiyounh Cha, an assistant professor in film and video studies in George Mason University, the more time people spend on online video platforms, the less time they spend watching TV (Cha 2013). The author believes that Kanava TV can have the same type of effect. Kanava TV is not a TV channel website, and not quite comparable to Netflix, but it is still a VoD portal and published video content from each channel can be viewed as VoD. Instead of watching a TV channel on TV, the viewer can watch a desired channel on Kanava TV and even go back to shows which have already passed.

*What services do exist in the market?*

To this secondary research question, an answer is provided with the help of competitor analysis. The identified services existing in the market are webcasting, live streaming, VoD, production, video conferencing, and equipment rentals.

The findings from this competitor analysis are the following. There are a lot of small competing companies, but most of them are not a threat in the author's opinion for the websites seemed fairly amateur. Qualitron Oy Ab is a company that is listed as a streaming company, but yet doesn't seem to offer streaming. According to their website they offer the following; workflow planning and conceptual design, broadcast technology consulting, equipment/material procurement & logistics, system integration services, turn-key solutions, project management, on-site integration, project commissioning, testing and training, and post project support (Qualitron Oy Ab 2014). Thus Qualitron seems to offer planning and support rather than streaming, yet it is still considered a competitor due to the field of their business.

Live Stream Finland is the only company offering all of the identified services and compared to the competitor's prices that could be found, they also were able to offer the lowest price. Based on the conducted competitor analysis, the author recommends that the case company would list prices on their websites. This way they can show how competitive their price offerings are.

In conclusion, six services existing in the market were identified, and LSF is the only company offering all of the services listed above. The author did not find any Finnish software such as LSF's new product Kanava TV.

*Who would be the target viewers for Kanava TV?*

Based on the conducted survey, it seems that VoD is most popular among younger age groups. The results of the survey suggest the popularity of VoD being descending by age, though older age groups create demand also. Out of 40 to 49-year-olds 22,5% on respondents stated to view 5 to 10 hours of VoD in a week, as well as from the oldest age group of 50-year-olds and above 25% claimed to view from 1 to 5 hours of VoD in a week.

TV channel websites are found not to be as popular as other mediums, and the biggest age group viewing video content on TV channel websites are from 30 to 39, and 40 to 49 year-olds. The author reasons this by TV channels advertising their own websites so actively that these two age groups are familiar with the concept and see them trustworthy. Also, the content viewed are episodes shows aired on TV that the viewer is currently following.

Thus the target viewers for Kanava TV are people of all age. As the findings present, online video is getting more popular even among ageing people. The author believes the viewers depend on what content is shown, rather than what age the viewers are.

*Is there a demand for the Kanava TV product?*

Based on the information gained from the competitor analysis, there is no such service similar to Kanava TV on the market. The author sees a demand for the product, because it is simplified, the customers can run it by them selves, and the pricing is standardized. The competitors are not offering such a simplified solution, and thus the price of the service needed by the customer may vary highly.

There is a viewer demand as well, which is the core of this study. As already stated in the fist chapter, the amount of video content viewed online is growing and it is estimated to keep on growing rapidly as well. Already most Internet

traffic is video. (Cisco 2013) This study also showed how popular VoD is among people nearly half of respondents of the survey conducted preferred VoD to tradition TV. This shows demand for new VoD portals. Considering the displacement effect as well, Kanava TV has much potential.

## 8.2 Validity and reliability

Regarding liability, this study reached the goal of providing answers to the research questions. Theoretical knowledge is attained from academic publications. Some earlier research included in this study, is conducted by reliable sources, though they are not in a form of academic publication. An example of these sources is quickplay.com. The author aimed at employing studies done recently, in the past few years, to provide accurate and up to date information about Internet video.

The survey conducted provides indicative information about the population of Finland, but cannot be considered fully reliable for the following reasons. The survey was shared through Facebook, and through a forum meant for thesis writing. Facebook limits the population to the friends of people who shared the survey. The survey got multiple shares, so respondents were not only friends and acquaintances of the author, but the population was still fairly limited. Also, the founder of LSF shared the survey on his Facebook profile. Most respondents were in their 20's, the mean age rounding to 29. Thus the data about younger viewers can be considered more accurate to the older groups. Also, the older respondents can be considered to have more advanced skills in technology in general for the survey reached them on Facebook or the forum. What comes to the gender of the respondents, 68% is women and 32% men. Thus the viewing habits of women have a bigger impact on the results. On the other hand the survey was taken by 114, which is not a big representation of the Finnish nation, but gives an indicative of the viewing habits.

## 8.3 Suggestions on further research

Live broadcasts are left out of this study, but could provide interesting and important facts for the company as well as the Internet video industry in general.

Kanava TV is not only able to broadcast ready videos, but can also stream live video. The company could benefit from having a viewer opinion and facts concerning the demand for live broadcasts. Also a study of the client company demand is of interest, for they are the primary customers of LSF.

## 9 SUMMARY

Internet TV is developing fast and bringing along new business opportunities. Realizing these opportunities is essential for companies providing both TV services as well as Internet video. This study focuses on LSF and their new product Kanava TV, with the goal of research the demand for the product.

A deductive method is used in this study. Information for the study is collected through primary, as well as secondary sources. Primary data is collected by interviewing the founder of LSF, as well as through the authors own experiences throughout the five month long practical training period, and survey conducted on potential viewers. Secondary data is gathered through previous publications. Several tools are employed for analyzing the case company and their new product. The company's position on the market is analyzed with the help of SWOT analysis, competitor analysis, and Porter's 5 Forces. Also, the mission statement of the company is observed. SWOT analysis is used for analyzing the product as well.

The research questions of this study are identified in Chapter one. These questions are answered with the help of background information of the subject in Chapter 2, analysis on company and product in Chapters 4 and 5, and survey in Chapter 7. The biggest limitation is the distribution channel of the survey. The goal of properly answering the research questions is reached and suggestions for further research are made. The main finding in this study is that Kanava TV would have a viewer demand, and the author suggests that future study should be done on the popularity of live streaming.

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[7c1474526078%40sessionmgr112&vid=2&hid=127&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=9412201300](http://web.b.ebscohost.com/ehost/detail?sid=787d4181-e880-4ee6-92bd-7c1474526078%40sessionmgr112&vid=2&hid=127&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=bsh&AN=9412201300)

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## APPENDICES

### APPENDIX 1: Sources of competitor analysis

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<http://videonet.fi/>

<http://www.qualitron.tv/fi/>

<http://www.siltaloppi.fi/>

<http://www.streamteam.fi/fi/fi/>

<http://www.studioreplay.fi/>

<http://summitmedia.fi/>

<http://www.webmediamate.fi/>

## Appendix 2: Survey



### TV:n katselu tottumukset

Tämä kysely on osa tutkimusta jossa pyritään selvittämään TV:n katseluun liittyviä muutoksia.

#### 9.1.1 Yleistä

##### 1. Sukupuoli \*

- Mies  
 Nainen

##### 2. Ikä \*

Ikä \_\_\_\_\_



### TV:n katselu tottumukset

### 9.1.2 Perinteinen televisio

Tällä osuudella pyritään selvittämään perinteisen television katselutottumuksia. Perinteisellä televisiolla tarkoitetaan ohjelmalistauksia jotka katsotaan televisiovastaanottimesta niiden lähetyshetkellä, myös tallenteet lukeutuvat tähän kategoriaan. Toisin sanoen, jos tallennat TV lähetyksen ja katsot sen myöhemmin, on kyse edelleen perinteisestä televisiosta. Sisältää myös elokuvat.

#### 3. Television katseluun käytetty aika arkipäivänä (ma - pe) \*

- En katso televisiota arkipäivinä
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

#### 4. Television katseluun käytetty aika päivässä viikonloppuna (la - su) \*

- En katso televisiota viikonloppuna
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

**5. Television katseluun käytetty aika viikossa \***

- En katso televisiota viikoittain
- Alle tunti
- 1 - 5 tuntia
- 5 - 10 tuntia
- 10 - 15 tuntia
- 15 - 20 tuntia
- yli 20 tuntia



## TV:n katselu tottumukset

### **9.1.3 Video-On-Demand**

Tässä osiossa pyritään selvittämään Video-On-Demand -videoiden katselutottumuksia. Video-On-Demand tarkoittaa striimattua videotallennetta jonka katsomiseen kukin voi määritellä itselleen parhaaksi sopivan ajan. Esimerkkejä tästä ovat muun muassa Netflix ja YouTube. Sisältää myös elokuvat. (Striimaus = suoratoisto: vastaanotetaan ja toistetaan samanaikaisesti internetin välityksellä)

**6. Video-On-Demand -videoiden katseluun käytetty aika arkipäivänä (ma-pe) \***

- En katso Video-On-Demand -videoita arkipäivisin
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

**7. Video-On-Demand -videoiden katseluun käytetty aika päivässä viikonloppuna (la-su) \***

- En katso Video-On-Demand -videoita viikonloppuisin
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

**8. Video-On-Demand-videoiden katseluun käytetty aika viikossa \***

- En katso Video-On-Demand -videoita viikoittain
- Alle tunti
- 1 - 5 tuntia
- 5 - 10 tuntia
- 10 - 15 tuntia
- 15 - 20 tuntia
- yli 20 tuntia



## YouTube

Tässä osiossa pyritään vielä selvittämään kuinka paljon aikaa käytetään YouTube.com video-palvelun videoiden katseluun. Tähän sisältyy myös musiikkivideoiden katselu, mutta ei yksinään musiikin kuuntelu.

### 9. YouTube -videoiden katseluun käytetty aika \*

- En katso YouTube -videoita
- Katson videoita välillä mutta en päivittäin
- alle 15 minuuttia päivässä
- 15 - 30 minuuttia päivässä
- 30 - 60 minuuttia päivässä
- Yli tunti päivässä



## TV:n katselu tottumukset

### 9.1.4 TV -kanavien nettisivut

Tämä kategoria käsittää kaiken videomateriaalin joka on katsottu TV-kanavien omilta nettisivuilta. Esimerkkejä TV-kanavien nettisivuista ovat muun muassa ruutu.fi sekä katsomo.fi.

**10.** TV -kanavien nettisivuilta ohjelmien katseluun käytetty aika arkipäivänä (ma - pe) \*

- En katso ohjelmia TV -kanavien nettisivuilta arkipäivisin
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

**11.** TV -kanavien nettisivuilta ohjelmien katseluun käytetty aika päivässä viikonloppuna (la-su) \*

- En katso ohjelmia TV -kanavien nettisivuilta viikonloppuisin
- Alle tunti
- 1 - 3 tuntia
- 3 - 5 tuntia
- 5 - 7 tuntia
- yli 7 tuntia

**12.** TV-kanavien nettisivuilta ohjelmien katseluun käytetty aika viikossa \*

- En katso ohjelmia TV -kanavien nettisivuilta viikoittain
- Alle tunti
- 1 - 5 tuntia
- 5 - 10 tuntia
- 10 - 15 tuntia
- 15 - 20 tuntia
- yli 20 tuntia



## TV:n katselu tottumukset

### 9.1.5 Mieltymykset

13. Minkä välityksellä mieluiten katsot TV -ohjelmia? \*

- Perinteinen televisio
- Video-On-Demand
- TV -kanavien nettisivut

### 9.1.6 Laitteet

14. Laitteiden valinta (voit valita useamman) \*

Televisiovastaanotin Tietokone Tabletti Älypuhelin

Laitteet joita *käytät* TV -  
ohjelmien/elokuvien  
katselemiseen

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Laitteet joita *mieluiten*  
*käyttäisit* TV -  
ohjelmien/elokuvien  
katselemiseen

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------

**15.** Jos katsot TV:tä/Videota tietokoneen välityksellä, kumman valitset? \*

- Katson ohjelman suoraan tietokoneen näytöltä
- Kytken tietokoneen televisiovastaanottimeen ja katson TV -ruudusta