



# Still Watching Other People's Programmes? The Case of Current TV

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## ABSTRACT

*In this article, the authors adapt a value chain analysis framework used in the music industry and apply it to the television industry, in order to probe the television value creation and distribution mechanisms and examine how they were affected by technology. More specifically, they examine how viewers can effectively become producers by repositioning themselves in the value chain and the implications of such a shift. Their discussion takes place in the context of a case study, that of Current TV, in order to illustrate in practice the opportunities and implications for the content producers, the broadcasters, and the viewers themselves.*

*Keywords:* Ebusiness, Television, Value Chain

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## INTRODUCTION

The rapid development of the Internet and related technologies allowed organisations to conduct their business operations in ways not possible before. The opportunities offered and the challenges set by the Internet encouraged, and in many cases even forced, organisations to explore and develop new strategies and business models by utilising technology, in order to create competitive advantages. Although electronic business spawned evolutionary and revolutionary transformations in most industries, many were left relatively unaffected. One such industry is the television/video broadcasting one.

Using the Internet as their distribution channel, traditional channels could now broadcast beyond their geographical boundaries, while new broadcasters had an economically viable platform to distribute their content. At the same time professional and amateur producers capitalised on the popularity of services like YouTube and the audience's changing viewing habits to share their creation far beyond the narrow boundaries of their close social network. Technology did not only provide the means for distributing content, though; it also affected its creation and consumption. The ever increasing available computing resources and the relatively inexpensive capturing and editing facilities meant that producing content of good quality was not beyond reach any more. At the same time, viewers started consuming

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video content when they wanted, rather than when it was broadcast, often outside their living rooms using portable devices such as the iconic iPods. Place and time shifting had changed the expectations of viewers for ever.

The above are facets of a rapidly changing industry that has experienced significant, if not fundamental, changes within a relatively short period of time, due to the introduction of new technologies. In this article, we will be using a value chain analysis framework to probe the television value creation and distribution mechanisms and examine how they were affected by technology. In particular, we will examine how viewers can effectively become producers by repositioning themselves in the value chain. Our discussion will take place in the context of a case study, that of Current TV (<http://www.current.com>), in order to illustrate in practice the opportunities and implications for content producers, broadcasters, and the viewers themselves.

Our discussion will start with an outline in the next section of the conceptual framework we will be using in the case study. Before doing so, we should first highlight that when referring to the broadcasting of television, or video content in general, over the Internet we will be referring to the content distribution and not necessarily to a continuous stream of programmes (i.e. similarly to what happens with 'traditional' television). This is a more inclusive approach when compared to the definition by Papagiannidis *et al* (2006), who defined Internet-only TV channels as channels that broadcast continuous streams only over the Internet. After all, an answer to the question 'what is television' may simply be that the question actually does not matter any more (Papagiannidis and Berry, 2007) as technological advances have enabled users to circumvent the restrictions posed by the conventional television box found in the living room and consume content as they please.

## **BUSINESS MODELS AND VALUE CHAINS: FROM AUDIO TO VIDEO**

Many definitions of business models exist (Applegate, 2001; Mansfield and Fourie, 2004; Osterwalder and Pigneur, 2002; Rappa, 2006; Timmers, 1998; Yip, 2004). For this study we will be adopting the one by Afuah and Tucci (2003), who define a business model as the method by which a firm builds and uses its resources to offer its customers better value than its competitors and to make money doing so. This is a generic definition that emphasises value creation and profit extraction.

When it comes to business models of television broadcasters Chan-Olmsted and Ha (2003) proposed a number of different ways they can generate revenues online depending on their competencies. A television broadcaster can profit by advertising and sponsorship deals or ecommerce (i.e. merchandise or per unit content). In addition, broadcasters can charge a subscription fee to customers for accessing premium content. They can also sell their content to other websites or receive affiliate fees from them, often a percentage of the total sales spawned from customers that have been directed to those external websites from the broadcaster's one. Still, despite the potential to generate revenues online Chan-Olmsted and Ha found that television stations have focused their online activities on building audience relationships: "The Internet is mostly used by television broadcasters as a support mechanism to complement the stations' offline core products" (Chan-Olmsted and Ha, 2003). In addition to revenue generation, the Internet has all the potential to play a critical role in value generation for television broadcasters. For example, Waterman (2001) identified five improvements the Internet can make to the cost and efficiency of established broadband media. These include lower delivery costs and reduced capacity constraints, more efficient interactivity, more efficient advertising and sponsorship, more efficient direct pricing and bundling, and finally lower costs of copying and

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